

HBL

ASSET MANAGEMENT LTD.

ایسٹٹ منیجمنٹ لمیٹڈ

AMC Rating : AM2+ by JCR-VIS

# Annual Report 2017-18

MOVING TOWARDS  
**EXCELLENCE**



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# OUR VISION

Enabling people to  
advance with  
confidence and  
success.

# OUR MISSION

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

## PROGRESSIVENESS

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

## MERITOCRACY

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

## EXCELLENCE

The markets in which we operate are becoming increasingly competitive and our investors now have an abundance of choice. Only through being the very best - in terms of the service we offer, our product and premises - can we hope to be successful and grow.

## OUR CORPORATE VALUES

Our values are based upon the fundamental principles that define our culture and are brought to life in our attitude and behavior. It is our values that make us unique and stem from five basic principles.

## CUSTOMER FOCUS

We need to understand fully the need of our investors and to adopt our product and services to meet these. We must strive always to put the satisfaction of our investor first.

## INTEGRITY

We are an Asset Management Company in Pakistan and our success depends upon the performance of the Fund(s) which are under management and our investors and society in general expect us to possess and steadfastly adhere to high moral principles and professional standards.

## Management Company

HBL Asset Management Limited

## Board of Directors

Chairman	Mr. Agha Sher Shah	(Independent Director)
Directors	Mr. Farid Ahmed Khan	(Executive Director / CEO)
	Mr. Shabbir Hussain Hashmi	(Independent Director)
	Ms. Ava Ardeshir Cowasjee	(Independent Director)
	Mr. Shahid Ghaffar	(Independent Director)
	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Raymond H. Kotwal	(Non-Executive Director)

## Audit Committee

Chairman	Mr. Shabbir Hussain Hashmi	(Independent Director)
Members	Ms. Ava Ardeshir Cowasjee	(Independent Director)
	Mr. Shahid Ghaffar	(Independent Director)
	Mr. Raymond H. Kotwal	(Non-Executive Director)
	Mr. Rizwan Haider	(Non-Executive Director)

## Human Resource Committee

Chairman	Mr. Agha Sher Shah	(Independent Director)
Members	Mr. Farid Ahmed Khan	(Executive Director / CEO)
	Mr. Shabbir Hussain Hashmi	(Independent Director)
	Mr. Raymond H. Kotwal	(Non-Executive Director)

## Risk Management Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Farid Ahmed Khan	(Executive Director / CEO)
	Mr. Shahid Ghaffar	(Independent Director)

## Company Secretary & Chief Financial Officer

Mr. Noman Qurban

## AMC Rating

AM2+ (Stable Outlook)

## Legal Advisors

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

## Website

[www.hblasst.com](http://www.hblasst.com)

## Head Office & Registered Office

7th Floor, Emerald Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi.

The Board of Directors of HBL Asset Management Limited is pleased to present its report together with Financial Statements of HBL Islamic Money Market Fund, HBL Islamic Income Fund, HBL Islamic Stock Fund, HBL Islamic Equity Fund, HBL Islamic Asset Allocation Fund & HBL Islamic Financial Planning Fund (the Funds) for the year ended June 30, 2018.

### **Economic Review**

Pakistan's economy sustained its growth trajectory in FY18 with substantial increase in aggregate demand leading to higher external account risks. The challenges faced by the economy largely remained un-mitigated in midst of higher international oil prices which aggravated current account deficit recently (mainly in 4QFY18). More recent policy steps (PKR depreciation, interest rate increase and imposition of duty on import products) would likely yield some results while we foresee continuation of stringent policy measures in FY19 as well.

GDP growth remained impressive at 5.8% in FY18 compared to 5.4% in the year before and the growth rate was the highest in the past 13 years. Key factors behind the higher GDP growth rate was a turnaround in the agricultural sector, which posted 3.8% growth vs. just 2.1% growth in the previous year; meanwhile, industrial growth came in at 5.8% and services sector posted growth of 6.4%. Large-scale manufacturing (LSM) posted 6b.0% YoY growth during 11MFY18 mainly led by Electronics (+36.0%), Iron & Steel Products (+22.0%), Automobiles (+18.0%) and Non-metallic Mineral Products (+11.9%). Average Inflation during FY18 was muted at 3.92%. However, inflation picked up at the end of year as head line inflation and core inflation was recorded at 5.2% and 7.1% respectively for the month of Jun-18. This uptick in inflation was due to higher international oil prices and three rounds of rupee depreciation. PKR depreciated by 5.0% against US dollar during Jun-18, taking cumulative FY18 PKR depreciation to 16.0%.

The fiscal deficit exhibited a deterioration in 9MFY18 where the fiscal deficit-to-GDP ratio rose to 4.3% from 3.9%. During the year, faster economic growth caused imbalances on the external front with FY18 current account deficit soaring to USD 18.0bn (5.7% of GDP) compared to USD 12.6bn (4.1% of GDP) in FY17. In FY18, import of goods and services surged by 14.7% YoY to USD 66.2bn while exports grew by 12.6% to USD 30.0bn resulting in a trade deficit of USD 36.2bn vs USD 31bn during FY17. Remittances showed a nominal increase of 1.4% to USD 19.6bn due to decline in remittances from the Middle East countries. As a result, SBP forex reserves decreased by USD 6.4bn since Jun-17 to reach USD 9.8bn at the end of FY18.

Going forward, continuation of stringent policy measures is expected with focus towards monetary and fiscal tightening and import curtailment as external account risks remain high.

### **Money Market Review**

Interest rate cycle reversed in FY18 as central bank focus diverted towards containing rising twin deficits and in anticipation of increase in inflation due to lack of fiscal discipline in election times. During the year, Islamic Banking industry assets grew by 21.9% (PKR 447 billion) and stood at PKR 2,482 billion by end June, 2018. Similarly, deposits of Islamic banks also witnessed a sharp growth of 18.2% YoY and reached PKR 2,033 billion by end June, 2018. Despite the massive growth in deposits, SBP did not issue any fixed or floating rate GOP Ijarah Sukuk in FY18. However, in order to meet SLR requirement of Islamic Banks, Government of Pakistan issued SLR eligible corporate instruments in the primary market. During the year, prices of fixed rated Ijarah Sukuk witnessed sharp decline due to lack of demand with rising interest rate scenario. Three GoP Ijarah Sukuk instruments are fixed rated which cumulatively contribute PKR 268 billion (~70%) out of the total outstanding issue of PKR 384 billion. Corporate debt raising activity was brisk during the period in order to benefit from surplus liquidity in the system which was well received by Islamic financial institutions due to attractive pricing compared to GoP Ijarah Sukuk.

Going forward, we foresee another interest rate hike of 50bps in the calendar year 2018 on the back of increasing inflation expectation and persistence of current account risks.

### **Stock Market Review**

Pakistan Equities witnessed a topsy-turvy ride during FY18 underlined by disappointing foreign flows (after MSCI upgrade), political uncertainty following the ouster of ex-PM, macroeconomic challenges and speculations relating to recently concluded general elections.

Islamic Equities benchmark KMI30 Index fell 7,538 points to close at 71,060 points, reflecting a decline of 10%. Despite market expectation of strong foreign inflows following Pakistan's inclusion in the MSCI Emerging Markets, foreign investors continued to remain net sellers and sold stocks of worth USD289mn. Within local investors, insurance companies and corporates bought equities of USD204mn and USD100mn respectively while Mutual funds divested equities of USD35mn during the year. On the political front, Ex-Prime Minister Nawaz Sharif was disqualified by Supreme Court in Jul-17 which further marred investor sentiment. Moreover, economic concerns increased due to rising twin deficits followed by stringent policy measures by the government (16% PKR depreciation and 75bps increase in interest rates).



The Cement and Banking sector led the rout in the KMI index, causing attrition of 2,288 points and 1,083 points respectively. The decline in cements was caused by the fears of a price war in the sector as upcoming expansions could lead to an oversupply situation particularly in the Southern region. Investor sentiment was reflected in poor price performance of DGKC and LUCK which fell 44% and 37% YoY respectively. Within the banking sector, MEBL returned 10% during the outgoing year buoyed by rising interest rate environment which is expected to lead to margin expansion.

FY18 saw strong performance from the Oil & Gas Exploration companies due to 66% increase in International Oil Prices and 16% PKR depreciation. The outperformance was led by POL and PPL which increased 58% and 53% against SPLY.

Going forward, Pakistan equities are expected to rebound with restoration of political stability (after General Elections), gradual improvement in macroeconomic trends and potential revival of foreign investor interest after steep PKR depreciation.

## **FUND'S PERFORMANCE AND PAYOUTS**

### **HBL Islamic Money Market Fund**

The total income and net income of the Fund was Rs. 47.43 million and Rs. 34.69 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) of the Fund increased from Rs. 100.6277 per unit as on June 30, 2017 to Rs. 104.9735 per unit as on June 30, 2018; thereby giving an annualized return of 4.32%. During the year the benchmark return (3 Month bank deposit rates) was 2.58%. The size of Fund was Rs. 0.96 billion as on June 30, 2018 as compared to Rs. 0.84 billion at the start of the year.

The Board of Directors approved final cash distribution of Rs. 4.15 per unit to the unit holders for the year ended June 30, 2018.

JCR-VIS Credit Rating Company Limited has reaffirmed AA (f) Fund Stability Rating to the Fund.

### **HBL Islamic Income Fund**

The total income and net income of the Fund was Rs. 275.91 million and Rs. 223.67 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) of the Fund increased from Rs. 101.0691 per unit as on June 30, 2017 to Rs. 106.3013 per unit as on June 30, 2018; thereby giving an annualized return of 5.18%. During the same year the benchmark return (6 Month bank deposit rates) was 2.44%. The size of Fund was Rs. 4.04 billion as on June 30, 2018 as compared to Rs. 4.46 billion at the start of the year.

The Board of Directors approved final cash distribution of Rs. 5.00 per unit to the unit holders for the year ended June 30, 2018.

JCR-VIS Credit Rating Company Limited has upgraded Fund Stability Rating of the Fund to A+ (f).

### **HBL Islamic Stock Fund**

The total and net loss of the Fund was Rs. 53.84 million and Rs. 119.08 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) of the Fund decreased from Rs. 130.0225 per unit as on June 30, 2017 to Rs. 111.8276 per unit as on June 30, 2018 giving a negative return of 13.99% during the year against the benchmark return (KMI 30 Index) of

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

### **HBL Islamic Equity Fund**

The total and net loss of the Fund was Rs. 81.82 million and Rs. 125.48 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) of the Fund decreased from Rs. 105.4755 per unit as on June 30, 2017 to Rs. 92.4834 per unit as on June 30, 2018 giving a negative return of 12.32% during the year against the benchmark return (KMI 30 Index) of negative 9.59%. The size of Fund was Rs. 1.32 billion as on June 30, 2018 as compared to Rs. 0.79 billion at the start of the year.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

## **HBL Islamic Asset Allocation Fund**

The total income and net income of the Fund was Rs. 79.51 million and Rs. 7.76 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) of the Fund decreased from Rs. 105.5962 per unit as on June 30, 2017 to Rs. 104.7748 per unit as on June 30, 2018 thereby giving a negative return of 0.78% during the year against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of negative 0.28%. The size of Fund was Rs. 2.47 billion as on June 30, 2018 as compared to Rs. 2.62 billion at the start of the year.

The Board of Directors approved final cash distribution of Rs. 0.30 per unit to the unit holders for the year ended June 30, 2018.

## **HBL Islamic Financial Planning Fund**

HBL Islamic Financial Planning Fund comprises of three sub funds (plans) namely Active allocation plan, Conservative allocation plan and Strategic allocation plan.

The Fund as a whole earned total and net income of Rs. 85.83 million and Rs. 66.97 million respectively during the year under review. The fund size of the fund stood at Rs. 4.57 billion. Performance review for plan is given below:

### **Active Allocation Plan**

During the year under review, the Active allocation plan earned total and net income of Rs. 4.69 million and Rs. 3.63 million respectively. The net assets of the Active allocation plan stood at Rs. 247 million representing Net Asset Value (NAV) of Rs. 100.4143 per unit as at June 30, 2018. The plan earned a return of 0.40% for the year under review. The plan is invested to the extent of 60% in equity funds & 39% in fixed income funds.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

### **Conservative Allocation Plan**

During the year under review, the Conservative allocation plan earned total and net income of Rs. 0.92 million and Rs. 0.70 million respectively. The net assets of the Conservative allocation plan stood at Rs. 37 million representing Net Asset Value (NAV) of Rs. 101.4151 per unit as at June 30, 2018. The plan earned a return of 1.40% for the year under review. The plan is invested to the extent of 20% in equity funds & 79% in fixed income funds.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

### **Strategic Allocation Plan**

During the year under review, the Strategic allocation plan earned total and net income of Rs. 80.22 million and Rs. 62.64 million respectively. The net assets of the Strategic allocation plan stood at Rs. 4.28 billion representing Net Asset Value (NAV) of Rs. 101.4938 per unit as at June 30, 2018. The plan earned a return of 1.36% for the year under review. The plan is invested to the extent of 49% in equity funds & 51% in fixed income funds.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

## **MANAGEMENT COMPANY RATING**

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has maintained management quality rating of 'AM2+ (positive outlook)' to the Management Company.

## **AUDITORS**

M/s Deloitte Yousuf Adil, Chartered Accountants existing auditors of HBL Islamic Money Market Fund, HBL Islamic Income Fund, HBL Islamic Stock Fund, HBL Islamic Equity Fund, HBL Islamic Asset Allocation Fund & HBL Islamic Financial Planning Fund have retired. The Board of Directors would consider the matter of the appointment of auditors in due course of time.

## **PATTERN OF UNIT HOLDING**

The details regarding the pattern of unit holding are provided in the respective financial statements of the Funds. Breakup of unit holding by size is provided in the relevant section of the Fund Manager Report of the respective Funds.

## **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 Limited 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.

On behalf of the Board of  
**HBL Asset Management Limited**

**Chief Executive Officer**

**Director**

## انتظامی کمپنی کے ڈائریکٹرز کی رپورٹ

انجی بی ایل ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز، مسرت اپنی رپورٹ مع 30 جون 2018 کو ختم ہونے والے سال کے لئے انجی بی ایل اسلامک منی مارکیٹ فنڈ، انجی بی ایل اسلامک انکم فنڈ، انجی بی ایل اسلامک اسٹاک فنڈ، انجی بی ایل اسلامک ایلیٹ فنڈ، انجی بی ایل اسلامک ایلیٹیشن فنڈ اور انجی بی ایل اسلامک فنڈز کے مالیاتی حسابات پیش کر رہے ہیں۔

### معیشت کا جائزہ

مالی سال 2018 میں پاکستان کی معاشی کارکردگی نے مجموعی طلب میں موزوں اضافے کے ساتھ شرح نمو میں بہتری کا سلسلہ جاری رکھا جس کے نتیجے میں بیرونی اکاؤنٹ کے خطرات بھی بڑھے۔ معیشت کو درپیش خطرات تیل کے بین الاقوامی نرخوں کے بلند سطح پر گامزن رہنے کے باعث برقرار رہے جس سے کرنٹ اکاؤنٹ خسارہ حالیہ سطح پر مزید بڑھ گیا (بالخصوص مالی سال 18 کی چوتھی سہ ماہی میں)۔ مزید برآں حال ہی میں پالیسی اقدامات (پاک روپے کی قدر میں کمی، شرح سود میں اضافہ اور درآمدی مصنوعات پر ڈیوٹی کے نفاذ) سے ممکنہ طور پر نتائج کچھ بہتر ظاہر ہوں گے جبکہ ہم مالی سال 2019 میں بھی سخت پالیسی اقدامات کا تسلسل دیکھ رہے ہیں۔

معاشی ترقی میں مسلسل بہتری کے نتیجے میں حقیقی مجموعی پیداوار 5.8 فیصد کی شرح نمو کے ساتھ مسلسل بہتری کی جانب گامزن ہے جو گزشتہ سال 5.4 فیصد تھی۔ مالی سال 2018 میں جی ڈی پی کی شرح نمو گزشتہ 13 سالوں میں سب سے زیادہ تھی۔ اس بلند شرح نمو کے پیچھے کلیدی عوامل میں زرعی شعبے میں بدلاؤ بھی تھا جس نے گزشتہ سال میں صرف 2.1 فیصد شرح نمو کے مقابلے میں اس سال 3.8 فیصد نمو ظاہر کی۔ دریں اثنا صنعتی شرح نمو 5.8 فیصد رہی اور شعبہ ہائے خدمات نے 6.4 فیصد شرح نمو ظاہر کی۔ وسیع پیمانے پر مینوفیکچرنگ (LSM) نے مالی سال 2018 کے 11 ماہ کے دوران YoY 6.0% شرح نمو ظاہر کی جس میں بالخصوص الیکٹرونکس (+36.0%)، آئرن اور اسٹیل پروڈکٹس (+22.0%)، آٹو موٹو ملز (+18.0%) اور نان-مینٹلک منرل پروڈکٹس (+11.9%) سرفہرست رہے۔ مالی سال 2018 کے دوران اوسطاً افراط زر 3.92% پر خاموش رہا۔ تاہم افراط زر سال کے آخر میں بڑھ گیا جیسا کہ جون 2018 کے ماہ کے لئے افراط زر کی ہیڈ لائن اور بنیادی افراط زر بالترتیب 5.2 فیصد اور 7.1 فیصد رہی۔ افراط زر میں یہ بلند تر جان آئل کے انٹرنیشنل نرخوں میں اضافہ روپے کی قدر میں تین بار کی کے باعث دیکھنے میں آیا۔ پاک روپے کی قدر جون 2018 کے دوران امریکی ڈالر کے مقابلے میں 5.0 فیصد تک کم ہوئی جبکہ مالی سال 2018 کے دوران مجموعی طور پر روپے کی قدر 16.0 فیصد کم ہو گئی۔

مالی سال 2018 کے 9 ماہ میں مالیاتی خسارے میں بگاڑ ظاہر ہوا جہاں مالیاتی خسارہ برائے جی ڈی پی کی شرح گزشتہ سال کی اسی مدت کی 3.9 فیصد سے بڑھ کر 4.3 فیصد ہو گئی۔ معیشت میں تیز رفتار شرح نمو کے سال کے دوران بیرونی محاذ پر عدم توازن کا سامنا رہا اس کے ساتھ مالی سال 2018 کا کرنٹ اکاؤنٹ خسارہ 18.0 بلین یو ایس ڈالر (جی ڈی پی کا 5.7%) تک پہنچ گیا جو اس کے مقابلے میں مالی سال 2017 میں 12.6 بلین یو ایس ڈالر (جی ڈی پی کا 4.1%) تھا۔ مالی سال 2018 میں ایشیا کی درآمدات اور شعبہ ہائے خدمات YoY 14.0% تک بڑھ کر 66.2 بلین یو ایس ڈالر ہو گئیں جبکہ برآمدات 12.6 فیصد تک بڑھ کر 30.0 بلین یو ایس ڈالر ہو گئیں جس کے نتیجے میں 36.2 بلین یو ایس ڈالر کا تجارتی خسارہ ہوا جو اس کے مقابلے میں مالی سال 2017 کے دوران 31.0 بلین یو ایس ڈالر تھا۔ زرتریل 1.4 فیصد کے معمولی اضافے کے ساتھ 19.6 بلین یو ایس ڈالر رہے جس کی وجہ مشرق وسطیٰ کے ممالک سے زرتریل میں کمی تھی۔ اس کے نتیجے میں اسٹیٹ بینک آف پاکستان کے غیر ملکی ربادلہ کے ذخائر جون 2017 سے 6.4 بلین یو ایس ڈالر کم ہو کر مالی سال 2018 کے اختتام تک 9.8 بلین یو ایس ڈالر رہ گئے۔

آگے بڑھتے ہوئے ہم کڑی پالیسی اقدامات کے تسلسل کے ساتھ مانیٹری اور مالیاتی نظم و ضبط کے ضمن میں توجہ اور درآمدات میں کمی دیکھ رہے ہیں کیونکہ بیرونی اکاؤنٹ کے خطرات بدستور بلند سطح پر ہیں۔

## بازار زر کا جائزہ

مالی سال 2018 میں شرح سود کا دائرہ بدل گیا کیونکہ مرکزی بینک کی توجہ بڑھتے ہوئے دہرے خسارے اور افراط زر میں اضافے کی توقع پر مہذول ہو گئی تھی جس کی وجہ انتخابات کے وقت مالیاتی نظم و ضبط کا فقدان تھا۔ سال کے دوران اسلامی بینکاری کی صنعت کے اثاثہ جات %21.9 (447 ارب روپے) تک بڑھ گئے اور جون 2018 کے آخر میں یہ 2,482 ارب روپے پر موجود تھے۔ اسی طرح اسلامی بینکوں کے ڈپازٹ نے بھی %18.2 کی ایک مستحکم نمو ظاہر کی اور جون 2018 کے اختتام تک 2,033 ارب روپے پر پہنچ گئے۔ اثاثہ جات اور ڈپازٹس میں بیماری شرح نمو کے باوجود ایس بی پی نے مالی سال 2018 میں کوئی فکسڈ یا فلوٹنگ شرح کے سرکاری اجارہ سکوک جاری نہیں کئے۔ تاہم اسلامی بینکوں کی ایس ایل آر شرط کو پورا کرنے کے ضمن میں حکومت پاکستان نے ایس ایل آر کے اہل کار پورٹنٹ انٹرنیشنل بنیادی مارکیٹ میں جاری کئے۔ سال کے دوران فکسڈ ریٹ کے اجارہ سکوک کے نرخوں نے طلب میں کمی اور شرح سود میں اضافے کے تناظر کے باعث تیزی سے کمی کا سامنا کیا۔ تین سرکاری اجارہ سکوک انٹرنیشنل فکسڈ ریٹ کے حامل ہیں جنہوں نے مجموعی طور پر 384 ارب روپے کے کل واجب الادا ایٹو میں سے 268 ارب روپے (%70) فیصد کی شراکت کی۔ کارپوریٹ ڈیٹ بڑھنے کی سرگرمی میں اس مدت کے دوران اضافہ ہوتا رہا جو سسٹم میں اضافی لیکویڈٹی سے فائدہ اٹھانے کے ضمن میں تھا جس کو حکومت پاکستان کے اجارہ سکوک کے مقابلے میں پرکشش نرخوں کے باعث اسلامی مالیاتی اداروں کی جانب سے خوب پذیرائی حاصل ہوئی۔

آگے بڑھتے ہوئے ہم افراط زر کی شرح میں اضافے کی توقع اور کرنٹ اکاؤنٹ خسارے کی موجودگی کے باعث آئندہ تقویمی سال میں شرح سود میں مزید 50 bps کا اضافہ دیکھ رہے ہیں۔

## بازار حصص کا جائزہ

پاکستان ایکویٹیز کو ماپوس کن غیر ملکی زرمبادلہ کے بہاؤ (بعد از MSCI اپ گریڈ)، سابق وزیر اعظم کے جانے کے بعد سیاسی بے یقینی، میکرو اکنامک چیلنجز اور حال ہی میں ختم ہونے والے عام انتخابات کے بارے میں مختلف قیاس آرائیوں کے باعث الٹ پلٹ اتار چڑھاؤ کا سامنا رہا۔

اسلاک - ایکویٹیز شیئنگ مارک (KMI30 انڈیکس) 7,538 پوائنٹس تک گر کر 71,060 پوائنٹس پر بند ہوا جو 10 فیصد کمی کو ظاہر کرتا ہے۔ ایم ایس سی آئی ایمر جگ مارکیٹس میں پاکستان کی شمولیت کے بعد مستحکم غیر ملکی زر بہاؤ کی مارکیٹ توقعات کے مطابق رہنے کے باوجود غیر ملکی سرمایہ کار خالص فروخت کنندگان ہی رہے اور 289 ملین امریکی ڈالر کے اسٹاکس فروخت کئے۔ مقامی سرمایہ کاروں کے اندر بیہوشی اور کارپوریٹس نے بالترتیب 204 ملین امریکی ڈالر اور 100 ملین امریکی ڈالر کی ایکویٹیز خریدیں جبکہ میوچل فنڈز نے سال کے دوران 35 ملین امریکی ڈالر کی ایکویٹیز فروخت کیں۔ سیاسی محاذ پر سابق وزیر اعظم میاں نواز شریف کو سپریم کورٹ نے جولائی 2017 میں نااہل قرار دے دیا تھا جس سے سرمایہ کاری کا رجحان مزید متاثر ہوا۔ مزید برآں پالیسی سازوں کی جانب سے کڑے پالیسی اقدامات (پاک روپے کی قدر میں 16 فیصد کمی اور شرح سود میں 75bps کا اضافہ) کے بعد دہرے خسارے کے باعث اقتصادی صورتحال مزید سنگین ہو گئیں۔

سینٹ کا شعبہ کے ایم آئی انڈیکس میں سب سے آگے رہا جس میں کمی کی وجہ سے ڈی جی کے سی (DGKC) اور ایل یو سی کے (LUCK) %44 اور %37 YoY کم ہو گیا۔ سینٹ میں کمی کی وجہ اس شعبے میں نرخوں کی جنگ کا خوف تھا جیسا کہ آئندہ توسیع سے زائد سپلائی کی صورتحال سامنے آسکتی تھی بالخصوص جنوبی خطے میں کیونکہ ڈی جی کے سی (DGKC) اور ایل یو سی کے (LUCK) کے نرخوں کی خراب کارکردگی سے سمجھا جا رہا تھا۔ بینکاری کے شعبے کے اندر جانے والے سال کے دوران ایم ای بی ایل کا منافع 10 فیصد رہا جو شرح سود بڑھنے سے ممکن ہوا جس کی توقع منافع جات میں اضافے کی صورت میں لگائی گئی تھی۔

مالی سال 2018 کے دوران آئل و گیس ایکسپلوریشن کمپنیوں کی جانب سے بہترین کارکردگی کا مظاہرہ کیا گیا جس کی وجہ تیل کے بین الاقوامی نرخوں میں 66 فیصد اضافہ اور پاک روپے کی قدر میں 16 فیصد کمی تھی۔ پنی او ایل اور پنی پی ایل کی کارکردگی غیر معمولی رہی جس کے منافع جات گزشتہ سال کی اسی مدت کے مقابلے میں 58 فیصد اور 53 فیصد بڑھ گئے۔

آگے بڑھتے ہوئے ہمیں توقع ہے کہ پاکستان کی ایکویٹیز سیاسی استحکام (عام انتخابات کے بعد) کی بحالی کے ساتھ بہتر ہو جائیں گی میکرو اکنامک رجحان میں بتدریج بہتری اور پاک روپے کی قدر میں کمی کے بعد غیر ملکی سرمایہ کاروں کی دلچسپی بڑھ جانے سے ممکنہ بحالی سے صورتحال تبدیل ہوگی۔

فنڈ کی کارکردگی اور ادائیگیاں:

ایچ بی ایل اسلامک منی مارکیٹ فنڈ:

فنڈ کی گھل آمدن اور خالص آمدن 30 جون 2018 کو ختم ہونے والے سال کے دوران اعلیٰ الترتیب 47.43 ملین روپے اور 34.69 روپے رہیں۔ فنڈ کی خالص مالیت اثاثہ بمطابق 30 جون 2017، 100.6277 روپے فی یونٹ سے بڑھ کر 30 جون 2018 کے مطابق 104.9735 روپے فی یونٹ ہو گئی جس کے ذریعے 4.32% کا سالانہ منافع دیا گیا۔ سال کے دوران شیئ مارک منافع (3 ماہ کی بینک ڈپازٹ شرحیں) 2.58% تھا۔ فنڈ کی جسامت 30 جون 2018 کے مطابق 0.96 ارب روپے تھی جو سال کے آغاز پر 0.84 ارب روپے پر تھی۔

بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 4.15 روپے فی یونٹ حتمی نقد منافع کی تقسیم کی منظوری دی ہے۔

جے سی آر- وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کو اے اے (ایف) کی فنڈ اسٹیبلٹی ریٹنگ کی توثیق کی ہے۔

ایچ بی ایل اسلامک انکم فنڈ

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کی گھل آمدن اور خالص آمدن 275.91 ملین روپے اور 223.67 ملین روپے اعلیٰ الترتیب رہیں۔ فنڈ کے خالص مالیت اثاثہ بمطابق 30 جون 2017، 101.0691 روپے فی یونٹ سے بڑھ کر بمطابق 30 جون 2018، 106.3013 روپے فی یونٹ ہو گئی جس کے ذریعے 5.18% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران شیئ مارک منافع (6 ماہ کی بینک ڈپازٹ شرحیں) 2.44% تھا۔ فنڈ کی جسامت 30 جون 2018 کے مطابق 4.04 ارب روپے پر تھی جو سال کے آغاز پر 4.46 ارب روپے پر تھی۔

بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 5.00 روپے فی یونٹ حتمی نقد منافع تقسیم کی منظوری دی ہے۔

جے سی آر- وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کی فنڈ اسٹیبلٹی ریٹنگ بڑھاتے ہوئے اے پلس (ایف) A+(F) کر دی۔

ایچ بی ایل اسلامک اسٹاک فنڈ:

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کا گھل اور خالص خسارہ 53.84 ملین روپے اور 119.08 ملین روپے اعلیٰ الترتیب رہا۔ فنڈ کی خالص مالیت اثاثہ بمطابق 30 جون 2017، 130.0225 روپے فی یونٹ سے کم ہو کر بمطابق 30 جون 2018، 111.8276 روپے فی یونٹ ہو گئی۔ سال کے دوران 9.59% منفی کے شیئ مارک منافع (کے ایم آئی 30 انڈیکس) کے مقابلے میں 13.99% کا منفی منافع دیا گیا۔ فنڈ کی جسامت 30 جون 2018 کے مطابق 2.54 ارب روپے پر تھی جو سال کے آغاز پر 1.04 ارب روپے پر تھی۔

بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

ایچ بی ایل اسلامک ایکویٹی فنڈ

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کا گھل اور خالص خسارہ 81.82 ملین روپے اور 125.48 ملین روپے اعلیٰ الترتیب رہا۔ فنڈ کی خالص مالیت اثاثہ بمطابق 30 جون 2017، 105.4755 روپے فی یونٹ سے کم ہو کر بمطابق 30 جون 2018، 92.4834 روپے فی یونٹ ہو گئی۔ سال کے دوران 9.59% منفی کے شیئ مارک منافع (کے ایم آئی 30 انڈیکس) کے مقابلے میں 12.32% کا منفی منافع دیا گیا۔ فنڈ کی جسامت 30 جون 2018 کے

مطابق 1.32 ارب روپے پر تھی جو سال کے آغاز پر 0.79 ارب روپے تھی۔

بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

### ایچ بی ایل اسلامک ایسیٹ ایلیویشن فنڈ:

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کی گھل آمدن اور خالص آمدن 79.51 ملین روپے اور 7.76 ملین روپے علی الترتیب رہیں۔ فنڈ کی خالص مالیت اثاثہ (NAV) بمطابق 30 جون 2017، 105.5962، روپے فی یونٹ سے کم ہو کر 30 جون 2018 کے مطابق 104.7748 روپے فی یونٹ ہو گئی۔ جس کے ذریعے 0.28% منفی کے بیچ مارک منافع (کے ایم آئی) 30 انڈیکس اور 6 ماہ اے درجہ یا اس سے اوپر ٹیکس کی ڈپازٹ شرح کی اوسط کے مقابلے میں سال کے دوران 0.78% کا منفی منافع دیا گیا۔ فنڈ کی جسامت 30 جون 2018 کے مطابق 2.47 ارب روپے تھی جو سال کے آغاز پر 2.62 ارب روپے تھی۔

بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 0.30 روپے فی یونٹ کے حتمی نقد تقسیم کی منظوری دی ہے۔

### ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ:

ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ تین ذیلی فنڈز (پلانز) پر مشتمل ہے جس کے نام ایکٹیو ایلیویشن پلان، کنزرویٹو ایلیویشن پلان اور اسٹریٹجک ایلیویشن پلان ہیں۔ فنڈ نے مجموعی طور پر زیر جائزہ عرصے کے دوران گھل اور خالص آمدن علی الترتیب 85.83 ملین روپے اور 66.97 ملین روپے حاصل کی۔ فنڈ کا گھل حجم 4.57 ارب روپے رہا۔ پلان کے لئے کارکردگی کا جائزہ درج ذیل ہے:

### ایکٹیو ایلیویشن پلان:

زیر جائزہ عرصے کے دوران ایکٹیو ایلیویشن پلان نے علی الترتیب 4.69 ملین روپے اور 3.63 ملین روپے کی گھل اور خالص آمدن حاصل کی۔ ایکٹیو ایلیویشن پلان کے خالص اثاثہ جات 247 ملین روپے پر رہے جو بمطابق 30 جون 2018، 100.4143 روپے فی یونٹ خالص مالیت اثاثہ کو ظاہر کرتا ہے۔ زیر جائزہ عرصے کے لئے پلان نے 0.40% کا منافع حاصل کیا۔ پلان نے 60% کی حد تک ایکویٹی فنڈز اور 39% کی حد تک فکسڈ انکم فنڈز میں سرمایہ کاری کی۔

بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

### کنزرویٹو ایلیویشن پلان:

زیر جائزہ سال کے دوران کنزرویٹو ایلیویشن پلان نے علی الترتیب 0.92 ملین روپے اور 0.70 ملین روپے کی گھل اور خالص آمدن حاصل کی۔ کنزرویٹو ایلیویشن پلان کے خالص اثاثہ جات 37 ملین روپے قائم رہے جو بمطابق 30 جون 2018، 101.4151 روپے فی یونٹ کی خالص مالیت اثاثہ جات (NAV) کو ظاہر کرتی ہے۔ زیر جائزہ عرصے کے لئے پلان نے 1.40% کا منافع کمایا۔ پلان نے 20% کی حد تک ایکویٹی فنڈز اور 79% کی حد تک فکسڈ انکم فنڈز میں سرمایہ کاری کی۔

بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

### اسٹریٹجک ایلیویشن پلان:

زیر جائزہ عرصے کے دوران اسٹریٹجک ایلیویشن پلان نے علی الترتیب 80.22 ملین روپے اور 62.64 ملین روپے کی گھل اور خالص آمدن حاصل کی۔ اس پلان کے خالص اثاثہ جات 14.28 ارب روپے پر قائم رہے جو بمطابق 30 جون 2018، 101.4938 روپے فی یونٹ کی خالص مالیت اثاثہ جات کو ظاہر کرتی ہے۔ زیر جائزہ عرصے کے لئے پلان نے 1.36% کا منافع حاصل کیا۔ پلان نے 49% کی حد تک ایکویٹی فنڈز اور 51% کی حد تک فکسڈ انکم فنڈز میں سرمایہ کاری کی۔

بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

### مینجمنٹ کمپنی ریٹنگ (درجہ بندی):

جے سی آر-وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے مینجمنٹ کمپنی کے لئے اے ایم 2 پوزیٹو آؤٹ لگ یعنی (مثبت توقع) کی مینجمنٹ کو ایٹمی ریٹنگ (درجہ بندی) برقرار رکھی۔

### آڈیٹرز:

میسرز ڈی لائیٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس، ایچ بی ایل اسلامک منی مارکیٹ فنڈ، ایچ بی ایل اسلامک انکم فنڈ، ایچ بی ایل اسلامک اسٹاک فنڈ، ایچ بی ایل اسلامک ایکویٹی فنڈ، ایچ بی ایل اسلامک ایسیٹ ایلیکیشن فنڈ اور ایچ بی ایل فنانشل پلاننگ فنڈ کے موجودہ آڈیٹرز کے عہدے سے سبکدوش ہو گئے۔ بورڈ آف ڈائریکٹرز کچھ وقت کے بعد آڈیٹرز کی تقرری کے معاملے پر غور و خوض کریں گے۔

### یونٹ ہولڈنگ کا طریقہ کار:

یونٹ ہولڈنگ کا طریقہ کار (پینن) فنڈز کے متعلقہ مالیاتی دستاویزات میں فراہم کر دیا گیا ہے۔ یونٹ ہولڈنگ کا بریک اپ بذریعہ جم متعلقہ فنڈز کے فنڈ فیجر رپورٹ کے متعلقہ سیکشن میں فراہم کیا گیا ہے۔

### اعتراف:

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے اپنے تمام یونٹ ہولڈرز کا ان کے اعتماد اور سرپرستی کے لئے دل کی گہرائیوں سے شکریہ ادا کرتا ہے۔ بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سینٹرل ڈپازٹری کمپنی آف پاکستان بطور ٹرسٹی پاکستان اسٹاک ایکسچینج لمیٹڈ اور بینک دولت پاکستان کی جانب سے فراہم کردہ اعانت اور راہنمائی کے لئے ان کی کاوشوں کی قدر کرتا ہے اور معترف بھی ہے۔ بورڈ عملے کی جانب سے انتھک محنت اور لگن کو بھی سراہتا ہے۔

منجانب بورڈ

ایچ بی ایل ایسیٹ مینجمنٹ لمیٹڈ

ڈائریکٹر

چیف ایگزیکٹو آفیسر

بمقام: کراچی





# **HBL** Islamic Money Market Fund

HBL AML Financial annual report 2017-18

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Islamic Money Market Fund</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF AUDITORS</b>	<b>Deloitte Yousuf Adil Chartered Accountants</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Askari Bank Limited Habib Metropolitan Bank Limited Bank Al Habib Limited Allied Bank Limited Faysal Bank Limited Summit Bank Limited Meezan Bank Limited</b>

**Type and Category of Fund**

Open end Islamic Money Market Fund

**Investment Objective and Accomplishment of Objective**

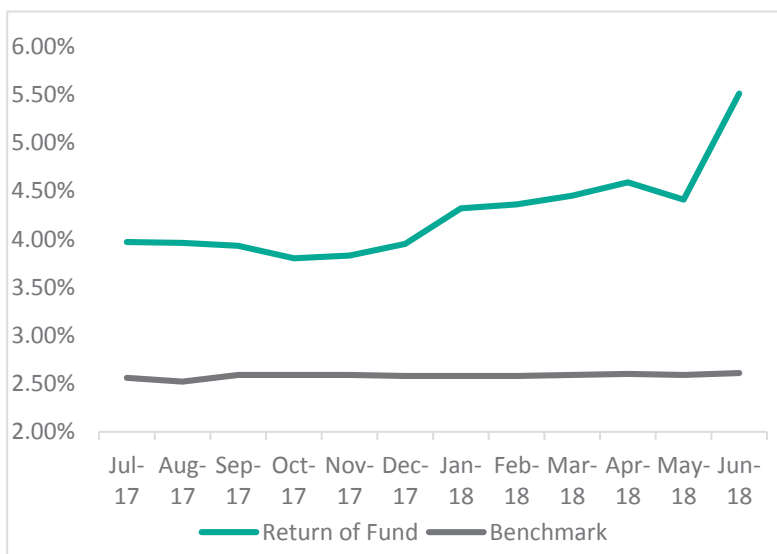
The investment objective of the Fund is to seek high liquidity, competitive return and maximum possible preservation of Capital for investors by investing in low risk Shariah Compliant securities. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is average 3 Months average deposit rates of 3 AA rated Islamic Banks or Islamic Windows of Conventional Bank as selected by MUFAP.

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

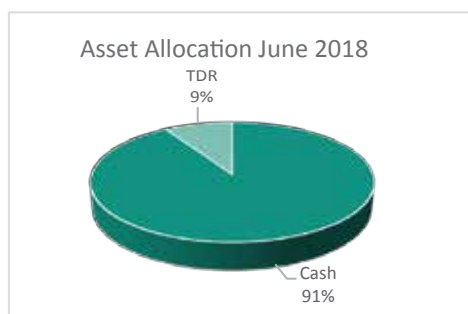
Month	Return of Fund	Benchmark
Jun-18	5.51%	2.61%
May-18	4.41%	2.59%
Apr-18	4.59%	2.60%
Mar-18	4.45%	2.59%
Feb-18	4.36%	2.58%
Jan-18	4.32%	2.58%
Dec-17	3.95%	2.58%
Nov-17	3.83%	2.59%
Oct-17	3.80%	2.59%
Sep-17	3.93%	2.59%
Aug-17	3.96%	2.52%
Jul-17	3.97%	2.56%



**Strategies and Policies employed during the Period**

The Fund continued to invest in bank deposit and term deposits due to absence of investment opportunities in Islamic investments. At the end of period, asset allocation comprises of 90.67% investment in DPA accounts and remaining 8.82% in placements with Islamic Banks compared to 100% investment in bank deposit in June, 2017. Going ahead, we will explore further options to invest the funds in short maturity GoP Ijarah Sukuk

**Asset Allocation**



**Fund Performance**

The total income and net income of the Fund was Rs. 47.43 million and Rs. 34.69 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) of the Fund increased from Rs. 100.6277 per unit as on June 30, 2017 to Rs. 104.9735 per unit as on June 30, 2018; thereby giving an annualized return of 4.32%. During the same year the benchmark return (3 Month bank deposit rates) was 2.58%.

## Money Market Review

Interest rate cycle reversed in FY18 as central bank focus diverted towards containing rising twin deficits and in anticipation of increase in inflation due to lack of fiscal discipline in election times. During the year, secondary market yields of 3, 5 and 10-year PIBs increased by 180, 171 and 86 bps respectively while yields of 3, 6 and 12 month T-Bills increased by 79, 90 and 116 bps respectively. Government of Pakistan raised only PKR 96bn through the PIB auction against a target of PKR 900bn as eight PIB auctions were scrapped in the year due to lack of interest. The last cut-off yields stood at 7.5000%, 8.4795% and 8.6999% p.a. for 3, 5 and 10-year PIBs respectively. Overall trading in longer tenures remained lackluster due to market participants' consensus of increase in interest rates.

During FY18, Government retired PKR 77bn from scheduled banks against borrowing of PKR 179bn during same period last year due to multiple scrapped PIB Auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,439bn during the period against PKR 908bn during same period last year. Government largely managed its borrowing requirements through domestic sources, and raised PKR 16,894bn via T-bills (excluding NCB) compared to the cumulative target of PKR 16,925bn and maturities of PKR 15,971bn. In the last T-Bill Auction held in Jun-18 no amount was accepted in the 6 and 12 month T-Bills. The cutoff yield was 6.7596% for the 3 month T-Bills. SBP increased the policy rate by 25bps in January and a further 50bps in May to 6.50% to control aggregate demand and the current account deficit. Since then the SBP has further increased policy rate by 100bps in Jul-18 MPS. Going forward, we foresee another interest rate hike of 50bps in the calendar year on the back of increasing inflation expectation and sustainability of current account risks.

## Distribution

Subsequent to the year end, the Fund has distributed cash dividend upto Rs. 4.15 per unit for the year ended June 30, 2018, which reduced the cum-NAV of the Fund as of June 30, 2018 by amount of distribution to Rs. 100.8235 per unit.

## Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the period under review.

## Breakdown of Unit Holding by Size

From—To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	1,008	15,442
101 – 500	41	8,630
501 – 1,000	10	6,530
1,001 – 10,000	88	402,527
10,001 – 100,000	47	1,146,082
100,001 – 500,000	6	1,114,031
500,001 – 1,000,000	1	516,980
1000,0001 – 5,000,000	3	5,907,399
5,000,001 and above	-	-
<b>Total</b>	<b>1,204</b>	<b>9,117,621</b>

## Unit Splits

There were no unit splits during the year.

## Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

## Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

**PERFORMANCE TABLE –  
HBL ISLAMIC MONEY MARKET FUND**  
As at June 30, 2018

	2018	2017	2016	2015	2014	2013
Net assets at the period end(Rs'000)	957,109	835,282	506,741	457,348	446,142	439,246
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	104.9735	100.6277	100.6132	100.4237	100.1872	100.9840
Offer	104.9735	100.6277	100.6132	100.4237	100.1872	100.9840
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	104.9735	104.7144	104.6150	106.5827	100.9653	102.2988
Lowest offer price per unit	100.6620	100.5319	100.4203	100.3186	100.0852	100.1753
Highest redemption price per unit	104.9735	104.7144	104.6150	100.9653	100.9653	102.2988
Lowest redemption price per unit	100.6620	100.5319	100.4203	100.0852	100.0852	100.1753
<b>RETURN ( % )</b>						
Total return	4.32%	4.19%	4.29%	6.70%	6.86%	8.45%
Income distribution	4.15%	4.20%	4.10%	6.50%	0.95%	0.95%
Capital growth	0.17%	-0.01%	0.19%	0.20%	5.91%	7.50%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	4.15	4.20	4.10	6.50	0.95	0.95
Date of Income Distribution	4-Jul-18	20-Jun-17	22-Jun-16	26-Jun-15	Various dates- (As mentioned in Financial Statements of respective year)	Various dates- (As mentioned in Financial Statements of respective year)
Total dividend distribution for the year/ period	4.15	4.20	4.10	6.50	0.95	0.95
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	4.32%	4.19%	4.29%	6.70%	6.86%	8.45%
Average annual return 2 year	4.26%	4.25%	5.50%	6.78%	7.66%	9.39%
Average annual return 3 year	4.27%	5.06%	5.95%	7.34%	8.55%	9.75%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	90.67%	100%	99%	99%	100%	53%
GoP Ijarah Sukuks	-	-	-	-	-	-
Placement with Banks and DFIs	8.82%	-	-	-	-	46%
Corporate Sukuks	-	-	-	-	-	-
Others	0.51%	-	1%	1%	-	1%

**Note:**

The Launch date of the Fund is May 10, 2011

**Disclaimer:**

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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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 ISLAMIC MONEY MARKET FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Money Market Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 18, 2018





ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٲٲ

**STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

HBL Islamic Money Market Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2018. This has been duly confirmed by the Shariah Advisor of the Fund.

**Farid Ahmed Khan**

**Chief Executive Officer**

**Dated: August 31, 2018**

HBL Asset Management Limited  
Head Office  
7th Floor  
Emerald Tower  
G-19 Block-5,  
Main Clifton Road,  
Clifton, Karachi

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 10, 2018

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

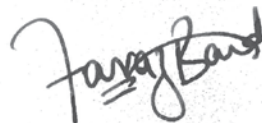
Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2018 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Money Market Fund (HBL-IMMF) are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

For and on behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisors (Pvt) Limited

  
Mufti Irshad Ahmad Aijaz  
Member, Shariah Council

  
Faraz Younus Bandukda, CFA  
Chief Executive

**Al-Hilal Shariah Advisors (Pvt) Limited**

Suite# 619, 6th Floor, Clifton Centre, Schon Circle, Block - 5 Clifton,  
Karachi, Pakistan. Tel :+92-21-35305931-37, Web: www.alhilalsa.com



## **INDEPENDENT ASSURANCE REPORT TO THE UNITHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

We have performed an independent assurance engagement of HBL Islamic Money Market Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2018. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2018 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.



# Deloitte.

**Deloitte Yousuf Adil**  
Chartered Accountants

## **Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shairah Advisor for the year ended June 30, 2018.

*Deloitte Yousuf Adil*  
**Chartered Accountants**

**Dated:** September 19, 2018  
**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL ISLAMIC MONEY MARKET FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Islamic Money Market Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. The following matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b><i>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</i></b></p> <p>As disclosed in note 4.9, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> </ul>

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S. No.	Key audit matter	How the matter was addressed in our audit
	<p>additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

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## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse

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consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

  
Chartered Accountants

**Place:** Karachi

**Date:** September 19, 2018

**HBL Islamic Money Market Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2018*

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	958,590	839,601
Accrued mark-up on banks	6	4,863	3,265
Prepayment	7	60	59
<b>Total Assets</b>		<u>963,513</u>	<u>842,925</u>
<b>Liabilities</b>			
Payable to the Management Company	8	678	791
Payable to the Trustee	9	120	112
Payable to Securities and Exchange Commission of Pakistan	10	609	471
Accrued expenses and other liabilities	11	4,997	6,269
<b>Total Liabilities</b>		<u>6,404</u>	<u>7,643</u>
<b>Net Assets</b>		<u>957,109</u>	<u>835,282</u>
Unit Holders' Fund (as per statement attached)		<u>957,109</u>	<u>835,282</u>
<b>Contingencies and Commitments</b>	12		
		----- Number of units -----	
<b>Number of units in issue</b>	13	<u>9,117,621</u>	<u>8,300,721</u>
		----- Rupees -----	
<b>Net assets value per unit</b>	4.10	<u>104.9735</u>	<u>100.6277</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Financial Officer**

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

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

# HBL Islamic Money Market Fund

## Income Statement

For the year ended June 30, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Mark-up on deposit with banks		44,914	34,490
Mark-up on term deposit receipts		2,512	-
		<b>47,426</b>	34,490
<b>Expenses</b>			
Remuneration of the Management Company	8.1 & 8.2	8,109	7,048
Remuneration of the Trustee	9.2	1,377	1,058
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	609	471
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	812	624
Auditors' remuneration	14	352	372
Bank charges		120	64
Fee and subscription		291	251
Printing and stationery		177	266
Legal and professional charges		184	180
		<b>12,031</b>	10,334
<b>Net income from operating activities</b>		<b>35,395</b>	24,156
Element of income and capital gains included in prices of units issued less those in units redeemed - net			
	4.9	-	1,327
Reversal of provision for Workers' Welfare Fund	11.2	-	2,802
Provision for Sindh Workers' Welfare Fund	11.2	(708)	(1,496)
		<b>(708)</b>	1,306
Net income for the year before taxation		<b>34,687</b>	26,789
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<b>34,687</b>	26,789
<b>Allocation of net income for the year:</b>			
Income already paid on redemption of units		<b>9,670</b>	
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		-	
- Excluding capital gains		25,017	
		<b>25,017</b>	
		<b>34,687</b>	
<b>Earning per unit</b>	18		

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



	2018	2017
	----- (Rupees in '000) -----	
Net income for the year after taxation	34,687	26,789
<b>Other comprehensive income for the year</b>	-	-
<b>Total comprehensive income for the year</b>	<u>34,687</u>	<u>26,789</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Financial Officer**

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

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

**HBL Islamic Money Market Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2018

<b>For the year ended June 30,</b>						
<b>2018</b>			<b>2017</b>			
<b>(Rupees in '000)</b>						
<b>Capital value</b>	<b>Undistributed income</b>	<b>Total</b>	<b>Capital value</b>	<b>Undistributed income</b>	<b>Total</b>	
<b>Net assets at beginning of the year</b>	830,184	5,099	835,283	-	-	506,741
Issuance of 9,684,383 units (2017: 12,468,871 units)						
- Capital value (at net asset value per unit at the beginning of the period)	<u>974,516</u>	-	<u>974,516</u>	-	-	1,270,701
- Element of income	<u>25,292</u>	-	<u>25,292</u>	-	-	-
Total proceeds on issuance of units	999,808		999,808	-	-	1,270,701
Redemption of 8,867,483 units (2017: 9,204,675 units)						
- Capital value (at net asset value per unit at the beginning of the year)	<u>(892,315)</u>	-	<u>(892,315)</u>	-	-	(940,756)
- Amount paid out of element of income	<u>(10,685)</u>	<u>(9,670)</u>	<u>(20,354)</u>	-	-	-
Relating to net income for the year after taxation						
<b>Total payments on redemption of units</b>	<u>(902,999)</u>	<u>(9,670)</u>	<u>(912,669)</u>	-	-	(940,756)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	-	-	(1,327)
Total comprehensive income for the year	<u>-</u>	<u>34,687</u>	<u>34,687</u>	-	-	26,789
Distribution during the year	<u>-</u>	<u>-</u>	<u>-</u>	-	-	(26,866)
Net income for the year less distribution	<u>-</u>	<u>34,687</u>	<u>34,687</u>	-	-	(77)
<b>Net assets at end of the year</b>	<b><u>926,993</u></b>	<b><u>30,116</u></b>	<b><u>957,109</u></b>	<b>-</b>	<b>-</b>	<b><u>835,283</u></b>
<b>Undistributed income brought forward</b>						
- Realised	5,099			3,176		
- Unrealised	-			-		
	<u>5,099</u>			<u>3,176</u>		
<b>Accounting income available for distribution</b>						
- Relating to capital gains	-			-		
- Excluding capital gains	<u>25,017</u>			<u>-</u>		
	<u>25,017</u>					
Net Income for the year - for prior year				26,789		
Distribution during the year	-			(26,866)		
Element of income and capital gains included in prices of units issued less those in units redeemed	-			2,000		
Undistributed income carried forward	<u>30,116</u>			<u>5,099</u>		
<b>Undistributed income carried forward</b>						
- Realised	30,116			5,099		
- Unrealised	-			-		
	<u>30,116</u>			<u>5,099</u>		
				----- (Rupees) -----		
<b>Net assets value per unit at beginning of the year</b>	<u>100.6277</u>			<u>100.6132</u>		
<b>Net assets value per unit at end of the year</b>	<u>104.9735</u>			<u>100.6277</u>		

The annexed notes 1 to 29 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director

# HBL Islamic Money Market Fund

## Cash Flow Statement

For the year ended June 30, 2018

Note	2018 ------(Rupees in '000)-----	2017
<b>Cash flows from operating activities</b>		
Net income for the year before taxation	34,687	26,789
<b>Adjustments for:</b>		
Mark-up on deposit with banks	(44,914)	(34,490)
Mark-up on term deposit receipts	(2,512)	-
Reversal of provision for Workers' Welfare Fund	-	(2,802)
Element of income and capital gains included in prices of units issued less those in units redeemed - net	-	(1,327)
	(12,739)	(11,830)
<b>Increase in assets</b>		
Prepayments	(1)	(4)
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(113)	280
Payable to the Trustee	8	41
Payable to Securities and Exchange Commission of Pakistan	138	119
Accrued expenses and other liabilities	(1,272)	2,559
	(1,239)	2,999
Mark-up received on deposit with banks	45,827	33,382
<b>Net cash generated from operating activities</b>	<b>31,848</b>	<b>24,547</b>
<b>Cash flows from financing activities</b>		
Amount received on issue of units	999,808	1,272,760
Payments against redemption of units	(912,669)	(945,108)
Cash dividend paid	-	(26,866)
<b>Net cash generated from financing activities</b>	<b>87,141</b>	<b>300,786</b>
<b>Net increase in cash and cash equivalents</b>	<b>118,989</b>	<b>325,333</b>
Cash and cash equivalents at beginning of the year	839,601	514,268
<b>Cash and cash equivalents at end of the year</b>	<b>958,590</b>	<b>839,601</b>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Islamic Money Market Fund (the Fund) was established under a Trust Deed, dated November 23, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on December 10, 2010.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange. The units of the Fund were initially offered for public subscription at 'par from May 9, 2011 to May 10, 2011.

The principal activity of the Fund is to seek high liquidity and comparative Shariah Compliant return for investors by investing in low risk securities of shorter duration and maturity.

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

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

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention.

### **2.3 Functional and presentation currency**

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

### **2.4 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various

other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

**3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2018**

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018**

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. 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.

**Effective from accounting period beginning on or after:**

Amendments to IAS 7 'Statement of Cash Flows'	
- Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes'	
- Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs which are also not relevant to the Fund.

**3.2 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 (except IFRS 9 'Financial Instruments') are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

**Effective from accounting period beginning on or after:**

IFRS 15 'Revenue from contracts with customers'	July 01, 2018
- This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment'	January 01, 2018
- Clarification on the classification and measurement of share-based payment transactions	
IFRS 9 'Financial Instruments'	July 01, 2018

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

**Effective from accounting period beginning on or after:**

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 from accounting period beginning on or after a date to be determined. Earlier application is permitted.

**Effective from accounting period beginning on or after:**

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement.	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

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

### **3.2.2 IFRS 9 'Financial Instruments' Impact Assessment**

**3.2.2.1** IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

**Key requirements of IFRS 9 are as follows;**

#### **Classification and measurement of financial assets**

- All recognized financial asset that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at FVTOCI.
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

#### **Classification and measurement of financial liabilities**

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows;

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

### **Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 on the basis of facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principle outstanding. These financial assets will qualify for designation as measured at amortised cost and will continue to be subsequently measured at amortised cost upon application of IFRS 9.

#### **3.2.3 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 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **3.3 Change in policy in relation to preparation of income statement and statement of comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

This change has no impact on the items of income or loss or other comprehensive income recognized in prior year except that items of other comprehensive income previously presented under 'statement of income statement and other comprehensive income' in single statement are now presented within 'income statement' and "statement of comprehensive income" separately.

## **4 SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

## **4.2 Financial assets**

### **4.2.1 Classification**

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

#### **a) Investments 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 financial assets at fair value through profit or loss - held-for-trading. Currently, there are no investments of the Fund classified as at 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**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, there are no investments of the Fund classified as at available for sale.

### **4.2.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

### **4.2.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held for trading", in which case the transaction costs are charged off to the income statement and statement of comprehensive income.

### **4.2.4 Subsequent measurement**

#### **a) Financial assets 'at fair value through profit or loss - held for trading' and 'available for sale'**

Subsequent to initial measurement, financial assets 'at fair value through profit or loss' and 'available for sale' are valued as follows:

##### **Basis of valuation of government securities**

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012.

Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the Income Statement until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).



## **b) Loans and receivables**

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

Gains or losses are also recognised in the income statement and other comprehensive income when financial assets carried at amortised cost are derecognized or impaired.

### **4.2.5 Impairment**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

### **4.2.6 Derecognition**

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

## **4.3 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.

## **4.4 Offsetting of financial assets and liabilities**

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

## **4.5 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.

## **4.6 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

## **4.7 Proposed distributions**

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

#### **4.8 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 during business hours on that day. The offer price represents the net assets 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.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

#### **4.9 Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed**

The Fund has followed the requirements of SRO 756 (I) 2017 dated August 3, 2017 read with NBFC regulations, 2008 in the preparation of these financial statements as follows:

- element of income has been determined as the difference between net assets value on the issuance or redemption date, as the case maybe, of units and the net asset value at the beginning of the accounting period;
- presented distributable income in statement of movement In unitholders' fund ; and
- presented allocation of net income available for distribution relating to capital gains and excluding capital gains in statement of movement In unitholders' fund.

#### **Amendment in the NBFC Regulations in the current year**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations as mention in the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs 4.937 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

**4.10 Net assets value per unit**

The net asset value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net asset of the Fund by the number of units in issue at the year end.

**4.11 Revenue recognition**

Mark-up / return on bank deposits and term deposit receipts are recognized on a time apportionment basis using the effective interest method.

**4.12 Expenses**

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the Income Statement on an accrual basis.

	Note	2018 ------(Rupees in '000)-----	2017
<b>5. BANK BALANCES</b>			
Balances with banks in:			
Savings accounts	5.1	<b>873,590</b>	839,601
Term deposit receipt	5.2	<b>85,000</b>	-
		<u><b>958,590</b></u>	<u>839,601</u>

**5.1** This represent bank accounts held with different banks. Mark-up rates on these accounts ranges between 4.5% - 7.1% (June 30,2017: 4 % - 5.5%) per annum.

**5.2** This term deposit receipt carry mark-up at the rate of 6.75% (June 30, 2017: Nil). This will mature at July 30, 2018.

	Note	2018 ------(Rupees in '000)-----	2017
<b>6. ACCRUED MARK-UP ON BANKS</b>			
Mark-up accrued on deposit with banks		<b>4,816</b>	3,265
Mark-up accrued on Term deposit receipts		<b>47</b>	-
		<u><b>4,863</b></u>	<u>3,265</u>

**7. PREPAYMENT**

Prepaid annual rating fee		<u><b>60</b></u>	<u>59</u>
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**8. PAYABLE TO THE MANAGEMENT COMPANY**

Management fee	8.1	<b>537</b>	643
Sindh Sales Tax	8.2	<b>70</b>	84
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	<b>71</b>	64
		<u><b>678</b></u>	<u>791</u>

**8.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 1% per annum till January 14, 2018 and subsequently at the rate of 10% of gross earnings with floor of 0.75% and cap of 1% of the average daily net assets of the scheme as per supplement to the offering document dated January 15, 2018 . (2017: 1% per annum).

8.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2017: 13%) on the remuneration of the Management Company through Finance Act, 2015 effective from July 1, 2016.

8.3 As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1 % of average annual net assets, being lower amount, to the fund during the year.

	Note	2018 ------(Rupees in '000)-----	2017 -----
<b>9. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	9.1	<b>106</b>	99
Sindh Sales Tax		<b>14</b>	13
		<b>120</b>	<b>112</b>

9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

**9.2 The tariff structure applicable to the Fund is as follows:**

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Upto Rs 1,000 million	0.15% per annum of NAV
Exceeding Rs 1,000 million and upto Rs 10,000 million	Rs 1.5 million plus 0.075% per annum of NAV exceeding Rs 1,000 million
Over Rs 10,000 million	Rs 8.25 million plus 0.06% per annum of NAV, exceeding Rs 10,000 million

The Sindh Government has levied Sindh Sales Tax on services at the rate of 13% (2017: 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

	Note	2018 ------(Rupees in '000)-----	2017 -----
<b>10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	10.1	<b>609</b>	471

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorized as a money market scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

	Note	2018 ------(Rupees in '000)-----	2017 -----
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		<b>304</b>	300
Federal Excise Duty	11.1	<b>2,185</b>	2,185
Withholding tax payable		-	1,898
Provision for Sindh Workers' Welfare Fund	11.2	<b>2,203</b>	1,496
Other payables		<b>305</b>	390
		<b>4,997</b>	<b>6,269</b>

**11.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 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 results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan along-with Central Depository Company of Pakistan Limited with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated July 30, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The Finance act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision was charged during the year ending June 30,2018.

Since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of the Management Company, aggregating to Rs. 2.185 million. Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.2397 (2017: Rs. 0.2632) per unit.

**11.2** 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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.

Subsequently, the Ministry of Labor 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 were 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 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 High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

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 Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has 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.

However, the Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

Further, the Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan, in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded that since mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

**Considering the above developments, the Management Company assessed the position of the Fund with regard to reversal of provision of WWF and recognition of provision of SWWF, and decided that:**

- The Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs.2.80 million and has recognised provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs 2.203 million (2017: Rs 1.496 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.24 (2017: Rs. 0.18) per unit.

## 12. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at June 30, 2017 and June 30, 2018.

## 13. NUMBER OF UNITS IN ISSUE

	2018	2017
	------(Number of Units)-----	
Opening units in issue	8,300,721	5,036,525
Units issued during the year	9,684,383	12,468,871
Less: Units redeemed	(8,867,483)	(9,204,675)
Total units in issue at the end of the year	<u>9,117,621</u>	<u>8,300,721</u>
	2018	2017
	------(Rupees in '000)-----	

## 14. AUDITORS' REMUNERATION

Annual audit fee	253	250
Fee for half yearly review	40	40
Sindh Sales Tax	23	23
Review of compliance with the requirements of the Code of Corporate Governance	-	5
Shariah Compliance Audit fee	5	3
Out of pocket	31	51
	<u>352</u>	<u>372</u>

**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 to the unit holders in cash. 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. Subsequent to year end on July 4, 2018, Management Company has distributed cash dividend of at least 90 percent of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

**16. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 1.57%, which includes 0.3% representing government levy, Worker's Welfare Fund and SECP fee.

**17. NON ADJUSTING EVENT AFTER REPORTING DATE**

The Board of Directors of the Management Company in its meeting held on July 4, 2018 has proposed a variable final cash distribution of upto Rs. 5.15 per unit amounting to PKR 23.697 million as cash dividend and Rs. 14.141 million as refund of capital. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

**18. EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed as in the opinion of Management company determination of cumulative weighted average number of outstanding units is not practicable.

**19. 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 financial statements are as follows:

	2018	2017
	----- (Number of Units) -----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee including sales tax	8,109	7,048
Allocation of expenses related to registrar services accounting, operation and valuation services	812	624
Issuance of 27,577 units (2017: nil)	2,814	-
<b>Habib Bank Limited - Sponsor</b>		
Issuance of nil units (2017: 153,943 units)	-	15,473
Redemption of 954,053 units (2017: nil units)	100,000	-
Bank charges paid	55	40
Profit on bank deposits earned	643	644
Profit on bank deposits received	687	619
Dividend received from fund	-	15,473
<b>MCBFSL TRUSTEE HBL Islamic Financial Fund-Strategic Allocation Plan - Associate</b>		
Issuance of 974,853 units (2017: nil units)	100,000	79,000
Redemption of 1,759,924 units (2017: nil units)	179,425	-

	2018	2017
	------(Rupees in '000)-----	
<b>Executive and Key management personnel</b>		
Issuance of 435,785 units (2017: 102,555 units)	44,824	10,331
Redemption of 428,431 units (2017: 97,305 units)	44,099	9,805
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	1,377	1,058
<b>Atlas Battery Limited - Connected person due to holding 10% or more</b>		
Issuance of 447,025 units (2017: 866,232 units)	46,010	88,956
Redemption of 223,513 units (2017: Nil units)	23,010	-
<b>Al Mizan Foundation - Connected person due to holding 10% or more</b>		
Issuance of 1,906,454 units (2017: nil units)	200,000	-
<b>19.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	537	643
Sindh Sales Tax	70	84
Allocation of expenses related to registrar services, accounting, operation and valuation services	71	64
Investment held in the Fund: 27,577 units (2017: nil)	2,895	-
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 2,884,054 units (2017: 3,838,107 units)	302,749	387,521
Bank balances	1,496	13,370
<b>MCBFSL TRUSTEE HBL Islamic Financial Fund-Strategic Allocation Plan - Associate</b>		
Investment held in the Fund: Nil units (2017:785,072 units)	-	79,000
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable including sales tax thereon	120	112
<b>Executive and Key management personnel</b>		
Investment held in the Fund: 8,101 units (2017: 5,250 units)	850	530
<b>Atlas Battery Limited - Connected person due to holding 10% or more</b>		
Investment held in the Fund: 1,116,891 units (2017: 893,378 units)	117,244	87,460
<b>Al Meezan Foundation - Connected person due to holding 10% or more</b>		
Investment held in the Fund: 1,906,454 units (2017:nil units)	200,000	-

## 20. FINANCIAL RISK MANAGEMENT

### 20.1 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 Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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



**20.1.1 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

**20.1.2 Interest rate risk**

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

**a) Cash flow interest rate risk**

Presently, the Fund holds balances in savings bank accounts as at June 30, 2018, that could expose the Fund to cash flow interest rate risk. The net income for the year would have increased / (decreased) by Rs. 9.587 million (2017: Rs.8.396 million) had the interest rates on savings accounts with the banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

Presently, the Fund only holds fixed rate instrument having short term maturity at June 30, 2018, that could not expose the Fund to fair value interest rate risk.

**20.1.3 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 instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The fund, currently, does not have any financial instruments which are subject to other price risk.

**20.2 Credit risk**

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted.

The Fund's credit risk is primarily attributable to balances with banks. The credit risk of the Fund with respect to bank accounts is limited as the 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 investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets as follows:

	2018	2017
	------(Rupees in '000)-----	
<b>Bank balances by rating category</b>		
A1+ (PACRA)	957,699	660,511
A-1+ (JCR-VIS)	891	179,090
	<u>958,590</u>	<u>839,601</u>
<b>Accrued mark-up</b>	<u>4,863</u>	<u>3,265</u>

### 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 mainly concentrated in equity securities which are primarily subject to price risk. The Fund's portfolio of other financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

### 20.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. 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 damage to the Fund's reputation. Its policy is therefore to keep sufficient balances with banks in order to maintain liquidity and manage associate risk.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings were made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current year.

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

	----- As at June 30, 2018 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company	678	-	-	678
Payable to the Trustee	120	-	-	120
Accrued expenses and other liabilities	608	-	-	608
Unit holders' Fund	957,109	-	-	957,109
	<b>958,515</b>	-	-	<b>958,515</b>
	----- As at June 30, 2017 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company	791	-	-	791
Payable to the Trustee	112	-	-	112
Accrued expenses and other liabilities	690	-	-	690
Unit holders' Fund	835,282	-	-	835,282
	<b>836,875</b>	-	-	<b>836,875</b>

### 21. FAIR VALUE AND CATAGORIES 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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets 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.

The Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. 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.

		June 30, 2018							
		Carrying amount			Fair Value				
		Available -for-sale	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
<b>On-balance sheet financial instruments</b>									
Financial assets not measured at fair value		21.1							
Bank balances		-	958,590	-	958,590	-	-	-	-
Accrued mark-up on banks		-	4,863	-	4,863	-	-	-	-
Prepayment		-	60	-	60	-	-	-	-
		-	963,513	-	963,513	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Payable to Management Company		-	-	678	678	-	-	-	-
Payable to Trustee		-	-	120	120	-	-	-	-
Accrued expenses and other liabilities		-	-	608	608	-	-	-	-
		-	-	1,406	1,406	-	-	-	-
		(Rupees in '000)							
		June 30, 2017							
		Carrying amount			Fair Value				
		Available -for-sale	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
<b>On-balance sheet financial instruments</b>									
Financial assets not measured at fair value									
Bank balances		-	839,601	-	839,601	-	-	-	-
Accrued mark-up		-	3,265	-	3,265	-	-	-	-
Prepayment		-	59	-	59	-	-	-	-
		-	842,925	-	842,925	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Payable to Management Company		-	-	791	791	-	-	-	-
Payable to Trustee		-	-	112	112	-	-	-	-
Accrued expenses and other liabilities		-	-	690	690	-	-	-	-
		-	-	1,593	1,593	-	-	-	-

**21.1** 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.

**21.2 Transfers during the year**

There were no transfers between various levels of fair value hierarchy during the year.

**22. FINANCIAL INSTRUMENTS BY CATEGORY**

	----- As on June 30, 2018 -----		
	Loans and receivables	Other Financial assets	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Bank balances	958,590	-	958,590
Accrued mark-up on banks	4,863	-	4,863
Prepayment	60	-	60
	<u>963,513</u>	<u>-</u>	<u>963,513</u>

	----- As on June 30, 2018 -----		
	At fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----		
<b>Liabilities</b>			
Payable to the Management Company	-	678	678
Payable to the Trustee	-	120	120
Accrued expenses and other liabilities	-	608	608
Unit holders' fund	-	957,109	957,109
	<u>-</u>	<u>958,516</u>	<u>958,516</u>

	----- As on June 30, 2017 -----		
	Loans and receivables	Other Financial assets	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Bank balances	839,601	-	839,601
Accrued mark-up on banks	3,265	-	3,265
Prepayment	59	-	59
	<u>842,924</u>	<u>-</u>	<u>842,924</u>

	----- As on June 30, 2017 -----		
	At fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----		
<b>Liabilities</b>			
Payable to the Management Company	-	791	791
Payable to the Trustee	-	112	112
Accrued expenses and other liabilities	-	690	690
Unit holders' fund	-	835,282	835,282
	<u>-</u>	<u>836,875</u>	<u>836,875</u>

**23. UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

#### 24. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2018 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	MBA , CFA	25+ years
2	Muhammad Imran	Chief Investment Officer	MBA - Finance	18+ years
3	Faizan Saleem	Head of Fixed Income	MBA - Finance	10+ years
4	Noman Ameer	Manager Risk	MBA - Finance	11+ years
5	Sateesh Balani	Head of Research	MBA, CFA	7+ years

#### 25. PATTERN OF UNIT HOLDING

	2018			
	Number of unit holders	Units held	Investment amount	Percentage investment
	----- Rupees in '000 -----			
Individuals	1,188	2,300,459	241,488	25.23%
Associated company	1	2,911,631	305,644	31.93%
Trust	2	2,159,695	226,711	23.69%
Retirement funds	5	84,728	8,894	0.93%
Others	7	1,661,108	174,372	18.22%
	<b>1,203</b>	<b>9,117,621</b>	<b>957,109</b>	<b>100.00%</b>

	2017			
	Number of unit holders	Units held	Investment amount	Percentage investment
	----- Rupees in '000 -----			
Individuals	943	2,210,667	222,454	26.63%
Associated company	1	3,838,107	386,220	46.24%
Insurance companies	3	101,880	10,252	1.23%
Trust	2	1,038,313	104,483	12.51%
Retirement funds	4	120,267	12,102	1.45%
Others	2	991,487	99,771	11.94%
	<b>955</b>	<b>8,300,721</b>	<b>835,282</b>	<b>100.00%</b>

**26. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Agha Sher Shah <sup>1</sup>	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23, 2017 & April 23, 2018
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27, 2017
6	Mr. Shabbir Hussain Hashmi <sup>2</sup>	1	1	-	-
7	Mr. Shahid Ghaffar <sup>3</sup>	2	1	1	February 26, 2018
8	Mr. Nadeem Abdullah <sup>4</sup>	4	4	-	-
9	Mr. Towfiq Habib Chinoy <sup>5</sup>	3	3	-	-
10	Mr. Salahuddin Manzoor <sup>6</sup>	3	3	-	-

1 Appointed on November 23, 2017

2 Appointed on February 26, 2018

3 Appointed on December 4, 2017

4 Resigned on February 26, 2018

5 Resigned on November 23, 2017

6 Resigned on November 30, 2017

**27. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 31, 2018 by the Board of Directors of the Management Company.

**28. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation the effect of which is not material.

**29. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

Chief Financial Officer

Chief Executive Officer

Director



# **HBL** Islamic Asset Allocation Fund

HBL AML annual report 2017-18

<b>NAME OF FUND</b>	<b>HBL ISLAMIC ASSET ALLOCATION FUND</b>
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited
<b>NAME OF AUDITORS</b>	Deloitte Yousuf Adil Chartered Accountants
<b>NAME OF SHARIAH ADVISORS</b>	Al - Hilal Shariah Advisors (Pvt.) Limited
<b>NAME OF BANKERS</b>	Habib Bank Limited Bank Al Habib Limited Dubai Islamic Bank Limited Askari Bank Limited Soneri Bank Limited Allied Bank Limited Bank Islami Pakistan Limited Summit Bank Limited



**Type and Category of Fund**

Open end Shariah Complaint Asset Allocation Fund

**Investment Objective and Accomplishment of Objective**

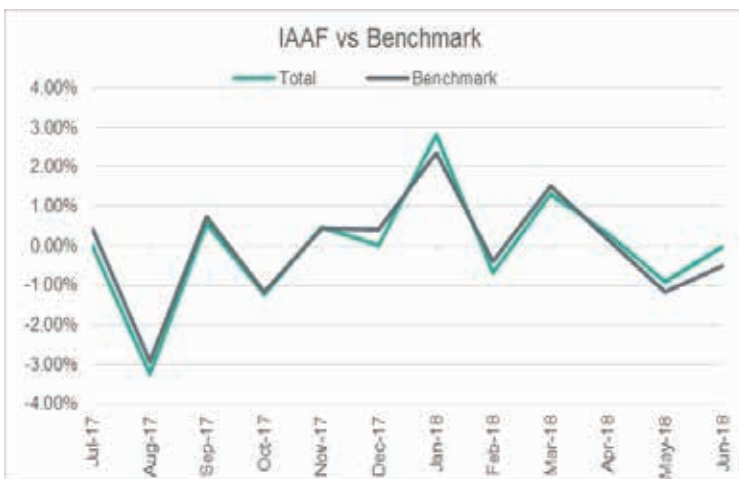
The objective of the Fund is to provide superior returns through investments in Shariah Complaint equity securities and Shariah Compliant income /money market instruments.

**Benchmark and Performance Comparison with Benchmark**

The Fund’s benchmark is Weighted average daily return of KMI30 and 6M deposit rate of A rated (and above) Islamic Banks or Islamic Banking windows of scheduled commercial banks, based on the actual proportion held by the scheme.

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

Month	Benchmark	Return of Fund
Jun - 18	- 0.52%	- 0.03%
May - 18	- 1.18%	- 0.90%
Apr - 18	0.14%	0.29%
Mar - 18	1.50%	1.30%
Feb - 18	- 0.38%	- 0.67%
Jan - 18	2.35%	2.80%
Dec - 17	0.40%	0.00%
Nov - 17	0.44%	0.46%
Oct - 17	- 1.17%	- 1.22%
Sep - 17	0.74%	0.57%
Aug - 17	- 2.93%	- 3.24%
Jul - 17	0.44%	0.00%

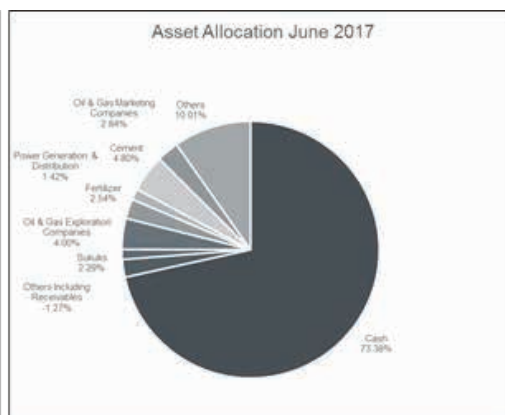
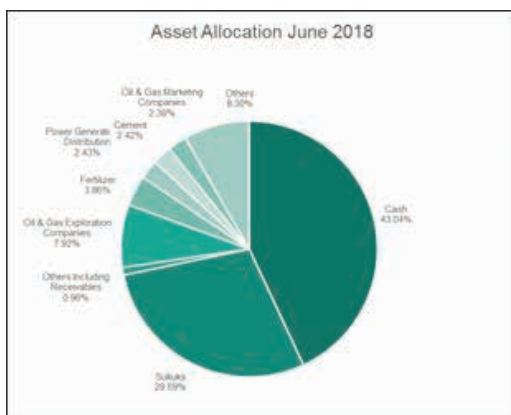


**Strategies and Policies employed during the Year**

During the year under review the Fund has increased its exposure in equity securities to 27% as on June 30, 2018 from 26% as at June 30, 2017. The Fund gradually increased its exposure in debt securities from 2% to eventually 29% in same period. However, the Fund reduced Cash with banks.

Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in Cement, Engineering and Oil & Gas Marketing was reduced; however exposure in Oil & Gas Exploration, Fertilizer and Power Generation & Distribution was increased.

**Asset Allocation**



## Fund Performance

The total income and net income of the Fund was Rs. 79.51 million and Rs. 7.76 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) of the Fund decreased from Rs. 105.5962 per unit as on June 30, 2017 to Rs. 104.7748 per unit as on June 30, 2018 thereby giving a negative return of 0.78% during the year against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of negative 0.28%.

## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2017 and June 30, 2018:

Sector Name	As on Jun 2018	As on Jun 2017
Cash	43.04%	73.38%
Sukuks	28.69%	2.29%
Others Including Receivables	0.96%	-1.27%
Oil & Gas Exploration Companies	7.92%	4.00%
Fertilizer	3.86%	2.54%
Power Generation & Distribution	2.43%	1.42%
Cement	2.42%	4.80%
Oil & Gas Marketing Companies	2.38%	2.84%
Others	8.30%	10.01%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Review of Market invested in

### Money Market Review

Interest rate cycle reversed in FY18 as central bank focus diverted towards containing rising twin deficits and in anticipation of increase in inflation due to lack of fiscal discipline in election times. During the year, secondary market yields of 3, 5 and 10-year PIBs increased by 180, 171 and 86 bps respectively while yields of 3, 6 and 12 month T-Bills increased by 79, 90 and 116 bps respectively. Government of Pakistan raised only PKR 96bn through the PIB auction against a target of PKR 900bn as eight PIB auctions were scrapped in the year due to lack of interest. The last cut-off yields stood at 7.5000%, 8.4795% and 8.6999% p.a. for 3, 5 and 10-year PIBs respectively. Overall trading in longer tenures remained lackluster due to market participants' consensus of increase in interest rates.

During FY18, Government retired PKR 77bn from scheduled banks against borrowing of PKR 179bn during same period last year due to multiple scrapped PIB Auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,439bn during the period against PKR 908bn during same period last year. Government largely managed its borrowing requirements through domestic sources, and raised PKR 16,894bn via T-bills (excluding NCB) compared to the cumulative target of PKR 16,925bn and maturities of PKR 15,971bn. In the last T-Bill Auction held in Jun-18 no amount was accepted in the 6 and 12 month T-Bills. The cutoff yield was 6.7596% for the 3 month T-Bills. SBP increased the policy rate by 25bps in January and a further 50bps in May to 6.50% to control aggregate demand and the current account deficit. Since then the SBP has further increased policy rate by 100bps in Jul-18 MPS. Going forward, we foresee another interest rate hike of 50bps in the calendar year on the back of increasing inflation expectation and sustainability of current account risks.

### Stock Market Review

Pakistan Equities witnessed a topsy-turvy ride during outgoing year with disappointing foreign flows (after MSCI upgrade), political uncertainty following the ouster of ex-PM, macroeconomic challenges and ongoing speculation about the upcoming general elections.

Pakistan Islamic Equities benchmark (KMI30 Index) fell 7,538 points to close at 71,060 points, reflecting a decline of 10%. Despite market expectation of strong foreign inflows following Pakistan's inclusion in the MSCI Emerging Markets, foreign investors continued to remain net sellers and sold stocks of worth USD289mn. Within local investors, insurance companies and corporates bought equities of USD204mn and USD100mn respectively while Mutual funds divested equities of USD35mn

during the year. On the political front, Ex-Prime Minister Nawaz Sharif was disqualified by Supreme Court in Jul-17 which further marred investor sentiment. Moreover, economic concerns increased due to rising twin deficits followed by stringent policy measures by policy makers (16% PKR depreciation and 75bps increase in interest rates).

The Cement sector led the rout in the KMI index, causing attrition of where DGKC and LUCK fell 44% and 37% YoY. Decline in cements was caused owing to the fears of a price war in the segment as upcoming expansions could lead to an oversupply situation particularly in the Southern region as can be grasped from the poor price performance of DGKC and LUCK. Within the banking sector, MEBL returned 10% during the outgoing year buoyed by rising interest rate environment which is expected to lead to margin expansion.

FY18 experienced strong performance from the Oil & Gas Exploration Companies owing to 66% increase in International Oil Prices and 16% PKR depreciation. The outperformance was led by POL and PPL which increased 58% and 53% against SPLY.

Going forward, we expect Pakistan equities to rebound with restoration of political stability (after General Elections), gradual improvement in macroeconomic trends and potential revival of foreign investor interest after steep PKR depreciation. Moreover, we highlight that Pakistan market's discount to emerging as well as frontier peers has increased to 30% and 28% against 5-year averages of 25% and 19% respectively reflecting a good entry point.

### Distribution

Subsequent to the year end, the Fund has distributed cash dividend of Rs. 0.30 per unit for the year ended June 30, 2018, which reduced the cum-NAV of the Fund as of June 30, 2018 by amount of distribution to Rs. 104.4748 per unit.

### Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the year under review.

### Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	19	1,237
101 – 500	33	8,249
501 – 1,000	11	8,549
1,001 – 10,000	123	693,191
10,001 – 100,000	140	4,426,689
1,000,001 – 5,000,000	17	2,925,478
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	4	9,484,119
5,000,001 and above	1	6,022,636
<b>Total</b>	<b>348</b>	<b>23,570,147</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

# PERFORMANCE TABLE - HBL ISLAMIC ASSET ALLOCATION FUND

As at June 30, 2018

	2018	2017	2016
Net assets at the period end (Rs'000)	2,469,559	2,623,318	1,349,890
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>			
Redemption	104.7748	105.5962	102.5411
Offer	107.1427	108.3890	105.2531
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>			
Highest offer price per unit	108.8114	118.9345	106.8742
Lowest offer price per unit	102.4066	100.6004	100.0000
Highest redemption price per unit	106.4066	116.3060	104.1204
Lowest redemption price per unit	100.1434	100.6004	100.0000
<b>RETURN ( % )</b>			
Total return	-0.78%	9.83%	3.35%
Income distribution	0.30%	6.50%	0.80%
Capital growth	-1.08%	3.33%	2.55%
<b>DISTRIBUTION</b>			
First Interim dividend distribution			
Second Interim dividend distribution			
Third Interim dividend distribution			
Final dividend distribution- Rs	0.3	6.50	0.80
Date of Income Distribution	03-Jul-18	22-Jun-17	28-Jun-16
Total dividend distribution for the year (Rs)	0.30	6.50	0.80
<b>AVERAGE RETURNS ( % )</b>			
Average annual return 1 year	-0.78%	9.83%	3.35%
Average annual return 2 year	4.24%	8.94%	-
Average annual return 3 year	3.94%	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>			
Percentage of Net Assets as at 30 June:			
Bank Balances	43.05%	73%	22%
GoP Ijarah Sukuks	-	-	15%
Placement with Banks and DFIs	-	-	-
Corporate Sukuks	28.69%	2%	3%
Stock/Equities	27.31%	25%	1%
Others	0.96%	-	59%

**Note:**

The Launch date of the Fund is January 11, 2016

**Disclaimer:**

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

## PROXY VOTING DISCLOSURE-

For the year ended June 30, 2018

Summary of Actual Proxy voted by CIS

HBL IAAF	Meetings	Resolutions	For	Against
Number	1	6	6	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
AGP Limited	6-7-2018	N-A
Amreli Steels Limited	25-10-2017	5-7-2018
Cherat Cement Company Ltd.	16-10-2017	N-A
Crescent Steel & Allied Products Ltd	17-10-2017	29-1-2018
D G Khan Cement Co.Ltd.	28-10-2017	N-A
Engro Corporation Ltd	24-4-2018	N-A
Engro Fertilizers Limited	26-3-2018	N-A
Engro Polymer & Chemicals Ltd	29-3-2018	2-7-2018
Hascol Petroleum Ltd	27-4-2018	N-A
Hub Power Company Ltd	10-5-2017	22-6-2018
International Industries Ltd	28-9-2017	21-5-2018
International Steels Limited	26-9-2017	N-A
Lucky Cement Ltd	(25-09-2017)(28-11-2017)	N-A
Mari Petroleum Company Ltd	26-9-2017	N-A
Millat Tractors Ltd	27-10-2017	N-A
Nishat Mills Ltd	28-10-2017	28-3-2018
Oil & Gas Development Co Ltd	24-10-2017	N-A
Packages Ltd	19-4-2018	(28-08-2017)(26-2-2018)
Pak Elektron Ltd	25-4-2018	N-A
Pak Suzuki Motor Company Limited	25-4-2018	(2-2-2018)(26-2-2018)
Pakistan National Shipping Corp Ltd	20-11-2017	N-A
Pakistan Oilfields Ltd	19-10-2017	N-A
Pakistan Petroleum Ltd	27-10-2017	N-A
Pakistan State Oil Company Ltd	20-10-2017	N-A
Pioneer Cement Limited	26-10-2017	N-A
Service Industries Ltd	30-4-2018	28-7-2017
Sui Northern Gas Pipeline Ltd	27-11-2017	N-A
Systems Limited	26-4-2018	N-A
The Searle Company Ltd	27-10-2017	31-7-2017

The proxy voting policy of the Fund is available on the website of the Management Company and detailed information regarding actual proxies voted by Management Company in respect of the Fund is also available without charge, upon request, to all unit holders.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC ASSET ALLOCATION FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Asset Allocation Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 18, 2018





ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٹڈ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Asset Allocation Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2018. This has been duly confirmed by the Shariah Advisor of the Fund.

**Farid Ahmed Khan**

**Chief Executive Officer**

**Dated: August 31, 2018**

HBL Asset Management Limited  
Head Office  
7th Floor  
Emerald Tower  
G-19 Block-5,  
Main Clifton Road,  
Clifton, Karachi

UAN (021) III-425-262  
Fax (021) 35168455  
www.hblasasset.com

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 10, 2018

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2018 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Asset Allocation Fund (HBL-IAAF) are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

For and on behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisors (Pvt) Limited

Mufti Irshad Ahmad Aijaz  
Member Shariah Council

Faraz Younus Bandukda, CFA  
Chief Executive

**Al-Hilal Shariah Advisors (Pvt) Limited**

Suite# 619, 6th Floor, Clifton Centre, Schon Circle, Block - 5 Clifton,  
Karachi, Pakistan. Tel :+92-21-35305931-37, Web: www.alhilalsa.com



## **INDEPENDENT ASSURANCE REPORT TO THE UNITHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

We have performed an independent assurance engagement of HBL Islamic Asset Allocation Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2018. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2018 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.





**Deloitte Yousuf Adil**  
Chartered Accountants

**Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shairah Advisor for the year ended June 30, 2018.

*Deloitte Yousuf Adil*  
Chartered Accountants

**Dated:** September 19, 2018  
**Place:** Karachi

Member of  
Deloitte Touche Tohmatsu Limited

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL ISLAMIC ASSET ALLOCATION FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Islamic Asset Allocation Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 1.395 billion as at June 30, 2018.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and listed sukuk certificates. Their valuation and existence is a significant area during our audit.</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>For listed equity securities: independent testing of valuations by using the quoted market prices from the Pakistan Stock Exchange Limited and ensuring the existence of number of securities by comparing the internal records with</li> </ul>

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S. No.	Key audit matters	How the matters were addressed in our audit
	<p>There is a risk that appropriate quoted prices may not be used to determine fair value.</p> <p>Further, the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<p>Central Depository Company (CDC) account records;</p> <ul style="list-style-type: none"> <li>• For listed sukuk certificates: independent testing of valuations by using the rates determined by the Mutual Fund Association of Pakistan and ensuring the existence of number of certificates by comparing the internal records with CDC account records;</li> <li>• performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of securities/certificates during the year; and</li> <li>• any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
2	<p><b>Impairment of available for sale investments</b></p> <p>The Fund invests a significant portion of its funds in financial instruments that comprise available for sale investments in equity securities. These investments are measured at fair value with the corresponding fair value changes recognized in other comprehensive income. The valuation is performed by the Management Company using the quoted market prices at the Pakistan Stock Exchange.</p> <p>The Management Company performs an impairment review of its available for sale investments at each reporting date and records impairment charge when there has been a significant or prolonged decline in the fair value of investments below their cost. In determining 'significant' or 'prolonged', Management Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.</p> <p>There is a high degree of judgement involved in determining 'significant' or 'prolonged' decline in value of investments and the resulting impairment charge.</p>	<p>In auditing the impairment of available for sale investments, we obtained understanding of the processes and key controls relating to valuation of available for sale investments. In addition, we performed valuation testing on investments held as at June 30, 2018, reviewed the Fund's impairment policy, and assessed the adequacy of impairment charge on available for sale investments at year-end.</p> <p>The Fund's disclosures related to financial investments are included in note 6.</p>

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S. No.	Key audit matters	How the matters were addressed in our audit
3	<p><b>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</b></p> <p>As disclosed in note 4.7, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in Income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>• Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> <li>• Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>• Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal

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control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide Those Charged with Governance of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

  
Chartered Accountants

**Place:** Karachi  
**Date:** September 19, 2018

# HBL ISLAMIC ASSET ALLOCATION FUND

## Statement of Assets and Liabilities

As at June 30, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	1,072,554	1,962,227
Investments	6	1,395,267	740,627
Dividend receivable and accrued mark-up	7	16,784	10,715
Preliminary expenses and flotation costs	8	525	758
Advances, deposits and other receivables	9	4,205	2,600
Receivable against sale of investment		2,338	-
<b>Total assets</b>		<b>2,491,673</b>	<b>2,716,927</b>
<b>Liabilities</b>			
Payable to the Management Company	10	9,665	6,113
Payable to the Trustee	11	344	310
Payable to Securities and Exchange Commission of Pakistan	12	2,568	1,344
Accrued expenses and other liabilities	13	9,537	42,344
Payable against redemption of units		-	1,177
Payable against purchase of investment		-	42,321
<b>Total liabilities</b>		<b>22,114</b>	<b>93,609</b>
<b>Net assets</b>		<b>2,469,559</b>	<b>2,623,318</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>2,469,559</b>	<b>2,623,318</b>
<b>Contingencies and commitments</b>	16	----- Number of units -----	
<b>Number of units in issue</b>	17	<b>23,570,147</b>	24,842,911
		----- Rupees -----	
<b>Net assets value per unit</b>	4.8	<b>104.7748</b>	105.5962

The annexed notes 1 to 34 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



# HBL ISLAMIC ASSET ALLOCATION FUND

## Income Statement

For the year ended June 30, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Mark-up / return on investments	14	34,503	15,501
Mark-up on deposits with banks	15	89,258	41,420
Dividend income		33,872	13,982
Capital gain on sale of investments - net		7,257	62,311
Net unrealised diminution on remeasurement of investments classified at fair value through profit and loss as "held-for-trading"		(3,131)	-
		<u>161,759</u>	<u>133,214</u>
Impairment loss on equity securities classified as available-for-sale - net		(82,250)	(3,388)
<b>Total income</b>		<b>79,509</b>	<b>129,826</b>
<b>Expenses</b>			
Remuneration of the Management Company	10.1&10.2	45,820	23,979
Remuneration of the Trustee	11.1	4,185	2,710
Annual fee to Securities and Exchange Commission of Pakistan	12.1	2,568	1,344
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	2,703	1,415
Selling and marketing expenses	10.4	10,813	2,657
Amortisation of preliminary expenses and floatation costs		233	216
Auditors' remuneration	18	368	369
Fees and subscription		260	181
Securities transaction costs		1,847	323
Settlement and bank charges		173	160
Printing charges		176	276
Charity expense		2,449	204
<b>Total Expenses</b>		<b>71,595</b>	<b>33,834</b>
<b>Net Income from operating activities</b>		<b>7,914</b>	<b>95,992</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net		-	108,911
Provision for Sindh Workers' Welfare fund		(158)	(4,508)
<b>Net income for the year before taxation</b>		<b>7,756</b>	<b>200,395</b>
Taxation	19	-	-
<b>Net income for the year after taxation</b>		<b>7,756</b>	<b>200,395</b>
<b>Allocation of net income for the year:</b>			
Income already paid on redemption of units		-	-
Accounting income available for distribution:			
- Relating to capital gains		403	
- Excluding capital gains		7,353	
		<u>7,756</u>	
<b>Earnings per unit</b>	20	<u><u>7,756</u></u>	

The annexed notes 1 to 34 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Statement of Comprehensive Income**  
 For the year ended June 30, 2018

	2018	2017
Note	-----	-----
	(Rupees in '000)	
Net income for the year after taxation	7,756	200,395
<b>Other comprehensive income for the year</b>		
<b>Item that may be reclassified subsequently to Income Statement</b>		
Unrealised (loss) / gain on re-measurement of investments classified as available-for-sale	(6,406)	68,946
Net reclassification adjustments relating to available-for-sale financial assets	(12,381)	(58,923)
	(18,787)	10,023
<b>Total comprehensive income for the year</b>	<b>(11,031)</b>	<b>210,418</b>

The annexed notes 1 to 34 form an integral part of these financial statements.

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

\_\_\_\_\_  
 Chief Financial Officer

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

\_\_\_\_\_  
 Director

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2018

	2018				2017		
	------(Rupees in '000)-----						
	Capital value	Undistributed income	Unrealized (losses)/ income on investment	Total	Capital value	Undistributed income	Total
<b>Net assets at the beginning of the year</b>	2,490,358	105,876	27,084	2,623,318	-	-	1,349,890
Issuance of units 8,461,061 (2017: 27,614,795 units)							
- Capital value (at net asset value per unit at the beginning of the year)	893,456	-	-	893,456			3,036,919
- Element of loss	(59,077)	-	-	(59,077)			-
	834,379			834,379			3,036,919
Redemption of 9,733,825 units (2017: 15,936,255 units)							
- Capital value (at net asset value per unit at the beginning of the year)	(1,027,855)	-	-	(1,027,855)			(1,730,489)
- Amount paid out of element of income	50,748	-	-	50,748			-
Relating to net income for the year after taxation	(977,107)			(977,107)			(1,730,489)
Element of income and capital gains included in prices of units issued less those in units redeemed-net	-	-	-	-	-	-	(108,911)
<b>Total comprehensive income for the year</b>							
Net profit for the year after tax	-	7,756		7,756			200,395
Other comprehensive income for the year	-	-	(18,787)	(18,787)			10,023
Distribution during the year	-	-	-	-			(134,509)
Total comprehensive/ income for the year	-	7,756	(18,787)	(11,031)			210,418
<b>Net assets at the end of the period</b>	2,347,630	113,632	8,297	2,469,559	-	-	2,623,318
Undistributed income brought forward		105,876					
- Realised		105,876				10,329	
- Unrealised		-				-	
		105,876				10,329	
Accounting (loss) / income available for distribution							
-Relating to capital gains		403					
-Excluding capital gains		7,353					
		7,756					200,395
Element of income and capital gains included in prices of units issued less those in units redeemed		-				29,661	
Distribution during the period		-				(134,509)	
<b>Undistributed income carried forward</b>		113,632				105,876	
Undistributed income carried forward							
- Realised		116,763				105,876	
- Unrealised		(3,131)				-	
		113,632				105,876	
	------(Rupees)-----						
<b>Net assets value per unit at beginning of the year</b>				105.5962			102.5411
<b>Net assets value per unit at end of the year</b>				104.7748			105.5962

The annexed notes 1 to 34 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC ASSET ALLOCATION FUND

## Cash Flow Statement

For the year ended June 30, 2018

Note	2018 ------(Rupees in '000)-----	2017
<b>Cash flow from operating activities</b>		
Net income for the year before taxation	7,756	200,395
<b>Adjustments</b>		
Capital gain on sale of investments - net	(7,257)	(62,311)
Return / markup on;		
- bank profits	(89,258)	(41,420)
- investments	(34,503)	(15,501)
Dividend income	(33,872)	(13,982)
Amortisation of preliminary expenses and floatation costs	233	216
Element of income and capital gains included in prices of units issued less those in units redeemed - net	-	(108,911)
Net unrealised diminution on remeasurement of investments classified at fair value through profit and loss as "held-for-trading"	3,131	-
Impairment loss on equity securities classified as available-for-sale - net	82,250	3,388
	<u>(71,520)</u>	<u>(38,126)</u>
<b>(Increase) /decrease in assets</b>		
Investments - net	(796,210)	61,071
Advances, deposits and other receivables	(1,605)	6,918
	<u>(797,815)</u>	<u>67,989</u>
<b>Increase/(decrease) in liabilities</b>		
Payable to the Management Company	3,552	439
Payable to the Trustee	34	92
Payable to Securities and Exchange Commission of Pakistan	1,224	967
Accrued expenses and other liabilities	(32,807)	79,050
	<u>(27,997)</u>	<u>80,548</u>
<b>Net cash (used in) / generated from operations</b>	<b>(897,332)</b>	<b>110,411</b>
Bank profit received	91,275	34,070
Markup on investments received	26,006	23,203
Dividend income received	34,283	12,826
	<u>(745,768)</u>	<u>180,510</u>
<b>Net cash (used in) / generated from operating activities</b>	<b>(745,768)</b>	<b>180,510</b>
<b>Cash flow from financing activities</b>		
Amount received on issue of units	834,379	3,036,919
Payment against redemption of units	(978,284)	(1,729,311)
Cash dividend paid	-	(134,509)
	<u>(143,905)</u>	<u>1,173,099</u>
<b>Net cash (used in) / generated from financing activities</b>	<b>(143,905)</b>	<b>1,173,099</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(889,673)</b>	<b>1,353,609</b>
Cash and cash equivalents at beginning of the year	1,962,227	608,618
<b>Cash and cash equivalents at end of the year</b>	<b>1,072,554</b>	<b>1,962,227</b>

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The annexed notes 1 to 34 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Financial Officer

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Chief Executive Officer

\_\_\_\_\_  
Director

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed, dated September 07, 2015, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on October 28, 2015.

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 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The initial public offer period was from January 07, 2016 to January 08, 2016 (both days inclusive). The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange.

The fund has been categorized as a Shariah Compliant Asset Allocation fund as per the criteria laid down by SECP for categorization of open-end Collective Investment Scheme (CISs).

The primary objective of the Fund is to provide superior returns through investments in Shari'ah Compliant Equity Securities and Shari'ah Compliant Income/ Money Market Instruments.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+' (Stable outlook) 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. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except that investments are measured at fair value.

### **2.3 Functional and presentation currency**

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

### **2.4 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of

revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.3.1 and 4.3.4); and
- (ii) impairment of financial assets (note 4.3.5)

### 3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

#### 3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following amendments and interpretations are effective for the year ended June 30, 2018. These 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.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant for the fund.

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

##### 3.2.1 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 (except IFRS 9 'Financial Instruments') are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 9 'Financial Instruments'	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 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 from accounting period beginning on or after a date to be determined. Earlier application is permitted.

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures

January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement January 01, 2019

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property January 01, 2018

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. January 01, 2018

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, which are also not expected to have material impact on final reporting of the fund.

### 3.2.2 IFRS 9 'Financial Instruments' Impact Assessment

"IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

#### 3.2.2.1 Key requirements of IFRS 9 are as follows;

##### Classification and measurement of financial assets

- All recognized financial asset that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through Other Comprehensive Income.
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

##### Classification and measurement of financial liabilities

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows;

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

#### **Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact assesment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 and also considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 on the financial statements as follows;

Listed equity securities and Term Finance Certificates classified as financial assets at fair value through profit or loss - held for trading qualify for designation as measured at fair value through profit or loss upon application of IFRS 9 with value changes continue to recognised in profit or loss.

Listed equity securities and Term Finance Certificates classified as financial assets at 'available-for-sale' are to be measured at fair value through profit or loss upon application of IFRS 9 with value changes to be recognised in profit or loss instead of other comprehensive income. The change in fair value attributed to these financial assets amounting to Rs.18.787 million during the current year would be recognised in income statement under IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principle outstanding. These financial assets will qualify for designation as measured at amortized cost and will continue to be subsequently measured at amortized cost upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

#### **3.2.3** 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 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **3.3** Change in policy in relation to preparation of income statement and statement of comprehensive income

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

This change has no impact on the items of income or loss or other comprehensive income recognized in prior year except that items of other comprehensive income previously presented under 'statement of income statement and other comprehensive income' in single statement are now presented within 'income statement' and 'statement of comprehensive income' separately.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented unless otherwise stated.



#### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

#### **4.2 Financial instruments**

##### **4.2.1 Financial Assets**

##### **4.2.1.1 Classification**

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

The Fund classifies its financial assets in the following categories:

##### **a) Investments 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 financial assets at 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**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss - held-for-trading. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

##### **4.2.1.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

##### **4.2.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held-for-trading", in which case the transaction costs are charged off to the income statement .

##### **4.2.1.4 Subsequent measurement**

##### **a) Financial assets 'at fair value through profit or loss - held-for-trading' and 'available for sale'**

Subsequent to initial measurement, financial assets 'at fair value through profit or loss - held-for-trading' and 'available for sale' are valued as follows:

##### **Basis of valuation of debt 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.

#### **Basis of valuation of equity securities**

Equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing asked price nor lower than the closing bid price.

Net gains and losses arising on 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 recognised in the other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

#### **b) Loans and receivables**

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

Gains or losses are also recognised in the 'income statement and other comprehensive income' when financial assets carried at amortised cost are derecognised or impaired.

#### **4.2.1.5 Impairment of financial assets**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

#### **a) Available for sale securities**

In case of equity and debt securities classified as available for sale, a significant or prolonged decline in the fair value of an equity security below its cost is considered as an objective evidence of impairment. In case of available for sale securities, the cumulative loss previously recognised as other comprehensive income in the Income Statement is transferred to income before tax. Impairment losses recognised in the income statement on equity securities are only reversed when the equity securities are derecognised.

#### **b) 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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

#### **4.2.1.6 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.

#### **4.2.1.7 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 to realise the assets and settle the liabilities simultaneously.

#### **4.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These 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.

#### **4.3 Preliminary expenses and floatation costs**

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

#### **4.4 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.

#### **4.5 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.6 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 during business hours on that day. The offer price represents the net assets 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.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

The Fund has followed the requirements of SRO 756 (I) 2017 dated August 3, 2017 read with NBFC regulations, 2008 in the preparation of these financial statements as follows:

- element of income has been determined as the difference between net assets value on the issuance or redemption date, as the case maybe, of units and the net asset value at the beginning of the accounting period;
- presented distributable income in statement of movement In unitholders' fund ; and
- presented allocation of net income available for distribution relating to capital gains and excluding capital gains in statement of movement In unitholders' fund.

#### **Amendment in the NBFC Regulations subsequent to the year end**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income

available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of loss been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs 8.330 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

#### **4.8 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

#### **4.9 Revenue recognition**

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

#### **4.10 Expenses**

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised in the income statement on a time apportionment basis using the effective interest method.

#### **4.11 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.

5.	BANK BALANCES	Note	2018	2017
			------(Rupees in '000)-----	
	Balances with banks in:			
	Savings Accounts	5.1	1,072,554	1,962,227
			<u>1,072,554</u>	<u>1,962,227</u>

5.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 3.75 % - 6.5% per annum (2017: 3.75% - 6.75% p.a.)

## 6. INVESTMENTS

### Listed equity securities

- Available-for-sale	6.1	161,202	685,184
- Held-for-trading	6.2	519,265	-

### Government of Pakistan - Ijarah sukuk

- Available-for-sale	6.4	-	-
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### Listed Sukuk's certificates

- Available-for-sale	6.5	124,263	55,443
- Held-for-trading	6.6	590,537	-

<u>1,395,267</u>	<u>740,627</u>
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### 6.1 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-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>Textile Composite</b>									
Nishat Mills Limited	201,500	10,000	-	194,000	17,500	2,466	0.18%	0.10%	0.005%
	<u>201,500</u>	<u>10,000</u>	<u>-</u>	<u>194,000</u>	<u>17,500</u>	<u>2,466</u>	<u>0.18%</u>	<u>0.10%</u>	
<b>Chemical</b>									
Engro Polymer & Chemicals Limited	432,000	-	-	432,000	-	-	0.00%	0.00%	
	<u>432,000</u>	<u>-</u>	<u>-</u>	<u>432,000</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>	<u>0.00%</u>	
<b>Cement</b>									
Cherat Cement Company Limited	121,400	-	-	121,400	-	-	0.00%	0.00%	
D G Khan Cement Company Limited	149,000	7,500	-	156,500	-	-	0.00%	0.00%	
Lucky Cement Limited	52,850	-	-	52,850	-	-	0.00%	0.00%	
Pioneer Cement Limited	236,400	-	-	236,400	-	-	0.00%	0.00%	
	<u>559,650</u>	<u>7,500</u>	<u>-</u>	<u>567,150</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>	<u>0.00%</u>	
<b>Power Generation &amp; Distribution</b>									
Hub Power Company Limited	323,100	93,700	-	178,500	238,300	21,962	1.57%	0.89%	0.021%
	<u>323,100</u>	<u>93,700</u>	<u>-</u>	<u>178,500</u>	<u>238,300</u>	<u>21,962</u>	<u>1.57%</u>	<u>0.89%</u>	
<b>Engineering</b>									
Amreli Steels Limited	122,000	-	-	122,000	-	-	0.00%	0.00%	-
Crescent Steel & Allied Products Limited	73,300	-	-	73,300	-	-	0.00%	0.00%	-
International Industries Limited	25,000	-	-	25,000	-	-	0.00%	0.00%	-
International Steels Limited	220,000	-	-	186,000	34,000	3,458	0.25%	0.14%	0.008%
	<u>440,300</u>	<u>-</u>	<u>-</u>	<u>406,300</u>	<u>34,000</u>	<u>3,458</u>	<u>0.25%</u>	<u>0.14%</u>	
<b>Automobile Assembler</b>									
Honda Atlas Cars (Pakistan) Limited	18,900	-	-	18,900	-	-	0.00%	0.00%	-
Millat Tractors Limited	13,500	-	-	900	12,600	14,970	1.07%	0.61%	0.016%
Pak Suzuki Motor Company Limited	18,900	3,000	-	21,900	-	-	0.00%	0.00%	-
	<u>51,300</u>	<u>3,000</u>	<u>-</u>	<u>41,700</u>	<u>12,600</u>	<u>14,970</u>	<u>1.07%</u>	<u>0.61%</u>	

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>Automobile Parts &amp; Accessories</b>									
Thal Limited (Par value Rs.5 per share)	10,800	-	-	10,800	-	-	0.00%	0.00%	-
	10,800	-	-	10,800	-	-	0.00%	0.00%	-
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	282,000	20,000	-	302,000	-	-	0.00%	0.00%	-
	282,000	20,000	-	302,000	-	-	0.00%	0.00%	-
<b>Transport</b>									
Pakistan National Shipping Corp Limited	68,600	-	-	68,600	-	-	0.00%	0.00%	-
	68,600	-	-	68,600	-	-	0.00%	0.00%	-
<b>Pharmaceuticals</b>									
The Searle Company Limited	56,810	19,162	-	48,000	27,972	9,496	0.68%	0.38%	0.015%
	56,810	19,162	-	48,000	27,972	9,496	0.68%	0.38%	-
<b>Paper &amp; Board</b>									
Packages Limited	21,350	-	-	20,350	1,000	490	0.04%	0.02%	0.001%
	21,350	-	-	20,350	1,000	490	0.04%	0.02%	-
<b>Leather &amp; Tanneries</b>									
Service Industries Limited	7,460	-	-	7,460	-	-	0.00%	0.00%	-
	7,460	-	-	7,460	-	-	0.00%	0.00%	-
<b>Oil &amp; Gas Exploration Companies</b>									
Mari Petroleum Company Limited	18,360	-	-	3,000	15,360	23,135	1.66%	0.94%	0.014%
Oil & Gas Development Company Limited	233,300	-	-	145,000	88,300	13,741	0.98%	0.56%	0.002%
Pakistan Oilfields Limited	39,400	-	-	39,400	-	-	0.00%	0.00%	-
Pakistan Petroleum Limited	183,400	-	-	141,000	42,400	9,112	0.65%	0.37%	0.002%
	474,460	-	-	328,400	146,060	45,988	3.30%	1.86%	-
<b>Oil &amp; Gas Marketing Companies</b>									
Hascol Petroleum Limited	62,200	15,000	-	67,200	10,000	3,138	0.22%	0.13%	0.007%
Pakistan State Oil Company Limited	62,000	6,980	-	60,600	8,380	2,667	0.19%	0.11%	0.003%
Sui Northern Gas Pipeline Limited	207,500	17,000	-	206,500	18,000	1,804	0.13%	0.07%	0.003%
	331,700	38,980	-	334,300	36,380	7,609	0.55%	0.31%	-
<b>Fertilizer</b>									
Engro Corporation Limited	141,700	11,000	-	46,000	106,700	33,489	2.40%	1.36%	0.020%
Engro Fertilizers Limited	394,000	-	-	110,000	284,000	21,274	1.52%	0.86%	0.021%
	535,700	11,000	-	156,000	390,700	54,763	3.92%	2.22%	-
	3,796,730	203,342	-	3,095,560	904,512	161,202	12.55%	7.53%	-
Carrying value as at June 30, 2018						<u>169,871</u>			

**6.1.2** This includes 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 Management Company of the Fund jointly 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 premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee companies have withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.3436 million at June 30, 2018 (June 30, 2017: Rs. 0.067 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

**6.2 Fair value through profit and loss - Held-for-trading**

**6.2.1 Listed equity securities**

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

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>TEXTILE COMPOSITE</b>									
Nishat Mills Limited	-	167,000	-	-	167,000	23,534	1.69%	0.95%	0.047%
	-	167,000	-	-	167,000	23,534	1.69%	0.95%	
<b>CEMENT</b>									
D G Khan Cement Company Limited	-	274,000	-	201,900	72,100	8,255	0.59%	0.33%	0.016%
Fauji Cement Company Limited	-	765,000	-	765,000	-	-	-	-	-
Kohat Cement Limited	-	132,000	-	9,000	123,000	15,138	1.08%	0.61%	0.080%
Lucky Cement Limited	-	75,900	-	12,150	63,750	32,381	2.32%	1.31%	0.020%
Pioneer Cement Limited	-	113,000	-	18,000	95,000	4,452	0.32%	0.18%	0.042%
	-	1,359,900	-	1,006,050	353,850	60,226	4.32%	2.44%	
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	-	258,200	-	-	258,200	23,796	1.71%	0.96%	0.022%
K- Electric Limited	-	2,931,500	-	310,500	2,621,000	14,887	1.07%	0.60%	0.009%
	-	3,189,700	-	310,500	2,879,200	38,683	2.77%	1.57%	
<b>ENGINEERING</b>									
Aisha Steel Mills Limited	-	266,000	-	30,000	236,000	3,722	0.27%	0.15%	0.028%
Amreli Steels Limited	-	260,300	-	149,000	111,300	7,852	0.56%	0.32%	0.037%
International Industries Limited	-	79,300	-	46,500	32,800	7,619	0.55%	0.31%	0.027%
Mughal iron and steel industries limited	-	182,000	-	61,500	120,500	7,882	0.56%	0.32%	0.048%
International Steels Limited	-	77,500	-	-	77,500	7,401	0.53%	0.30%	0.018%
	-	865,100	-	287,000	578,100	34,476	2.47%	1.40%	
<b>AUTOMOBILE ASSEMBLER</b>									
Millat Tractors Limited	-	8,000	-	-	8,000	9,504	0.68%	0.38%	0.010%
Pak Suzuki Motor Company Limited	-	8,500	-	8,500	-	-	-	-	-
	-	16,500	-	8,500	8,000	9,504	0.68%	0.38%	
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	-	313,000	-	90,000	223,000	7,908	0.57%	0.32%	0.045%
	-	313,000	-	90,000	223,000	7,908	0.57%	0.32%	
<b>TRANSPORT</b>									
Pakistan National Shipping Corporation Limited	-	16,000	-	16,000	-	-	-	-	-
	-	16,000	-	16,000	-	-	0.00%	0.00%	
<b>PHARMACEUTICALS</b>									
AGP Limited	-	185,500	-	59,000	126,500	11,232	0.81%	0.45%	0.045%
The Searle Company Limited	-	10,000	-	-	10,000	3,395	0.24%	0.14%	0.005%
	-	195,500	-	59,000	136,500	14,627	1.05%	0.59%	
<b>PAPER &amp; BOARD</b>									
Packages Limited	-	14,000	-	-	14,000	6,856	0.49%	0.28%	1.566%
	-	14,000	-	-	14,000	6,856	0.49%	0.28%	
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	-	9,880	-	-	9,880	14,881	1.07%	0.60%	0.009%
Oil & Gas Development Co Limited	-	222,200	-	-	222,200	34,579	2.48%	1.40%	0.005%
Pakistan Oilfields Limited	-	82,500	-	3,300	79,200	53,206	3.81%	2.15%	0.033%
Pakistan Petroleum Limited	-	226,400	-	-	226,400	48,653	3.49%	1.97%	0.011%
	-	540,980	-	3,300	537,680	151,319	10.85%	6.13%	
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Hascol Petroleum Limited	-	22,800	-	-	22,800	7,154	0.51%	0.29%	0.016%
Hascol Petroleum Limited - LoR	-	13,440	-	13,440	-	-	-	-	-
Pakistan State Oil Company Limited	-	85,800	-	-	85,800	27,311	1.96%	1.11%	0.026%
Sui Northern Gas Pipeline Limited	-	171,800	-	-	171,800	17,218	1.23%	0.70%	0.027%
	-	293,840	-	13,440	280,400	51,683	3.70%	2.09%	

**FERTILIZER**

Engro Corporation Limited	-	56,300	-	-	56,300	17,670	1.27%	0.72%	0.011%
Engro Fertilizers Limited	-	317,500	-	-	317,500	23,784	1.70%	0.96%	0.024%
	-	373,800	-	-	373,800	41,454	2.97%	1.68%	

**COMMERCIAL BANKS**

Meezan Bank Limited	-	414,000	-	127,000	287,000	23,454	1.68%	0.95%	0.027%
	-	414,000	-	127,000	287,000	23,454	1.68%	0.95%	

**Chemicals**

Engro Polymer & Chemicals Limited - LoR	-	160,950	-	19	160,931	1,419	0.10%	0.06%	0.066%
Engro Polymer & Chemicals Limited	-	900,000	-	355,000	545,000	17,091	1.22%	0.69%	0.082%
	-	1,060,950	-	355,019	705,931	18,510	1.33%	0.75%	

**AUTOMOBILE PARTS & ACCESSORIES**

Thal Limited (Rs. 5 per share)	-	56,800	-	6,600	50,200	23,972	1.72%	0.97%	0.062%
	-	56,800	-	6,600	50,200	23,972	1.72%	0.97%	

**TECHNOLOGY & COMMUNICATION**

Systems Limited	-	90,000	-	15,500	74,500	7,541	0.54%	0.31%	0.067%
	-	90,000	-	15,500	74,500	7,541	0.54%	0.31%	

**GLASS & CERAMICS**

Shabbir Tiles & Ceramics Limited	-	262,000	-	-	262,000	5,518	0.40%	0.22%	0.160%
	-	262,000	-	-	262,000	5,518	0.40%	0.22%	

<b>Total as at June 30, 2018</b>	-	9,229,070	-	2,297,909	6,931,161	519,265	37.90%	21.41%	
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Carrying value as at June 30, 2018 522,856

**6.3** The above investments include shares with market value aggregating to Rs. 61.683 million (June 30, 2017: Rs. 67.809 million) which have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

**6.4 Government of Pakistan - Ijarah sukuk**  
**Issue Date**

Issue Date	Number of certificates			As at June 30, 2018	Market value as at June 30, 2018	Market value as a percentage of	
	As at July 1, 2017	Purchases during the year	Sales during the year			Total Investments	Net Assets
June 30, 2017	-	3,000	3,000	-	-	-	-
	-	3,000	3,000	-	-	-	-

Cost of investments at June 30, 2018 -

**6.4.1** This Ijarah sukuk carry mark-up at the rate of 5.24% p.a. respectively.

**6.5 Listed Sukuk's certificates- Available-for-sale**

Name of the Investee Company	Number of certificates			As at June 30, 2018	Market value as at June 30, 2018	Market value as a percentage of	
	As at July 1, 2017	Purchases during the year	Sales during the year			Total Investments	Net Assets
Fatima Fertilizer Company Limited	11,791	-	9,791	2,000	7,112	0.51%	0.29%
Dubai Islamic Bank Limited	-	271	156	115	117,151	8.40%	4.74%
	11,791	271	9,947	2,115	124,263	8.91%	5.03%

Cost of investments at June 30, 2018 122,000



**6.6 Listed Sukuk's certificates - Held-for-trading**

**Name of the Investee Company**

	Number of certificates			As at June 30, 2018	Market value as at June 30, 2018	Market value as a percentage of	
	As at July 1, 2017	Purchases during the year	Sales during the year			Total Investments	Net Assets
Dubai Islamic Bank Limited	-	50	41	9	9,168	0.66%	0.37%
Dawood Hercules Corporation Limited*	-	4,020	-	4,020	402,533	28.85%	16.30%
AGP Limited	-	1,100	730	370	29,911	2.14%	1.21%
K-Electric Limited	-	30,800	2,800	28,000	113,531	8.14%	4.60%
Engro Fertilizer Limited	-	13,350	-	13,350	35,394	2.54%	1.43%
	-	49,320	3,571	45,749	590,537	42.32%	23.91%

Cost of investments at June 30, 2018

590,077

\*Related Party due to common Directorship

**6.7 Significant terms and conditions of Sukuks certificates outstanding as at June 30, 2018 are:**

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
<b>Sukuks certificates - Listed</b>				
Fatima Fertilizer Company Limited	3,500	6 month KIBOR + 1.10 %	28-Nov-16	28-Nov-2021
Dubai Islamic Bank Limited	1,000,000	6 month KIBOR + 0.50 %	14-Jul-17	14-Jul-27
Dawood Hercules Corporation Limited*	100,000	3 month KIBOR + 1.00 %	16-Nov-17	16-Nov-22
Dawood Hercules Corporation Limited*	100,000	3 month KIBOR + 1.00 %	1-Mar-18	1-Mar-23
AGP Limited	80,000	3 month KIBOR + 1.30 %	9-Jun-17	9-Jun-22
K-Electric Limited	4,000	3 month KIBOR + 1.00 %	17-Jun-15	17-Jun-2022
Engro Fertilizer Limited	2,625	6 month KIBOR + 1.75 %	9-Jul-14	9-Jul-2019

\*Related Party due to common Directorship

**6.8 Net unrealised diminution / appreciation on re-measurement of investments classified as available for sale**

	Note	2018 ------(Rupees in '000)-----	2017
Market value of investments	6.1, 6.4 & 6.5	285,465	740,627
Cost of investments	6.1, 6.4 & 6.5	291,871	716,931
Provision against equity securities	6.8.1	(14,703)	(3,388)
		277,168	713,543
		8,297	27,084

**6.8.1 Movement in impairment against equity securities**

Opening balance	3,388	-
Add: Charge for the year	82,250	3,388
Less: Reversal	(70,935)	-
Closing balance	14,703	3,388

**7. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP**

Dividend receivable		1,876	2,287
Mark-up accrued on deposits with banks		6,053	8,070
Mark-up accrued on Term Finance Certificate - Listed	7.1	8,855	358
		16,784	10,715

**7.1** This includes Rs. 3.168 million (2017: Nil) receivable from Dawood Hercules Corporation Limited, which is a related party due to common directorship.

**8. PRELIMINARY EXPENSES AND FLOATATION COSTS**

Opening balance	758	974
Less: amortised during the year	(233)	(216)
Closing balance	<u>525</u>	<u>758</u>

**8.1** Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

	2018	2017
	----- (Rupees in '000) -----	
<b>9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited	100	100
Advance against TFCs	1,605	-
	<u>4,205</u>	<u>2,600</u>

		2018	2017
		----- (Rupees in '000) -----	
<b>10. PAYABLE TO THE MANAGEMENT COMPANY</b>	Note		
Management fee	10.1	3,329	2,889
Sindh Sales Tax	10.2	433	375
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3 & 16	222	192
Charging of selling and marketing expenses	10.4	5,632	2,657
Sales load payable		49	-
		<u>9,665</u>	<u>6,113</u>

**10.1** Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 1.5 percent per annum for the current year.

**10.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (June 30, 2017: 13 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

**10.3** As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Further, the shariah advisory fee can also be charged to the Fund. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1 percent of the average annual net assets, being lower amount, to the Fund during the year.

**10.4** SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a period of three years (from January 01, 2017 till December 31, 2019) being chargeable to open end equity, asset allocation and index funds. Maximum cap on the expenses has been set at 0.4% per annum of net assets of fund or actual expenses, whichever being lower. The Fund has started accruing expense on this account at 0.4% per annum of net assets of the Fund effective from March 21, 2017.

11. PAYABLE TO THE TRUSTEE	Note	2018 ------(Rupees in '000)-----	2017
Trustee's remuneration	11.1	<b>304</b>	275
Sindh Sales Tax		<b>40</b>	36
		<u><b>344</b></u>	<u>310</u>

**11.1** 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.

**Tariff Structure :**

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
Up to Rs. 1,000 million	Rs. 0.7 million or 0.2% p.a. of NAV whichever is higher
On an amount exceeding Rs. 1,000 million Up to Rs. 10,000 million	Rs. 2 million plus 0.1% p.a. of NAV, exceeding Rs. 1,000 million

12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2018 ------(Rupees in '000)-----	2017
Annual fee	12.1	<u><b>2,568</b></u>	<u>1,344</u>

**12.1** Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as Shariah Complaint Asset Allocation scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme. The Fund has been categorised as a balanced scheme by the Management Company.

13. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2018 ------(Rupees in '000)-----	2017
Auditors' remuneration payable		<b>303</b>	300
Charity payable	13.1	<b>2,449</b>	103
Federal Excise Duty	13.2	<b>1,063</b>	1,063
Withholding tax payable		<b>13</b>	22,100
Advance received against sale of units		-	5
Payable to brokers		<b>202</b>	685
Provision for Sindh Workers' Welfare Fund	13.3	<b>4,667</b>	4,508
Dividend payable		-	459
Payable to NCCPL		<b>35</b>	-
Payable to Shariah advisor		<b>18</b>	33
Other payable		<b>152</b>	104
Sales load payable to related party		<b>635</b>	12,984
		<u><b>9,537</b></u>	<u>42,344</u>

**13.1** This represents amount attributable to income earned from shariah non-compliant avenues, earmarked for onward distribution as charity in accordance with the instructions of the Shariah Advisor.

**13.2** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan (MUFAP) with the Sindh High Court (SHC) on September 04, 2013

While disposing the above petition through order dated June 30, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of the Management Company since launch of the fund, aggregating to Rs. 1.063 million. Had the provision not been made, the Net Asset Value per unit as on June 30, 2018 would have been higher by Rs. 0.0451 (June 30, 2017 : Rs. 0.0428)

### 13.3

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.

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.

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.

"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."

However, in the current year, the Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP. The Government of Sindh introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014, which was enacted with effect from May 21, 2015. The Mutual Fund Association of Pakistan (MUFAP), in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, thus SWWF is payable by them. MUFAP has taken up the matter with Sindh Finance Ministry for appropriate resolution of the matter.

However, the Management Company decided that as an abundant caution, provision for SWWF should be recognized from date of establishment of the Fund i.e. January 11, 2016. The decision of the Management Company to record provision for SWWF was later confirmed by MUFAP in its Extra Ordinary General Meeting held on January 11, 2017. Thereafter, the provision for SWWF is being made on a daily basis with effect from date of establishment of the Fund.

The Fund has recognised provision for SWWF amounting to Rs. 4.667 million in these financial statements. Had the provision not being made, the net asset value per unit as at June 30, 2018 would have been higher by Rs. 0.20 (2017: Rs. 0.18) per unit.

	2018	2017
	------(Rupees in '000)-----	
<b>14. MARK-UP / RETURN ON INVESTMENTS</b>		
Privately placed sukuk certificates	-	2,117
GoP Ijarah sukuk	72	11,542
Term Finance Certificate - Listed	34,431	1,842
	<u>34,503</u>	<u>15,501</u>

<b>15. MARK-UP ON DEPOSITS WITH BANKS</b>		
Mark-up on savings accounts	<u>89,258</u>	<u>41,420</u>

<b>16. CONTINGENCIES AND COMMITMENTS</b>		
There are no contingencies and commitments outstanding as at June 30, 2017 and June 30, 2018, except those noted in note 31.		

	2018	2017
	-----Number of Units -----	
<b>17. NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	24,842,911	13,164,371
Units issued	8,461,061	27,614,795
Units redeemed	(9,733,825)	(15,936,255)
Total units in issue at the end of the year	<u>23,570,147</u>	<u>24,842,911</u>

	2018	2017
	------(Rupees in '000)-----	
<b>18. AUDITORS' REMUNERATION</b>		
Annual audit fee	252	250
Fee for half yearly review	55	55
Review of compliance with the requirements of the Code of Corporate Governance	-	5
Shariah compliance audit fee	5	2
Other certifications and out of pocket expenses	56	57
	<u>368</u>	<u>369</u>

<b>19. TAXATION</b>	
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 to the unit holders in cash. 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. Subsequent to year end on July 4, 2018, Management Company has distributed cash dividend of atleast 90 percent of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.	

<b>20. EARNINGS PER UNIT</b>	
Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.	

-----As on June 30, 2018 -----

	Financial assets at fair value through profit or loss - held for trading	Available for sale	Loans and receivables	Total
<b>Assets</b>				
Bank balances	-	-	1,072,554	1,072,554
Investments	1,109,802	285,465	-	1,395,267
Dividend receivable and accrued mark-up	-	-	16,784	16,784
Advances, deposits and other receivables	-	-	1,605	1,605
Receivable against sale of investment	-	-	2,338	2,338
	<u>1,109,802</u>	<u>285,465</u>	<u>1,093,281</u>	<u>2,488,548</u>

-----As on June 30, 2018 -----

	Financial assets at fair value through profit or loss - held for trading	Available for sale	Loans and receivables	Total
<b>Liabilities</b>				
Payable to the Management Company	-	-	9,665	9,665
Payable to the Trustee	-	-	344	344
Accrued expenses and other liabilities	-	-	3,794	3,794
Payable against redemption of units	-	-	-	-
Payable against purchase of investment	-	-	-	-
Unit holders' fund	-	-	2,469,559	2,469,559
	<u>-</u>	<u>-</u>	<u>2,483,361</u>	<u>2,483,361</u>

-----As on June 30, 2017 -----

	Financial assets at fair value through profit or loss - held for trading	Available for sale	Loans and receivables	Total
<b>Assets</b>				
Bank balances	-	-	1,962,227	1,962,227
Investments	-	740,627	-	740,627
Dividend receivable and accrued mark-up	-	-	10,715	10,715
Advances, deposits and other receivables	-	-	-	-
Receivable against sale of investment	-	-	-	-
	<u>-</u>	<u>740,627</u>	<u>1,972,942</u>	<u>2,713,569</u>

-----As on June 30, 2017 -----

	Financial assets at fair value through profit or loss - held for trading	Available for sale	Loans and receivables	Total
<b>Liabilities</b>				
Payable to the Management Company	-	-	6,113	6,113
Payable to the Trustee	-	-	310	310
Accrued expenses and other liabilities	-	-	1,689	1,689
Payable against redemption of units	-	-	1,177	1,177
Payable against purchase of investment Unit holders' fund	-	-	42,321	42,321
	<u>-</u>	<u>-</u>	<u>2,623,318</u>	<u>2,623,318</u>
	<u>-</u>	<u>-</u>	<u>2,674,928</u>	<u>2,674,928</u>

## 22. 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 financial statements are as follows:

22.1 Transactions during the year	2018	2017
	----- (Rupees in '000) -----	
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	<u>45,820</u>	<u>23,979</u>
Allocation of Expenses related to registrar services, accounting, operation and valuation services	<u>2,703</u>	<u>1,415</u>
Selling and marketing expenses	<u>10,813</u>	<u>2,657</u>
<b>Habib Bank Limited - Sponsor</b>		
Issue of units 4,947,703 (2017 67,086 units)	<u>500,000</u>	<u>7,086</u>
Dividend received from the fund	<u>-</u>	<u>7,086</u>
Bank charges paid during the year	<u>41</u>	<u>45</u>
Mark-up earned during the year	<u>1,036</u>	<u>2,508</u>
Mark-up received during the year	<u>1,419</u>	<u>2,308</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<u>4,185</u>	<u>2,710</u>
CDS charges	<u>97</u>	<u>94</u>

<b>Al Mizan Foundation - Connected Person due to holding more than 10% units</b>		
Issue of nil (2017: 4,208,255) units	-	471,113
Redemption of 1,927,854 (2017:nil) units	<b>200,000</b>	-
Dividend received from the fund	-	28,151
<b>International Steels Limited - Common directorship</b>		
Dividend received	-	248
<b>Packages Limited - Common directorship</b>		
Dividend received	-	524
<b>SIUT Trust - Connected Person due to holding more than 10% units</b>		
Issue of Nil (2017: 2,798,347) units	-	314,040
Dividend received from the fund	-	18,720
	<b>2018</b>	<b>2017</b>
	------(Rupees in '000)-----	
<b>Executives and their relatives</b>		
Issue of Nil (2017: 33) units	-	3
Dividend received from the fund	-	4
<b>Sheikh Khalid Zaheer Siddiqui - Connected Person due to holding more than 10% units</b>		
Issue of 6,083,981 (2017: nil) units	<b>640,288</b>	-
Redemption of 6,158,434 (2017: nil) units.	<b>648,166</b>	-
<b>HBL Islamic Income Fund</b>		
Sale of sukkuks 96 (2017: nil) units.	<b>96,000</b>	-
	<b>2018</b>	<b>2017</b>
	------(Rupees in '000)-----	
<b>22.2</b>	<b>Amounts outstanding as at year end</b>	
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	<b>3,329</b>	2,889
Sindh Sales Tax	<b>433</b>	375
Allocation of Expenses related to registrar services, accounting, operation and valuation services	<b>222</b>	192
Charging of selling and marketing expenses	<b>5,632</b>	2,657
Sales load payable	<b>49</b>	-
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund 6,022,636: (2017: 1,074,932) units	<b>631,020</b>	113,508



	2018	2017
	------(Rupees in '000)-----	
Bank balances	<u>9,819</u>	<u>501,362</u>
Mark-up receivable on deposits with banks	<u>24</u>	<u>299</u>
Sales load payable	<u>635</u>	<u>12,984</u>
<b>HBL Asset Management Limited Employee Graduity Fund- Management Company</b>		
Investment held in the Fund 4,508: (2017: 4,508) units	<u>473</u>	<u>472</u>
<b>HBL Asset Management Limited Employee Provident Fund- Management Company</b>		
Investment held in the Fund 13,014: (2017: 13,014) units	<u>1,364</u>	<u>1,367</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	<u>304</u>	<u>275</u>
Sindh Sales Tax	<u>40</u>	<u>36</u>
Security deposit	<u>100</u>	<u>100</u>
<b>Al Mizan Foundation - Connected Person due to holding more than 10% units</b>		
Investment held in the Fund 2,280,401 (2017: 4,208,254) units	<u>238,929</u>	<u>444,373</u>
<b>SIUT Trust - Connected Person due to holding more than 10% units</b>		
Investment held in the Fund 2,798,346 (2017: 2,798,346) units	<u>293,196</u>	<u>295,493</u>
<b>Executives of the Management Company and their relatives</b>		
Investment held in the Fund : nil (2017: 584) units	<u>-</u>	<u>62</u>
<b>Sheikh Khalid Zaheer Siddiqui - Connected Person due to holding more than 10% units</b>		
Investment held in the Fund 3,004,765 (2017: 3,079,216) units	<u>314,824</u>	<u>323,370</u>

**23. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

Details of members of the investment committee of the Fund are as follow:

	Name	Designation	Qualification	Experience in years
1	Mr. Farid Ahmed	Chief Executive Officer	CFA, MBA	25+
2	Muhammad Imran	Chief Investment Officer	MBA (Finance)	18+
3	Jawad Naeem	Specialist - Equity	MBA, CFA Level 1	10+
4	Adeel Abdul Wahab	Specialist - Equity	ACCA	10+
5	Faizan Saleem	Head of Fixed Income	MBA - Finance	10+
6	Noman Ameer	Manager Risk	MBA - Finance	11+
7	Sateesh Balani	Head of Research	MBA, CFA	7+

**24. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

**Top ten brokers during the year ended June 30, 2018**

1	Summit Capital (Private) Limited
2	AL Falah Securities (Private) Limited
3	Intermarket Securities (Private) Limited
4	BIPL Securities (Private) Limited
5	IGI Finex Securities (Private) Limited
6	DJM Securities (Private) Limited
7	AL Habib Capital Markets (Private) Limited
8	Topline Securities (Private) Limited
9	AKD Securities (Private) Limited
10	Aba Ali Habib Securities (Private) Limited

**Top ten brokers during the year ended June 30, 2017**

1	Habib Metropolitan Financial Services Limited
2	Optimus Capital Management (Private) Limited
3	Invest & Finance Securities Limited
4	Taurus Securities Limited
5	Next Capital Limited
6	Al Habib Capital Markets (Private) Limited
7	Topline Securities (Private) Limited
8	BMA Capital Management Ltd.
9	Standard Capital Securities (Private) Limited
10	IGI Finex Securities Limited

**25. PATTERN OF UNIT HOLDING**

	<b>2018</b>			
	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment
<b>Individuals</b>	<b>335</b>	<b>10,432,324</b>	<b>1,093,045</b>	<b>44.26%</b>
<b>Retirement Funds</b>	<b>2</b>	<b>51,597</b>	<b>5,406</b>	<b>0.22%</b>
<b>Trust</b>	<b>4</b>	<b>5,197,305</b>	<b>544,547</b>	<b>22.05%</b>
<b>Banks</b>	<b>1</b>	<b>6,022,636</b>	<b>631,020</b>	<b>25.55%</b>
<b>Others</b>	<b>5</b>	<b>1,866,285</b>	<b>195,541</b>	<b>7.92%</b>
	<b>347</b>	<b>23,570,147</b>	<b>2,469,559</b>	<b>100.00%</b>
	<b>2017</b>			
	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment
Individuals	448	14,312,007	1,511,295	57.61%
Associated Companies and Directors	1	1,074,932	113,509	4.33%
Retirement Funds	2	17,522	1,850	0.07%
Trust	6	7,163,443	756,432	28.83%
Banks	1	208,879	22,057	0.84%
Others	3	2,066,128	218,175	8.32%
	<b>461</b>	<b>24,842,911</b>	<b>2,623,318</b>	<b>100.00%</b>

**26. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave	
1	Mr. Agha Sher Shah 1	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23, 2017 & April 23, 2018
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27,2017
6	Mr. Shabbir Hussain Hashmi 2	1	1	-	-
7	Mr. Shahid Ghaffar 3	2	1	1	February 26,2018
8	Mr. Nadeem Abdullah 4	4	4	-	-
9	Mr. Towfiq Habib Chinoy 5	3	3	-	-
10	Mr. Salahuddin Manzoor 6	3	3	-	-

1 Appointed on November 23, 2017

2 Appointed on February 26, 2018

3 Appointed on December 4, 2017

4 Resigned on February 26, 2018

5 Resigned on November 23, 2017

6 Resigned on November 30, 2017

**27. FINANCIAL RISK MANAGEMENT**

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in a portfolio of shariah compliant equity and shariah compliant money market investments such as shares of listed companies, government securities and in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

**27.1 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 Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the SECP.

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

**27.1.1 Currency risk**

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

**27.1.2 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) Cash flow interest rate risk**

The Fund's interest rate risk arises from the balances in savings accounts and Investment in Sukuks. During the year, the net income would have increased / (decreased) by Rs. 17.87 million (2017: Rs. 20.18 million), had the interest rates would have increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account - held for trading. Therefore, a change in interest rates at the reporting date would not affect net income for the year.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the effect on the Fund's net assets and net income due to future movements in interest rates.

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

	Total	2018 Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
<b>On-balance sheet financial instruments</b>					
(Rupees in '000)					
<b>Financial assets</b>					
Bank balances	1,072,554	1,072,554	-	-	-
Investments	1,395,267	-	-	714,800	680,467
Dividend receivable and accrued mark-up	16,784	-	-	-	16,784
Advances, deposits and other receivables	1,605	-	-	-	1,605
Receivable against sale of investment	2,338	-	-	-	2,338
	2,488,548	1,072,554	-	714,800	701,194
<b>Financial liabilities</b>					
Payable to the Management Company	9,665	-	-	-	9,665
Payable to the Trustee	344	-	-	-	344
Accrued expenses and other liabilities	3,794	-	-	-	3,794
Payable against redemption of units	-	-	-	-	-
Payable against purchase of investment	-	-	-	-	-
Unit holders' fund	2,469,559	-	-	-	2,469,559
	2,483,361	-	-	-	2,483,361
<b>On-balance sheet gap</b>	5,187	1,072,554	-	714,800	(1,782,167)
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-

	Total	2017			Not exposed to Yield / Interest rate risk
		Exposed to Yield / Interest rate risk			
		Upto three months	More than three months and upto one year	More than one year	
On-balance sheet financial instruments					
Financial assets					(Rupees in '000)
Bank balances	1,962,227	1,962,227	-	-	-
Investments	740,627	-	-	55,443	685,184
Dividend receivable and accrued mark-up	10,715	-	-	-	10,715
Advances, deposits and other receivables	-	-	-	-	-
Receivable against sale of investment	-	-	-	-	-
	2,713,569	1,962,227	-	55,443	695,899
Financial liabilities					
Payable to the Management Company	5,738	-	-	-	5,738
Payable to the Trustee	310	-	-	-	310
Accrued expenses and other liabilities	1,689	-	-	-	1,689
Payable against redemption of units	1,177	-	-	-	1,177
Payable against sale of investment	42,321	-	-	-	42,321
Unit holders' fund	2,623,318	-	-	-	2,623,318
	2,674,553	-	-	-	2,674,553
On-balance sheet gap	39,016	1,962,227	-	55,443	(1,978,654)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

### 27.1.3 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 instruments or its issuer, or factors affecting all similar financial instrument traded in the market.

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as financial assets 'at fair value through profit or loss held-for-trading' and 'available-for-sale'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive document / regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company, whichever is lower, and sector exposure limit to 30% of net assets.

In case of 5% increase / decrease in the fair value of the Fund's equity and debt securities in 'fair value through profit and loss - held-for-trading' category, on June 30, 2018, net assets of the Fund would have increased / decreased by Rs. 55.49 million (2017: Rs. nil million) as a result of gains / losses on equity and debt securities with corresponding effect on operating income reported in 'Income statement'.

In case of 5% increase / decrease in the fair value of the Fund's equity and debt securities in 'available-for-sale' category on June 30, 2018, net assets of the Fund would have increased / decreased by Rs. 14.27 million (2017: Rs. 37.03 million) as a result of gains / losses on equity and debt securities, with corresponding effect on other comprehensive income reported in 'Statement of comprehensive income'.

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.

**27.2 Credit risk**

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the counter party to fulfil 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 and government 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. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government.

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

The maximum exposure to credit risk before considering any collateral as at June 30, 2018 is the carrying amount of the financial assets.

The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2018 and June 30, 2017:

Name of bank	Balances held by the Fund as at June 30, 2018	Latest available published rating as at June 30, 2018	Rating agency
Habib Bank Limited	9,660	AAA	JCR-VIS
Dubai Islamic Bank Limited	606,921	AA-	JCR-VIS
Bank Islami Pakistan Limited	41,072	A+	PACRA
Bank Al Habib Limited	414,216	AA+	PACRA
Askari Bank Limited	280	AA+	PACRA
Soneri Bank Limited	377	AA-	PACRA
AlBaraka Bank Pakistan Limited	10	A	JCR-VIS
Summit Bank Limited	10	A-	JCR-VIS
Allied Bank Limited	8	AA+	PACRA
	1,072,554		
Investment in Sukuks	714,800		

Name of bank	Balances held by the Fund as at June 30, 2017	Latest available published rating as at June 30, 2017	Rating agency
Habib Bank Limited	501,362	AAA	JCR-VIS
Dubai Islamic Bank Limited	415,185	A+	JCR-VIS
Bank Islami Pakistan Limited	104,501	A+	PACRA
Bank Al Habib Limited	205	AA+	PACRA
Askari Bank Limited	1,469	AA+	PACRA
Soneri Bank Limited	939,505	AA-	PACRA
	1,962,227		
Investment in Sukuks	55,443		

**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.

**27.3 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.

The Fund is exposed to daily cash redemptions of units. The Management Company manages the liquidity risk by monitoring maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

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

	2018			
	Total	Upto three months	Over three months and upto one year	Over one year
<b>Financial liabilities (excluding unit holders' fund)</b>				
------(Rupees in '000)-----				
Payable to the Management Company	9,665	9,665	-	-
Payable to the Trustee	344	344	-	-
Accrued expenses and other liabilities	3,794	3,794	-	-
Payable against redemption of units	-	-	-	-
Payable against purchase of investment	-	-	-	-
	<u>13,803</u>	<u>13,803</u>	<u>-</u>	<u>-</u>
Unit holder's fund	<u>2,469,559</u>	<u>2,469,559</u>	<u>-</u>	<u>-</u>
-----				
	2017			
	Total	Upto three months	Over three months and upto one year	Over one year
<b>Financial liabilities (excluding unit holders' fund)</b>				
------(Rupees in '000)-----				
Payable to the Management Company	6,113	6,113	-	-
Payable to the Trustee	310	310	-	-
Accrued expenses and other liabilities	1,689	1,689	-	-
Payable against redemption of units	1,177	1,177	-	-
Payable against purchase of investment	42,321	42,321	-	-
	<u>51,611</u>	<u>51,611</u>	<u>-</u>	<u>-</u>
Unit holder's fund	<u>2,623,318</u>	<u>2,623,318</u>	<u>-</u>	<u>-</u>

## **28. UNITS HOLDERS' FUND RISK MANAGEMENT**

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

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

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

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

## **29. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants and measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the reporting 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' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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



		June 30, 2018					Fair Value			
Note		Carrying amount				Total	Level 1	Level 2	Level 3	Total
		Fair value through profit or loss - held for trading	Available-for-sale	Loans and receivables	Other financial assets / liabilities					
----- (Rupees in '000) -----										
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
Investments										
	- Listed equity securities	519,265	161,202	-	-	680,467	680,467	-	-	680,467
	- Listed Sukuk's Certificates	590,537	124,263	-	-	714,800	-	714,800	-	714,800
		<u>1,109,802</u>	<u>285,465</u>	<u>-</u>	<u>-</u>	<u>1,395,267</u>	<u>680,467</u>	<u>714,800</u>	<u>-</u>	<u>1,395,267</u>
<b>Financial assets not measured at fair value</b>										
29.1	Bank balances	-	-	1,072,554	-	1,072,554				
	Dividend receivable and accrued mark-up	-	-	16,784	-	16,784				
	Advances, deposits and other receivables	-	-	1,605	-	1,605				
	Receivable against sale of investment	-	-	2,338	-	2,338				
		<u>-</u>	<u>-</u>	<u>1,093,281</u>	<u>-</u>	<u>1,093,281</u>				
<b>Financial liabilities not measured at fair value</b>										
29.1	Payable to the Management Company	-	-	-	9,665	9,665				
	Payable to the Trustee	-	-	-	344	344				
	Accrued expenses and other liabilities	-	-	-	3,794	3,794				
	Payable against redemption of units	-	-	-	-	-				
	Payable against purchase of investment	-	-	-	-	-				
	Unit holders' fund	-	-	-	2,469,559	2,469,559				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,483,361</u>	<u>2,483,361</u>				
----- (Rupees in '000) -----										
		June 30, 2017					Fair Value			
Note		Carrying amount				Total	Level 1	Level 2	Level 3	Total
		Fair value through profit or loss - held for trading	Available-for-sale	Loans and receivables	Other financial assets / liabilities					
----- (Rupees in '000) -----										
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
Investments										
	- Listed equity securities	-	685,184	-	-	685,184	685,184	-	-	685,184
	- Listed Sukuk's Certificates	-	55,443	-	-	55,443	-	55,443	-	55,443
		<u>-</u>	<u>740,627</u>	<u>-</u>	<u>-</u>	<u>740,627</u>	<u>685,184</u>	<u>55,443</u>	<u>-</u>	<u>740,627</u>
<b>Financial assets not measured at fair value</b>										
29.1	Bank balances	-	-	1,962,227	-	1,962,227				
	Dividend receivable and accrued mark-up	-	-	10,715	-	10,715				
	Advances, deposits and other receivables	-	-	-	-	-				
	Receivable against sale of investment	-	-	-	-	-				
		<u>-</u>	<u>-</u>	<u>1,972,942</u>	<u>-</u>	<u>1,972,942</u>				
<b>Financial liabilities not measured at fair value</b>										
29.1	Payable to the Management Company	-	-	-	6,113	6,113				
	Payable to the Trustee	-	-	-	310	310				
	Accrued expenses and other liabilities	-	-	-	1,689	1,689				
	Payable against redemption of units	-	-	-	1,177	1,177				
	Payable against purchase of investment	-	-	-	42,321	42,321				
	Unit holders' fund	-	-	-	2,623,318	2,623,318				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,674,928</u>	<u>2,674,928</u>				

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

**30. TOTAL EXPENSE RATIO**

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 2.65% which includes 0.3% representing Government Levy and SECP fee.

**31. NON ADJUSTING EVENT AFTER REPORTING DATE**

The Board of Directors of the Management Company in its meeting held on July 4, 2018 has proposed a variable final cash distribution of upto Rs. 0.3 per unit amounting to PKR 7.067 million as dividend. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

**32. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on August 31, 2018.

**33. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**34. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



# **HBL** Islamic Stock Fund

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HBL AML annual report 2017-18

<b>NAME OF FUND</b>	<b>HBL ISLAMIC STOCK FUND</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF AUDITORS</b>	<b>Deloitte Yousuf Adil Chartered Accountants</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Dubai Islamic Bank Limited Bank Islami Pakistan Limited Bank Al Baraka Limited</b>

**Type and Category of Fund**

Open end Equity Fund

**Investment Objective and Accomplishment of Objective**

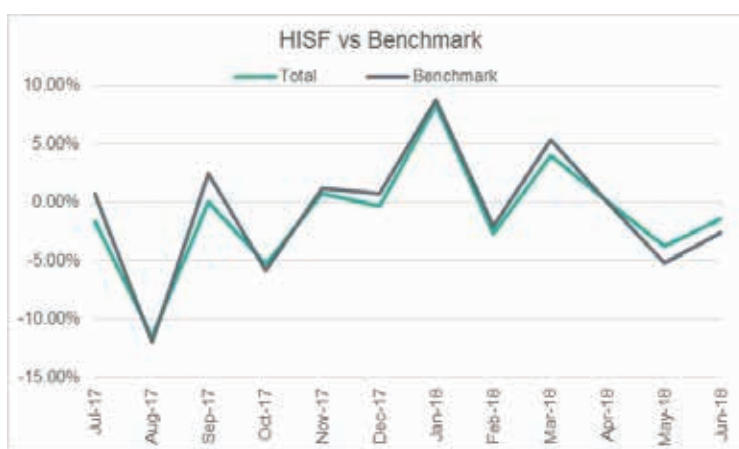
The investment objective of the Fund is to achieve long term capital growth by investing mainly in Shariah Complaint equity securities.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KMI-30 Index.

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

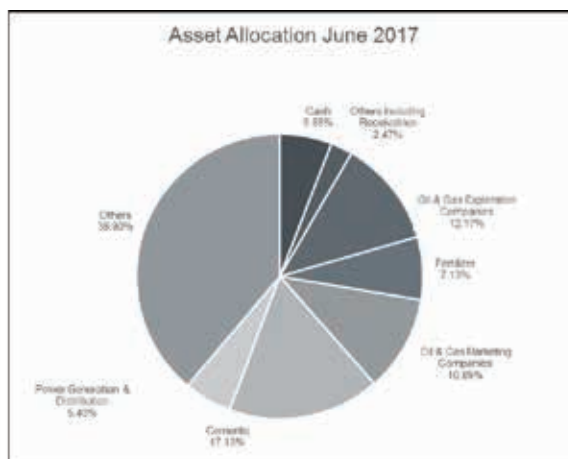
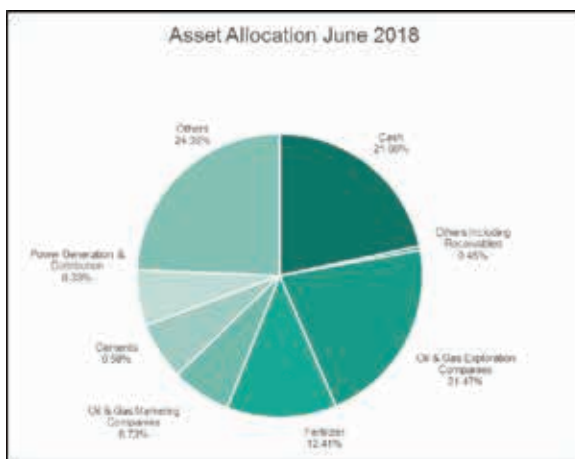
Month	Benchmark	Return of Fund
Jun - 18	- 2.63%	- 1.45%
May - 18	- 5.25%	- 3.78%
Apr - 18	0.05%	0.10%
Mar - 18	5.31%	3.97%
Feb - 18	- 2.02%	- 2.69%
Jan - 18	8.74%	8.30%
Dec - 17	0.76%	- 0.37%
Nov - 17	1.19%	0.74%
Oct - 17	- 5.80%	- 5.28%
Sep - 17	2.49%	- 0.02%
Aug - 17	- 11.94%	- 11.55%
Jul - 17	0.72%	- 1.63%



**Strategies and Policies employed during the Year**

During the year under review, the Fund reduced its exposure in equity from 92% of total assets as on June 30, 2017 to 78% of total assets as on June 2018. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in Oil & Gas Marketing, Cement and Engineering was reduced; however exposure in Power Generation & Distribution, Fertilizers, Oil & gas exploration companies was increased.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2017 and June 30, 2018:

Sector Name	As on Jun 2018	As on Jun 2017
Cash	21.66%	5.88%
Others Including Receivables	0.45%	2.47%
Oil & Gas Exploration Companies	21.47%	12.17%
Fertilizer	12.41%	7.13%
Oil & Gas Marketing Companies	6.73%	10.89%
Cements	6.59%	17.13%
Power Generation & Distribution	6.33%	5.43%
Others	24.36%	38.90%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The total and net loss of the Fund was Rs. 53.84 million and Rs. 119.08 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) of the Fund decreased from Rs. 130.0225 per unit as on June 30, 2017 to Rs. 111.8276 per unit as on June 30, 2018 giving a negative return of 13.99% during the year against the benchmark return (KMI 30 Index) of negative 9.59%.

## Review of Market invested in

Pakistan Equities witnessed a topsy-turvy ride during outgoing year with disappointing foreign flows (after MSCI upgrade), political uncertainty following the ouster of ex-PM, macroeconomic challenges and ongoing speculation about the upcoming general elections.

Pakistan Islamic Equities benchmark (KMI30 Index) fell 7,538 points to close at 71,060 points, reflecting a decline of 10%. Despite market expectation of strong foreign inflows following Pakistan's inclusion in the MSCI Emerging Markets, foreign investors continued to remain net sellers and sold stocks of worth USD289mn. Within local investors, insurance companies and corporates bought equities of USD204mn and USD100mn respectively while Mutual funds divested equities of USD35mn during the year. On the political front, Ex-Prime Minister Nawaz Sharif was disqualified by Supreme Court in Jul-17 which further marred investor sentiment. Moreover, economic concerns increased due to rising twin deficits followed by stringent policy measures by policy makers (16% PKR depreciation and 75bps increase in interest rates).

The Cement sector led the rout in the KMI index, causing attrition of where DGKC and LUCK fell 44% and 37% YoY. Decline in cements was caused owing to the fears of a price war in the segment as upcoming expansions could lead to an oversupply situation particularly in the Southern region as can be grasped from the poor price performance of DGKC and LUCK. Within the banking sector, MEBL returned 10% during the outgoing year buoyed by rising interest rate environment which is expected to lead to margin expansion.

FY18 experienced strong performance from the Oil & Gas Exploration Companies owing to 66% increase in International Oil Prices and 16% PKR depreciation. The outperformance was led by POL and PPL which increased 58% and 53% against SPLY.

Going forward, we expect Pakistan equities to rebound with restoration of political stability (after General Elections), gradual improvement in macroeconomic trends and potential revival of foreign investor interest after steep PKR depreciation. Moreover, we highlight that Pakistan market's discount to emerging as well as frontier peers has increased to 30% and 28% against 5-year averages of 25% and 19% respectively reflecting a good entry point.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

### Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the year under review.

### Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	105	3,873
101 – 500	52	12,591
501 – 1,000	26	20,610
1,001 – 10,000	92	328,190
10,001 – 100,000	22	627,426
100,001 – 500,000	6	1,537,157
500,001 – 1,000,000	3	2,393,100
1,000,001 – 5,000,000	1	1,294,097
5,000,001 and above	2	16,513,851
<b>Total</b>	<b>309</b>	<b>22,730,895</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

# PERFORMANCE TABLE - HBL ISLAMIC STOCK FUND

	2018	2017	2016	2015	2014	2013
Net assets at the period end(Rs'000)	2,541,942	1,043,544	784,634	783,608	778,727	469,721
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	111.8276	130.0225	128.0108	128.2681	131.9066	155.9098
Offer	114.3549	132.9611	131.3964	131.6903	135.4565	160.2604
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	133.8388	184.8553	137.7412	154.1646	178.2440	165.7097
Lowest offer price per unit	103.5161	131.9828	111.9416	126.7402	129.7224	113.4997
Highest redemption price per unit	130.8809	180.7699	134.1921	150.1584	173.5728	162.4605
Lowest redemption price per unit	101.2283	129.0659	109.0573	123.4188	126.3228	111.2742
<b>RETURN ( % )</b>						
Total return	-13.99%	24.51%	0.98%	11.63%	30.17%	44.87%
Income distribution	0.00%	29.00%	1.50%	19.00%	38.50%	25.00%
Capital growth	-13.99%	-4.49%	-0.52%	-7.37%	-8.33%	19.87%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	-	29.00	1.50	19.00	38.50	25.00
Date of Income Distribution	-	22-Jun-17	28-Jun-16	30-Jun-15	27-Jun-14	8-Jul-13
Total dividend distribution for the year/ period	-	29.00	1.50	19.00	38.50	25.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-13.99%	24.51%	0.98%	11.63%	30.17%	44.87%
Average annual return 2 year	3.48%	12.15%	-	-	-	-
Average annual return 3 year	2.65%	12.03%	-	-	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	22%	6%	6%	9%	11%	6%
GoP Ijarah Sukuks	-	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	-	-
Corporate Sukuks	-	-	-	-	-	-
Stock / Equities	78%	92%	93%	90%	68%	93%
Others	0%	2%	1%	1%	21%	1%

**Note:**

The Launch date of the Fund is May 10, 2011

**Disclaimer:**

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



Summary of Actual Proxy voted by CIS

HBL Islamic Stock Fund	Meetings	Resolutions	For	Against
Number	1	6	6	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
AGP Limited	6-7-2018	N-A
Amreli Steels Limited	25-10-2017	5-7-2018
Cherat Cement Company Ltd.	16-10-2017	N-A
Crescent Steel & Allied Products Ltd	17-10-2017	N-A
D G Khan Cement Co.Ltd.	28-10-2017	N-A
Engro Corporation Ltd	24-4-2018	N-A
Engro Fertilizers Limited	26-3-2018	N-A
Engro Polymer & Chemicals Ltd	29-3-2018	2-7-2018
Hascol Petroleum Ltd	27-4-2018	N-A
Hub Power Company Ltd	10-5-2017	22-6-2018
ICI Pakistan Ltd	(26-09-2017)(16-2-2018)	N-A
International Industries Ltd	28-9-2017	21-5-2018
International Steels Limited	26-9-2017	N-A
Kohat Cement Ltd	23-10-2017	N-A
Lucky Cement Ltd	(25-09-2017)(28-11-2017)	N-A
Mari Petroleum Company Ltd	26-9-2017	N-A
Meezan Bank Ltd	28-3-2018	N-A
Millat Tractors Ltd	27-10-2017	N-A
Nishat Mills Ltd	28-10-2017	28-3-2018
Oil & Gas Development Co Ltd	24-10-2017	N-A
Packages Ltd	19-4-2018	(28-08-2017)(26-2-2018)
Pak Elektron Ltd	25-4-2018	N-A
Pak Suzuki Motor Company Limited	25-4-2018	(2-2-2018)(26-2-2018)
Pakistan National Shipping Corp Ltd	20-11-2017	N-A
Pakistan Oilfields Ltd	19-10-2017	N-A
Pakistan Petroleum Ltd	27-10-2017	N-A
Pakistan State Oil Company Ltd	20-10-2017	N-A
Pioneer Cement Limited	26-10-2017	N-A
Service Industries Ltd	30-4-2018	28-7-2017
Sui Northern Gas Pipeline Ltd	27-11-2017	N-A
Systems Limited	26-4-2018	N-A
The Searle Company Ltd	27-10-2017	31-7-2017

The proxy voting policy of the Fund is available on the website of the Management Company and detailed information regarding actual proxies voted by Management Company in respect of the Fund is also available without charge, upon request, to all unit holders.

**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 ISLAMIC STOCK FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Stock Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

  
**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 18, 2018





ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٽڊ

### STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Stock Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2018. This has been duly confirmed by the Shariah Advisor of the Fund.

**Farid Ahmed Khan**

**Chief Executive Officer**

**Dated: August 31, 2018**

HBL Asset Management Limited  
Head Office  
7th Floor  
Emerald Tower  
G-19 Block-5,  
Main Clifton Road,  
Clifton, Karachi

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 10, 2018

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:


We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2018 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Stock Fund (HBL-ISF) are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

For and on behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisors (Pvt) Limited



Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

**Al-Hilal Shariah Advisors (Pvt) Limited**

Suite# 619, 6th Floor, Clifton Centre, Schon Circle, Block - 5 Clifton,  
Karachi, Pakistan. Tel :+92-21-35305931-37, Web: www.alhilalsa.com

## **INDEPENDENT ASSURANCE REPORT TO THE UNITHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

We have performed an independent assurance engagement of HBL Islamic Stock Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2018. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2018 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

*SA*

Member of  
Deloitte Touche Tohmatsu Limited

## **Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shairah Advisor for the year ended June 30, 2018.

*Deloitte Yousuf Adil*  
**Chartered Accountants**

**Dated:** September 19, 2018  
**Place:** Karachi

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL ISLAMIC STOCK FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Islamic Stock Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 2,222.627 million as at June 30, 2018.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and their valuation and existence is a significant area during our audit. There is a risk that appropriate quoted prices may not be used to determine fair value.</p> <p>Further, the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>independent testing of valuations by using the quoted market prices from the Pakistan Stock Exchange Limited and ensuring the existence of number of securities by comparing the internal records with Central Depository Company (CDC) account records;</li> <li>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of securities during the year; and</li> </ul>

S. No.	Key audit matters	How the matters were addressed in our audit
		<ul style="list-style-type: none"> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
2	<p><b>Impairment of available for sale investments</b></p> <p>The Fund invests a significant portion of its funds in financial instruments that comprise available for sale investments in equity securities. These investments are measured at fair value with the corresponding fair value changes recognized in other comprehensive income. The valuation is performed by the Management Company using the quoted market prices at the Pakistan Stock Exchange.</p> <p>The Management Company performs an impairment review of its available for sale investments at each reporting date and records impairment charge when there has been a significant or prolonged decline in the fair value of investments below their cost. In determining 'significant' or 'prolonged', Management Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.</p> <p>There is a high degree of judgement involved in determining 'significant' or 'prolonged' decline in value of investments and the resulting impairment charge.</p>	<p>In auditing the impairment of available for sale investments, we obtained understanding of the processes and key controls relating to valuation of available for sale investments. In addition, we performed valuation testing on investments held as at June 30, 2018, reviewed the Fund's impairment policy, and assessed the adequacy of impairment charge on available for sale investments at year-end.</p> <p>The Fund's disclosures related to financial investments are included in note 6.</p>
3	<p><b>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</b></p> <p>As disclosed in note 4.7, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> <li>Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> </ul>

T/A



S. No.	Key audit matters	How the matters were addressed in our audit
	prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.	<ul style="list-style-type: none"> <li>Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit



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evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

*Deloitte Yousuf Adil*  
Chartered Accountants

Place: Karachi

Date: September 19, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	618,133	67,149
Investments	6	2,222,627	1,046,359
Dividend receivable and accrued mark-up	7	5,771	3,559
Advances, deposits, prepayments and other receivables	8	3,482	24,737
		<b>2,850,013</b>	<b>1,141,804</b>
<b>Liabilities</b>			
Payable to the Management Company	9	9,226	3,547
Payable to the Trustee	10	322	194
Payable to Securities and Exchange Commission of Pakistan	11	1,616	882
Payable against purchase of equity instruments		276,163	-
Payable against conversion and redemption of units		-	70,418
Accrued expenses and other liabilities	12	20,744	23,219
		<b>308,071</b>	<b>98,260</b>
<b>Net Assets</b>		<b>2,541,942</b>	<b>1,043,544</b>
<b>Unit Holders' Fund (as per statement attached)</b>		<b>2,541,942</b>	<b>1,043,544</b>
<b>Contingencies and Commitments</b>	13		
		----- Number of units -----	
<b>Number of units in issue</b>	18	<b>22,730,895</b>	<b>8,025,872</b>
		----- Rupees -----	
<b>Net assets value per unit</b>	4.8	<b>111.8276</b>	<b>130.0225</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Financial Officer**

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

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

**HBL Islamic Stock Fund**  
**Income Statement**  
For the year ended June 30, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Dividend income		71,036	36,348
Profit on bank deposits		15,474	3,817
Capital (loss) / gain on sale of investments - net		(26,681)	168,055
Other income		2	-
		<b>59,831</b>	<b>208,220</b>
Unrealised diminution on remeasurement of investments classified at fair value through profit or loss - Held for trading		(46,644)	-
Impairment loss on equity securities classified as available-for-sale		(67,023)	(9,365)
<b>Total income</b>		<b>(53,836)</b>	<b>198,855</b>
<b>Expenses</b>			
Remuneration of the Management Company	9.1 & 9.2	38,447	21,064
Remuneration of the Trustee	10.1	3,050	2,071
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	1,616	882
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	1,701	946
Selling and marketing expense	9.3	6,805	1,392
Auditors' remuneration	14	352	381
Settlement and bank charges		907	518
Brokerage fees		6,694	-
Fee and subscription		161	305
Printing and stationary		173	286
Legal and professional charges		49	22
Charity		5,290	477
<b>Total expenses</b>		<b>65,245</b>	<b>28,344</b>
<b>Net (loss) / income from operating activities</b>		<b>(119,081)</b>	<b>170,511</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net		-	32,054
Reversal of provision for Workers' Welfare Fund	12.3	-	8,274
Provision for Sindh Workers' Welfare Fund	12.3	-	(6,312)
		-	1,962
<b>Net (loss) / income for the year before taxation</b>		<b>(119,081)</b>	<b>204,527</b>
Taxation	15	-	-
<b>Net (loss) / income for the year after taxation</b>		<b>(119,081)</b>	<b>204,527</b>
<b>(Loss) / Earnings per unit</b>	17		

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

	2018	2017
	----- (Rupees in '000) -----	
Net (loss) / income for the year after taxation	<b>(119,081)</b>	204,527
<b>Other comprehensive income for the year</b>		
<b>Items that may be reclassified subsequently to income statement</b>		
Unrealised (diminution) / appreciation on remeasurement of investments classified as available-for-sale	(1,933)	158,153
Net reclassification adjustments relating to available-for-sale financial instruments	(56,684)	(158,690)
	<b>(58,617)</b>	(537)
<b>Total comprehensive income for the year</b>	<b>(177,698)</b>	203,990

The annexed notes 1 to 30 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Financial Officer**

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

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

**HBL Islamic Stock Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2018

	For the year ended June 30,						
	2018			2017			
	(Rupees in '000)						
Capital value	Undistributed income (Accumulated loss)	Unrealised income / (loss) on investment	Total	Capital value	Undistributed income	Total	
<b>Net assets at the beginning of the year</b>	904,856	78,478	60,210	1,043,544	-	-	784,634
Issuance of 20,830,023 units (2017: 6,391,070 units)							
- Capital Value (at net asset value per unit at the beginning of the year)	2,708,372	-	-	2,708,372	-	-	911,265
- Bonus Issue of Nil units (2017:1,010,496 units)	-	-	-	-	-	-	129,786
- Element of loss	(335,543)	-	-	(335,543)	-	-	-
<b>Total proceed on issuance of units</b>	<b>2,372,829</b>	<b>-</b>	<b>-</b>	<b>2,372,829</b>			<b>1,041,051</b>
Redemption of 6,125,000 units (2017: 5,505,132 units)							
- Capital Value (at net asset value per unit at the beginning of the year)	(796,388)	-	-	(796,388)	-	-	(765,886)
- Amount paid out of element of income							
Relating to net income for the year after taxation	99,655	-	-	99,655	-	-	-
<b>Total payment on redemption of units</b>	<b>(696,733)</b>	<b>-</b>	<b>-</b>	<b>(696,733)</b>	<b>-</b>	<b>-</b>	<b>(765,886)</b>
Element of income and capital gains included in prices of units issued less those in units redeemed	-	-	-	-	-	-	(32,054)
Net (loss) / income for the year after taxation	-	(119,081)	-	(119,081)	-	-	203,990
Other comprehensive income for the year	-	-	(58,617)	(58,617)	-	-	-
Distribution during the year	-	-	-	-	-	-	(188,190)
Total comprehensive income for the year	-	(119,081)	(58,617)	(177,698)	-	-	15,800
<b>Net assets at the end of the year</b>	<b>2,580,952</b>	<b>(40,603)</b>	<b>1,593</b>	<b>2,541,942</b>	<b>-</b>	<b>-</b>	<b>1,043,544</b>
<b>Undistributed income brought forward</b>							
- Realised		78,478				28,260	
- Unrealised		-				-	
		78,478				28,260	
Element of income and capital gains included in prices of units issued less those in units redeemed		-				33,881	
Accounting (loss) / income available for distribution		(119,081)				204,527	
Distribution during the year		-				(188,190)	
Undistributed income carried forward		(40,603)				78,478	
<b>Undistributed (Loss) / income carried forward</b>							
- Realised		6,041				78,478	
- Unrealised		(46,644)				-	
		(40,603)				78,478	
					(Rupees)		
<b>Net assets value per unit at the beginning of the year</b>				<b>130.0225</b>			<b>128.0108</b>
<b>Net assets value per unit at the end of the year</b>				<b>111.8276</b>			<b>130.0225</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

**HBL Islamic Stock Fund**  
**Cash Flow Statement**  
For the year ended June 30, 2018

Note	2018 ------(Rupees in '000)-----	2017
<b>Cash Flows From Operating Activities</b>		
Net (loss) / income for the year before taxation	(119,081)	204,527
<b>Adjustments</b>		
Capital loss / (gain) on sale of investments - net	26,681	(168,055)
Unrealised diminution on remeasurement of investments classified at fair value through profit or loss - Held for trading	46,644	-
Profit on bank deposits	(15,474)	(3,817)
Dividend income	(71,036)	(36,348)
Impairment loss on investments classified as available for sale	67,023	9,365
Element of income and capital gains included in prices of units issued less those in units redeemed - net	-	(32,054)
	(65,243)	(26,382)
<b>(Increase) / decrease in assets</b>		
Investments - net	(1,099,070)	(117,427)
Advances, prepayments and other receivables	21,255	60
	(1,077,815)	(117,367)
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	5,679	1,905
Payable to the Trustee	128	43
Payable to Securities and Exchange Commission of Pakistan	734	149
Accrued expenses and other liabilities	(2,475)	(15,087)
	4,066	(12,990)
Mark-up received	14,210	3,476
Dividend received	70,088	34,911
<b>Net cash used in operating activities</b>	(1,054,694)	(118,352)
<b>Cash Flows From Financing Activities</b>		
Amount received on issue of units	2,372,829	892,898
Payment against redemption of units	(767,151)	(697,395)
Cash dividend paid	-	(58,404)
<b>Net cash generated from financing activities</b>	1,605,678	137,099
<b>Net increase in cash and cash equivalents</b>	550,984	18,747
<b>Cash and cash equivalents at the beginning of the year</b>	67,149	48,402
<b>Cash and cash equivalents at the end of the year</b>	618,133	67,149

The annexed notes 1 to 30 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Financial Officer**

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

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

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Islamic Stock Fund (the Fund) was established under a Trust Deed, dated November 23, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on December 10, 2010.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an open-ended Shariah Compliant Fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par from May 09, 2011 to May 10, 2011.

The principal activity of the Fund is to provide long-term capital growth by investing mainly in Shariah Compliant equity securities and short-term government securities.

JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2+' (AM Two Plus) to the Management Company.

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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except that investments are measured at fair value.

### **2.3 Functional and presentation currency**

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

### **2.4 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting



policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5 and 6.1.1.1)

### **3. APPLICATION OF NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS**

#### **3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018**

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. 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.

**Effective from accounting  
period beginning on or after:**

Amendments to IAS 7 'Statement of Cash Flows'	
- Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes'	
- Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.

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

##### **3.2.1** 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 (except IFRS 9 'Financial Instruments') are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

**Effective from accounting  
period beginning on or after:**

IFRS 15 'Revenue from contracts with customers'	
- This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment'	
- Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 9 'Financial Instruments'	
Amendments to IFRS 9 'Financial Instruments'	July 01, 2019
- Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	

**Effective from accounting period beginning on or after:**

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 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 from accounting period beginning on or after a date to be determined. Earlier application is permitted.

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures

January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement

January 01, 2019

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

January 01, 2018

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

January 01, 2018

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

January 01, 2019

Certain annual improvements have also been made to a number of IFRSs. Which are also not expected to have material impact on financial reporting of the fund.

**3.2.2 IFRS 9 'Financial Instruments' Impact Assessment**

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

Key requirements of IFRS 9 are as follows;

**3.2.2.1 Classification and measurement of financial assets**

- All recognized financial asset that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at FVTOCI.
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

### **Classification and measurement of financial liabilities**

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows;

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

### **Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 on the basis of facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Listed equity securities classified as financial assets at 'available-for-sale' are to be measured at fair value through profit or loss upon application of IFRS 9 with value changes to be recognised in profit or loss instead of other comprehensive income. The change in fair value attributed to these financial assets amounting to Rs.58,617 million during the current year would be recognised in income statement under IFRS 9.

Listed equity securities classified as financial assets at fair value through profit or loss - held for trading will continue to be measured at fair value through profit or loss upon application of IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. These financial assets will qualify for designation as measured at amortised cost and will continue to be subsequently measured at amortised cost upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

#### **3.2.3 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 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **3.3 Change in policy in relation to preparation of income statement and other comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

This change has no impact on the items of income or loss or other comprehensive income recognized in prior year except that items of other comprehensive income previously presented under 'statement of income statement and other comprehensive income' in single statement are now presented within 'income statement' and 'statement of comprehensive income' separately.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

##### **4.2 Financial instruments**

###### **4.2.1 Financial assets**

###### **4.2.1.1 Classification**

The Management Company determines the appropriate classification of financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired.

The financial assets of the Fund are currently categorised as follows:

###### **a) Investments 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 financial assets at fair value through profit or loss - held-for-trading.

###### **b) Loans and receivables**

determinable payments that are not quoted in an active market.

###### **c) Available for sale**

designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

###### **4.2.1.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

###### **4.2.1.3 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.

###### **4.2.1.4 Subsequent measurement**

###### **a) Financial assets 'at fair value through profit or loss - held for trading' and 'available for sale'**

Subsequent to initial measurement, financial assets 'at fair value through profit or loss' and 'available for sale' are valued as follows:

###### **Basis of valuation of equity securities**

Equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date, the security is valued at an amount neither higher than the closing asked price nor lower than the closing bid price.

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

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

#### **b) Loans and receivables**

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

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired.

##### **4.2.1.5 Impairment**

Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

##### **4.2.1.6 Derecognition**

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

#### **4.2.2 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.

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 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.

#### **4.4 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised.

#### **4.6 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 during business hours on that day. The offer price represents the net assets 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.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

The Fund has followed the requirements of SRO 756 (I) 2017 dated August 3, 2017 read with NBFC regulations, 2008 in the preparation of these financial statements as follows:

- element of income has been determined as the difference between net assets value on the issuance or redemption date, as the case maybe, of units and the net asset value at the beginning of the accounting period;
- presented distributable income in statement of movement In unitholders' fund ; and
- presented allocation of net income available for distribution relating to capital gains and excluding capital gains in statement of movement In unitholders' fund.

#### **Amendment in the NBFC Regulations subsequent to the year end**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.



## 6.1 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 June 30, 2018	Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year			Total Investments	Net Assets	
<b>TEXTILE COMPOSITE</b>									
Nishat Mills Limited	386,800	-	-	386,800	-	-	-	-	-
	386,800	-	-	386,800	-	-	-	-	-
<b>SUGAR &amp; ALLIED INDUSTRIES</b>									
Faran Sugar Mills Limited	59,700	-	-	59,700	-	-	-	-	-
	59,700	-	-	59,700	-	-	-	-	-
<b>CEMENT</b>									
Cherat Cement Company Limited.	178,300	-	-	178,300	-	-	-	-	-
D G Khan Cement Company Limited.	201,600	-	-	201,600	-	-	-	-	-
Lucky Cement Limited	95,050	-	-	95,050	-	-	-	-	-
Pioneer Cement Limited	317,300	-	-	317,300	-	-	-	-	-
	792,250	-	-	792,250	-	-	-	-	-
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hu b Power Company Limited	527,900	-	-	527,900	-	-	-	-	-
	527,900	-	-	527,900	-	-	-	-	-
<b>ENGINEERING</b>									
Amreli Steels Limited	125,000	-	-	125,000	-	-	-	-	-
Crescent Steel & Allied Products Limited	83,300	-	-	83,300	-	-	-	-	-
International Industries Limited	62,500	-	-	62,500	-	-	-	-	-
International Steels Limited	440,500	-	-	440,500	-	-	-	-	-
	711,300	-	-	711,300	-	-	-	-	-
<b>AUTOMOBILE ASSEMBLER</b>									
Honda Atlas Cars (Pakistan) Limited	12,050	-	-	12,050	-	-	-	-	-
Millat Tractors Limited	15,000	-	-	3,000	12,000	14,257	69%	0.56%	0.03%
Pak Suzuki Motor Company Limited	39,200	-	-	39,200	-	-	-	-	-
	66,250	-	-	54,250	12,000	14,257	69%	0.56%	0.03%
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	496,500	-	-	496,500	-	-	-	-	-
	496,500	-	-	496,500	-	-	-	-	-
<b>TRANSPORT</b>									
Pakistan National Shipping Corp Limited	85,900	-	-	85,900	-	-	-	-	-
	85,900	-	-	85,900	-	-	-	-	-
<b>PHARMACEUTICALS</b>									
The Searle Company Limited	97,201	-	16,440	113,641	-	-	-	-	-
	97,201	-	16,440	113,641	-	-	-	-	-
<b>PAPER &amp; BOARD</b>									
Packages Limited	34,850	-	-	34,850	-	-	-	-	-
	34,850	-	-	34,850	-	-	-	-	-
<b>LEATHER &amp; TANNERIES</b>									
Service Industries Limited	7,150	-	-	7,150	-	-	-	-	-
	7,150	-	-	7,150	-	-	-	-	-
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	27,210	-	-	23,000	4,210	6,341	31%	0.25%	0.004%
Oil & Gas Development Company Limited	307,000	-	-	307,000	-	-	-	-	-
Pakistan Oilfields Limited	59,800	-	-	59,800	-	-	-	-	-
Pakistan Petroleum Limited	171,800	-	-	171,800	-	-	-	-	-
	565,810	-	-	561,600	4,210	6,341	31%	0.25%	0.004%
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Hascol Petroleum Limited	125,500	-	-	125,500	-	-	-	-	-
Pakistan State Oil Company Limited	74,000	14,000	9,400	97,400	-	-	-	-	-
Sui Northern Gas Pipeline Limited	355,000	-	-	355,000	-	-	-	-	-
	554,500	14,000	9,400	577,900	-	-	-	-	-



Name of the Investee Company	Number of shares				As at June 30, 2018	Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year			Total Investments	Net Assets	
<b>COMMERCIAL BANKS</b>									
Meezan Bank Limited	278,000	-	-	278,000	-	-	-	-	-
Meezan Bank Limited - Letter of Right	-	16,680	-	16,680	-	-	-	-	-
	<u>278,000</u>	<u>16,680</u>	<u>-</u>	<u>294,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FERTILIZER</b>									
Engro Corporation Limited	167,900	-	-	167,900	-	-	-	-	-
Engro Fertilizers Limited	483,000	-	-	483,000	-	-	-	-	-
	<u>650,900</u>	<u>-</u>	<u>-</u>	<u>650,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHEMICAL</b>									
Engro Polymer & Chemicals Limited	557,000	-	-	557,000	-	-	-	-	-
	<u>557,000</u>	<u>-</u>	<u>-</u>	<u>557,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>									
Thal Limited (Par value Rs. 5 per share)	16,400	-	-	16,400	-	-	-	-	-
	<u>16,400</u>	<u>-</u>	<u>-</u>	<u>16,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>5,888,411</u>	<u>30,680</u>	<u>25,840</u>	<u>5,928,721</u>	<u>16,210</u>	<u>20,598</u>	<u>100%</u>	<u>0.81%</u>	

Cost of investments at June 30, 2018

22,531

Note  
2018  
------(Rupees in '000)-----  
2017

**6.1.1 Net unrealised (diminution) / appreciation on remeasurement of investments classified as available-for-sale**

Market value of investments	6.1	<b>20,598</b>	1,046,359
Cost of investments	6.1	<b>22,531</b>	995,514
Provision against equity securities	6.1.1.1	<b>(3,526)</b>	(9,365)
		<u>19,005</u>	<u>986,149</u>
		<u>1,593</u>	<u>60,210</u>

**6.1.1.1 Movement in impairment against equity securities**

Opening balance		<b>9,365</b>	10,525
Add: Charge for the year		<b>67,023</b>	9,365
Less: Reversals made during the year (capital gain)		<b>(72,862)</b>	(10,525)
Net reversal		<b>(5,839)</b>	(1,160)
Closing balance		<u>3,526</u>	<u>9,365</u>

## 6.2 Listed equity securities - Held for trading

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

Name of the Investee Company	Number of shares					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>TEXTILE COMPOSITE</b>									
Nishat Mills Limited	-	771,400	-	142,300	629,100	88,653	4.03%	3.49%	1.79%
	-	771,400	-	142,300	629,100		4.03%	3.49%	1.79%
<b>CEMENT</b>									
Cherat Cement Company Limited.	-	55,000	-	55,000	-	-	-	-	-
D G Khan Cement Company Limited.	-	836,900	-	606,900	230,000	26,333	1.20%	1.04%	0.52%
Fauji Cement Company Limited	-	2,172,000	-	2,172,000	-	-	-	-	-
Kohat Cement Limited	-	643,100	-	311,100	332,000	40,859	1.86%	1.61%	2.15%
Lucky Cement Limited	-	293,700	-	85,950	207,750	105,522	4.79%	4.15%	0.64%
Pioneer Cement Limited	-	474,500	-	150,000	324,500	15,206	0.69%	0.60%	0.14%
	-	4,475,200	-	3,380,950	1,094,250	187,920	8.53%	7.39%	3.46%
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	-	1,592,100	-	213,100	1,379,000	127,089	5.77%	5.00%	0.12%
K-Electric Limited (Par value Rs. 3.5 share)	-	12,792,000	-	3,350,000	9,442,000	53,631	2.44%	2.11%	0.03%
	-	14,384,100	-	3,563,100	10,821,000	180,720	8.21%	7.11%	0.15%
<b>ENGINEERING</b>									
Aisha Steel Mills Limited	-	1,003,500	-	210,000	793,500	12,513	0.57%	0.49%	0.95%
Amreli Steels Limited	-	628,400	-	271,200	357,200	25,200	1.14%	0.99%	1.20%
Crescent Steel & Allied Products Limited	-	47,000	-	47,000	-	-	-	-	-
International Industries Limited	-	227,700	-	110,500	117,200	27,224	1.24%	1.07%	0.98%
International Steels Limited	-	455,300	-	66,800	388,500	39,510	1.79%	1.55%	0.89%
Mughal Iron & Steel Inds Limited	-	692,500	-	157,000	535,500	32,890	1.49%	1.29%	2.13%
	-	3,054,400	-	862,500	2,191,900	137,337	6.24%	5.40%	6.16%
<b>AUTOMOBILE ASSEMBLER</b>									
Millat Tractors Limited	-	66,580	-	12,600	53,980	64,131	2.91%	2.52%	1.22%
Pak Suzuki Motor Company Limited	-	16,300	-	16,300	-	-	-	-	-
	-	82,880	-	28,900	53,980	64,131	2.91%	2.52%	1.22%
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	-	1,791,000	-	892,500	898,500	31,861	1.45%	1.25%	1.81%
	-	1,791,000	-	892,500	898,500	31,861	1.45%	1.25%	1.81%
<b>TRANSPORT</b>									
Pakistan National Shipping Corp Limited	-	157,300	-	157,300	-	-	-	-	-
	-	157,300	-	157,300	-	-	-	-	-
<b>PHARMACEUTICALS</b>									
AGP Limited	-	575,750	-	148,000	427,750	37,980	1.72%	1.49%	1.53%
The Searle Company Limited	-	117,350	-	41,059	76,291	25,901	1.18%	1.02%	0.41%
	-	693,100	-	189,059	504,041	63,881	2.90%	2.51%	1.94%
<b>PAPER &amp; BOARD</b>									
Packages Limited	-	68,450	-	16,450	52,000	25,465	1.16%	1.00%	0.58%
	-	68,450	-	16,450	52,000	25,465	1.16%	1.00%	0.58%
<b>LEATHER &amp; TANNERIES</b>									
Service Industries Limited	-	240	-	240	-	-	-	-	-
	-	240	-	240	-	-	-	-	-
<b>GLASS &amp; CERAMICS</b>									
Shabbir Tiles & Ceramics Limited	-	819,000	-	17,500	801,500	16,880	0.77%	0.66%	4.90%
	-	819,000	-	17,500	801,500	16,880	0.77%	0.66%	4.90%
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	-	80,720	-	-	80,720	121,579	5.52%	4.78%	0.73%
Oil & Gas Development Company Limited	-	1,211,100	-	162,200	1,048,900	163,230	7.41%	6.42%	0.24%

Name of the Investee Company	Number of shares					Market value as a percentage of			Par value as a percentage of issued capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2018	Market value as at June 30, 2018 (Rupees in '000)	Total Investments	Net Assets	
Pakistan Oilfields Limited	-	283,150	-	70,050	213,100	143,158	6.50%	5.63%	0.90%
Pakistan Petroleum Limited	-	1,206,400	-	376,700	829,700	178,303	8.10%	7.01%	0.42%
	-	2,781,370	-	608,950	2,172,420	606,270	27.53%	23.85%	2.30%
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Hascol Petroleum Limited	-	143,100	-	51,800	91,300	28,646	1.30%	1.13%	0.63%
Hascol Petroleum Limited - LOR	-	19,100	-	19,100	-	-	-	-	-
Pakistan State Oil Company Limited	-	368,600	2,400	50,600	320,400	101,987	4.63%	4.01%	0.98%
Sui Northern Gas Pipeline Limited	-	878,700	-	266,400	612,300	61,365	2.79%	2.41%	0.97%
Sui Southern Gas Company Limited	-	709,000	-	709,000	-	-	-	-	-
	-	2,118,500	2,400	1,096,900	1,024,000	191,998	8.72%	7.55%	2.58%
<b>COMMERCIAL BANK</b>									
Meezan Bank Limited	-	1,546,180	-	281,680	1,264,500	103,335	4.69%	4.07%	1.19%
	-	1,546,180	-	281,680	1,264,500	103,335	4.69%	4.07%	1.19%
<b>FERTILIZER</b>									
Engro Corporation Limited	-	646,400	-	128,800	517,600	162,454	7.38%	6.39%	0.99%
Engro Fertilizers Limited	-	2,707,000	-	819,500	1,887,500	141,393	6.42%	5.56%	1.41%
Fauji Fertilizer Company Limited	-	1,032,500	-	523,000	509,500	50,384	2.29%	1.98%	0.40%
	-	4,385,900	-	1,471,300	2,914,600	354,231	16.09%	13.94%	2.80%
<b>CHEMICAL</b>									
Engro Polymer & Chemicals Limited	-	2,750,500	-	1,104,500	1,646,000	51,619	2.34%	2.03%	2.48%
Engro Polymer & Chemicals Limited - Letter of Right	-	536,130	-	64	536,066	4,728	0.21%	0.19%	2.18%
	-	3,286,630	-	1,104,564	2,182,066	56,347	2.56%	2.22%	4.66%
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>									
Thal Limited (Par value Rs. 5 share)	-	143,350	-	-	143,350	68,454	3.11%	2.69%	0.88%
	-	143,350	-	-	143,350	68,454	3.11%	2.69%	0.88%
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
Systems Limited	-	322,000	-	79,500	242,500	24,546	1.11%	0.97%	2.17%
	-	322,000	-	79,500	242,500	24,546	1.11%	0.97%	2.17%
	-	40,881,000	2,400	13,893,693	26,989,707	2,202,029	100%	86.63%	

Cost of investments at June 30, 2018

2,248,673

**6.2.1** Investments include 50,000 shares of Engro Corporation Limited, 55,000 shares of Lucky Cement Limited and 150,000 shares of Oil & Gas Development Company Limited amounting to Rs.15.693 million, Rs. 27.936 million, and Rs. 23.343 million respectively (June 2017: 50,000 shares of Engro Corporation Limited, 55,000 shares of Lucky Cement Limited and 150,000 shares of Oil & Gas Development Company Limited amounting to Rs. 16.295 million, Rs. 45.995 million, and Rs. 21.104 million respectively) 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.

**6.2.2** These includes gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 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 Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in 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 premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.727 million at June 30, 2018 (June 2017: Rs. 0.327 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

	Note	2018 ------(Rupees in '000)-----	2017
<b>6.2.3</b>			
<b>Net unrealised diminution on remeasurement of investments classified as held-for-trading</b>			
Market value of investments	6.2	<b>2,202,029</b>	-
Cost of investments	6.2	<b>(2,248,673)</b>	-
		<b>(46,644)</b>	-
<b>7.</b>			
<b>DIVIDEND RECEIVABLE AND ACCRUED MARK-UP</b>			
Dividend receivable		<b>4,073</b>	3,125
Mark-up accrued on deposits with banks		<b>1,698</b>	434
		<b>5,771</b>	3,559
<b>8.</b>			
<b>ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Security deposit with:			
- National Clearing Company of Pakistan Limited		<b>2,500</b>	2,500
- Central Depository Company of Pakistan Limited		<b>100</b>	100
Prepaid expenses		-	7
Advance tax		<b>882</b>	-
Receivable against conversion of units		-	22,130
		<b>3,482</b>	24,737
<b>9.</b>			
<b>PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee	9.1	<b>4,048</b>	1,783
Sindh Sales Tax	9.2	<b>526</b>	232
Sales load payable		<b>1</b>	51
Selling and marketing payable	9.3	<b>4,449</b>	1,392
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	<b>202</b>	89
		<b>9,226</b>	3,547
<b>9.1</b>			
Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding two percent of average annual net assets. The Management Company has charged its remuneration at the rate of two percent per annum (2017: two percent per annum) of the average annual net assets of the Fund for the current year.			
<b>9.2</b>			
The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2017: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.			
<b>9.3</b>			
SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a period of three years (from January 01, 2017 till December 31, 2019) being chargeable to open end equity, asset allocation and index funds. Maximum cap on the expenses has been set at 0.4% per annum of net assets of fund or actual expenses, whichever being lower. The Fund has started accruing expense on this account at 0.4% per annum of net assets of the Fund effective from March 21, 2017.			
<b>9.4</b>			
As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.			

		2018	2017
	Note	------(Rupees in '000)-----	
<b>10. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	10.1	285	172
Sindh Sales Tax		37	22
		<u>322</u>	<u>194</u>
<b>10.1</b>	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.		
<b>10.2</b>	<b>The tariff structure applicable to the Fund is as follows:</b>		
	Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum	
	Upto Rs 1,000 million	Rs. 0.7 million or 0.20% per annum of NAV, whichever is higher	
	Exceeding Rs 1,000 million	Rs 2 million plus 0.10% per annum of NAV	
		2018	2017
	Note	------(Rupees in '000)-----	
<b>11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	<u>1,616</u>	<u>882</u>
<b>11.1</b>	Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as a equity scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.		
		2018	2017
	Note	------(Rupees in '000)-----	
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Charity payable	12.1	5,290	155
Federal Excise Duty	12.2	6,793	6,793
Provision for Sindh Workers' Welfare Fund	12.3	6,312	6,312
Withholding tax payable		21	8,464
Auditors' remuneration		304	300
Payable to brokers		1,812	989
Others		212	206
		<u>20,744</u>	<u>23,219</u>
<b>12.1</b>	In accordance with the instructions of the Shariah Advisor(s), any income earned by the Fund from investments whereby the portions of the investment of the investee company has been made in Shariah non-compliant avenues, such portion of the income of the Fund from those investments should be given away for charitable purposes directly by the Fund.		
<b>12.2</b>	As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 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 results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan along-with Central Depository Company of Pakistan Limited with the Sindh High Court (SHC) on September 04, 2013.		

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The finance act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2018.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, has made a provision on FED on remuneration of the Management Company with effect from June 13, 2013 till June 30, 2016, aggregating to Rs. 6.793 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.3 (2017: Rs. 0.85) per unit.

**12.3** 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 High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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.

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 were 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 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 the High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Honorable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has 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 Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

Further, the Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan, in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded that since mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

Considering the above developments, the Management Company assessed the position of the Fund with regard to reversal of provision of WWF and recognition of provision of SWWF, and decided that:

- The Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 8.274 million and started recognising provision provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs.6,312 million (2017: Rs.6,312 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.2777 (2017: Rs. 0.7865) per unit.

### 13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at June 30, 2017 and June 30, 2018.

2018	2017
------(Rupees in '000)-----	

### 14. AUDITORS' REMUNERATION

Annual audit fee	253	250
Fee for half yearly review	40	40
Review of compliance with the requirements of the Code of Corporate Governance	-	5
Shariah Compliance Audit Fee	5	3
Out of pocket	54	83
	352	381

### 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 to the unit holders in cash. 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. As the Fund has incurred a net loss during the year, therefore, no tax liability has been recorded in the current year.

### 16. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 3.84%, which includes 0.38% (June: 2017 is 2.83%, which includes 0.12%) representing government levy and SECP fee.

**17. (LOSS) / EARNINGS PER UNIT**

(Loss) / Earnings per unit (EPU) has not been disclosed as in the opinion of Management Company determination of cumulative weighted average number of outstanding units is not practicable.

	<b>2018</b>	2017
	------(Rupees in '000)-----	
<b>18. NUMBER OF UNITS IN ISSUE</b>		
Opening units in issue	<b>8,025,872</b>	6,129,438
Units issued during the year	<b>20,830,023</b>	7,401,566
Less: Units redeemed during the year	<b>(6,125,000)</b>	(5,505,132)
Total units in issue at the end of the year	<b><u>22,730,895</u></b>	<u>8,025,872</u>

**19. FINANCIAL INSTRUMENTS BY CATEGORY**

	----- As at June 30, 2018 -----			
	Available - for-sale	Held-for -trading	Loans and receivables	Total
	----- Rupees in '000 -----			
<b>Financial Assets</b>				
Bank balances	-	-	618,133	618,133
Investments	20,598	2,202,029	-	2,222,627
Dividend and profit receivable	-	-	5,771	5,771
Deposits and other receivables	-	-	2,600	2,600
	<b><u>20,598</u></b>	<b><u>2,202,029</u></b>	<b><u>626,504</u></b>	<b><u>2,849,131</u></b>

	----- As at June 30, 2018 -----			
	Available for sale	Held-for -trading	Other financial liabilities	Total
	----- Rupees in '000 -----			
<b>Financial Liabilities</b>				
Payable to the Management Company	-	-	8,700	8,700
Payable to Trustee	-	-	285	285
Accrued expenses and other liabilities	-	-	7,618	7,618
Payable against purchase of equity instruments	-	-	276,163	276,163
Unit holders' fund	-	-	2,541,942	2,541,942
	-	-	<b><u>2,834,708</u></b>	<b><u>2,834,708</u></b>

	----- As at June 30, 2017 -----			
	Available - for-sale	Held-for -trading	Loans and receivables	Total
	----- Rupees in '000 -----			
<b>Financial Assets</b>				
Bank balances	-	-	67,149	67,149
Investments	1,046,359	-	-	1,046,359
Dividend and profit receivable	-	-	3,559	3,559
Deposits and other receivables	-	-	24,730	24,730
	<b><u>1,046,359</u></b>	<b><u>-</u></b>	<b><u>95,438</u></b>	<b><u>1,141,797</u></b>

	----- As at June 30, 2017 -----			
	Available for sale	Held-for -trading	Other financial liabilities	Total
	----- Rupees in '000 -----			
<b>Financial Liabilities</b>				
Payable to the Management Company	-	-	3,315	3,315
Payable to Trustee	-	-	172	172
Accrued expenses and other liabilities	-	-	1,650	1,650
Payable against conversion and redemption of units	-	-	70,418	70,418
Unit holders' fund	-	-	2,541,942	2,541,942
	-	-	<b><u>2,617,497</u></b>	<b><u>2,617,497</u></b>



**20. TRANSACTIONS / BALANCES 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 Non-Banking Financial Company Regulations and the Trust Deed respectively.

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

	2018	2017
	------(Rupees in '000)-----	
<b>20.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee including sales tax thereon	<u>38,447</u>	<u>21,064</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>1,701</u>	<u>946</u>
Selling and marketing	<u>6,805</u>	<u>1,392</u>
Issue of Nil units (2017: 188,752 units)	<u>-</u>	<u>29,400</u>
Issue of bonus Nil units (2017: 27,694 units)	<u>-</u>	<u>3,557</u>
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Active Allocation Plan - Associate</b>		
Issue of 963,012 units (2017: Nil units)	<u>109,300</u>	<u>-</u>
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Conservative Allocation Plan - Associate</b>		
Issue of 16,260 units (2017: Nil units)	<u>1,900</u>	<u>-</u>
Redemption of 10,347 units (2017: Nil units)	<u>1,175</u>	<u>-</u>
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Associate - Strategic Allocation Plan - Associate</b>		
Issue of 13,058,539 units (2017: Nil units)	<u>1,467,000</u>	<u>-</u>
Redemption of 2,743,541 units (2017: Nil units)	<u>300,000</u>	<u>-</u>
<b>Habib Bank Limited - Sponsor</b>		
Issue of bonus Nil units - (2017: 792,499 units)	<u>-</u>	<u>101,787</u>
Bank charges paid	<u>186</u>	<u>14</u>
Profit on bank deposits earned	<u>1,943</u>	<u>906</u>
Profit on bank deposits received	<u>2,583</u>	<u>688</u>
Dividend paid	<u>-</u>	<u>45,804</u>
<b>Executives and their relatives</b>		
Issue of 2,040 units (2017: 6,293 units)	<u>251</u>	<u>1,047</u>
Issue of bonus Nil units (2017: 2,193 units)	<u>-</u>	<u>282</u>
Redemption of 4,495 units (2017: 7,915 units)	<u>503</u>	<u>1,250</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	<u>3,050</u>	<u>2,071</u>
Service charges	<u>203</u>	<u>126</u>

	2018	2017
	----- (Rupees in '000) -----	
<b>20.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	<u>4,048</u>	<u>1,783</u>
Sindh Sales Tax	<u>526</u>	<u>232</u>
Sales load payable	<u>1</u>	<u>51</u>
Selling and marketing payable	<u>4,449</u>	<u>1,392</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>202</u>	<u>89</u>
Investment held in the Fund : 215,061 units (2017: 215,061 units)	<u>24,050</u>	<u>27,963</u>
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 6,198,853 units (2017: 6,198,853 units)	<u>693,203</u>	<u>792,817</u>
Bank balances	<u>10,596</u>	<u>50,608</u>
Mark-up receivable on deposits with banks	<u>48</u>	<u>218</u>
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Active Allocation Plan - Associate</b>		
Investment held in the Fund : 963,012 units (2017: Nil units)	<u>107,691</u>	<u>-</u>
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Strategic Allocation Plan - Associate</b>		
Investment held in the Fund : 10,314,998 units (2017: Nil units)	<u>1,153,502</u>	<u>-</u>
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Conservative Allocation Plan - Associate</b>		
Investment held in the Fund : 5,913 units (2017: Nil units)	<u>661</u>	<u>-</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable including sales tax thereon	<u>322</u>	<u>194</u>
Security deposit	<u>100</u>	<u>100</u>
<b>Executives and their relatives</b>		
Investment held in the Fund : 14,572 units (2017: 17,028 units)	<u>1,630</u>	<u>1,180</u>

## 21. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in a portfolio of money market investments, government securities and in other money market instruments. These activities are exposed to a variety of financial risks, market risks, credit risks and liquidity risks.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 21.1 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 Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### **21.1.1 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

#### **21.1.2 Interest rate risk**

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

##### **a) Cash flow interest rate risk**

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 6.181 million (2017: Rs. 0.670 million) had the interest rates on savings accounts with the banks increased / (decreased) by 100 basis points.

##### **b) Fair value interest rate risk**

Presently, the Fund does not hold any fixed rate instruments at June 30, 2018, that could expose the Fund to fair value interest rate risk.

#### **21.1.3 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 instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund's equity securities are primarily exposed to equity price risk because of investments held and classified by the Fund on the statement of assets and liabilities as 'available for sale' and 'held for trading'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Fund's constitutive documents. The Fund's constitutive documents / NBFC Regulations also limit investment in individual equity securities to not more than 10% of its net assets, or 15% of the issued capital of the investee company and the sector exposure limit to 35% of net assets.

In case of 5% increase / (decrease) in the fair value of the Fund's equity securities on June 30, 2018, net assets of the Fund would have increased / (decreased) by Rs. 111.131 million (2017: Rs. 52.318 million). In case of gains / (losses) on equity securities in "available for sale" category, the corresponding effect will be reported in other comprehensive income. In case of gains / (losses) on equity securities in "held for trading" category, with corresponding effect reported in profit and loss.

#### **21.2 Credit risk**

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

##### **Management of credit risk**

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2018:

Name of the bank	Balance as at June 30, 2018	Latest available published rating as at June 30, 2018	Rating agency
Rupees in '000'			
Saving Account			
Habib Bank Limited	7,666	AAA	JCR-VIS
Habib Bank Limited	2,930	AAA	JCR-VIS
Bank Islami of Pakistan	557,283	A+	PACRA
Dubai Islamic Bank	50,244	AA-	JCR-VIS
Bank Al Baraka	10	A+	JCR-VIS
	<u>618,133</u>		

Name of the bank	Balance as at June 30, 2017	Latest available published rating as at June 30, 2017	Rating agency
Rupees in '000'			
Saving Account			
Habib Bank Limited	17,355	A-	PACRA
Habib Bank Limited	33,253	A-	PACRA
Bank Islami of Pakistan	15,854	A-	PACRA
Dubai Islamic Bank	571	A-	PACRA
National Bank of Pakistan	116	A-	PACRA
	<u>67,149</u>		

2018  
------(Rupees in '000)-----  
2017

<b>Dividend and profit receivable</b>	<u>5,771</u>	<u>3,559</u>
<b>Deposits and other receivables</b>	<u>2,600</u>	<u>24,730</u>

The maximum exposure to credit risk before considering any collateral as at June 30, 2018 and June 30, 2017 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

#### Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's major bank balance is held with three Banks. Management believes that these banks are reputed institutions.

### 21.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or such obligations will have to be settled in a manner disadvantageous to the Fund

The Fund is exposed to daily settlement of equity securities and daily cash redemptions, if any, at the option of unit holders. 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 damage 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 can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings were made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current year .

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

----- As at June 30, 2018 -----				
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
<b>Financial Liabilities</b>				
Payable to the Management Company	8,700	-	-	8,700
Payable to the Trustee	285	-	-	285
Accrued expenses and other liabilities	7,618	-	-	7,618
Payable against purchase of equity instruments	276,163	-	-	276,163
Payable against conversion of units	-	-	-	-
Unit Holder's Fund	2,541,942	-	-	2,541,942
	<u>2,834,708</u>	<u>-</u>	<u>-</u>	<u>2,834,708</u>

----- As at June 30, 2017 -----				
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
<b>Financial Liabilities</b>				
Payable to the Management Company	3,315	-	-	3,315
Payable to the Trustee	172	-	-	172
Accrued expenses and other liabilities	1,650	-	-	1,650
Payable against purchase of equity instruments	-	-	-	-
Payable against conversion of units	70,418	-	-	70,418
Unit Holder's Fund	1,043,544	-	-	1,043,544
	<u>1,119,099</u>	<u>-</u>	<u>-</u>	<u>1,119,099</u>

## 22. 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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets 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.

The Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. 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.

		June 30, 2018							
		Carrying amount			Fair Value				
		Available -for-sale	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
	Investments - Listed equity securities	20,598	2,202,029	-	2,222,627	2,222,627	-	-	2,222,627
		20,598	2,202,029	-	2,222,627	2,222,627	-	-	2,222,627
<b>Financial assets not measured at fair value</b>									
	22.1								
	Bank balances	-	-	618,133	618,133				
	Dividend receivable and accrued mark-up	-	-	5,771	5,771				
	Deposits and other receivables	-	-	2,600	2,600				
		-	-	626,504	626,504				
<b>Financial liabilities not measured at fair value</b>									
	22.1								
	Payable to Management Company	-	-	8,165	8,165				
	Payable to Trustee	-	-	285	285				
	Payable against purchase of equity instruments	-	-	276,163	276,163				
	Accrued expenses and other liabilities	-	-	7,618	7,618				
		-	-	292,231	292,231				
		June 30, 2017							
		Carrying amount			Fair Value				
		Available -for-sale	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
	Investments								
	- Listed equity securities	1,046,359	-	-	1,046,359	1,046,359	-	-	1,046,359
		1,046,359	-	-	1,046,359	1,046,359	-	-	1,046,359
<b>Financial assets not measured at fair value</b>									
	22.1								
	Bank balances	-	-	67,149	67,149				
	Dividend receivable and accrued mark-up	-	-	3,559	3,559				
	Deposits and other receivables	-	-	24,730	24,730				
		-	-	95,438	95,438				
<b>Financial liabilities not measured at fair value</b>									
	22.1								
	Payable to Management Company	-	-	3,547	3,547				
	Payable to Trustee	-	-	194	194				
	Payable against conversion of units	-	-	70,418	70,418				
	Accrued expenses and other liabilities	-	-	1,649	1,649				
		-	-	75,808	75,808				

**22.1** 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.

**22.2 Transfers during the year**

During the year ended June 30, 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 financial instruments.

**23. UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

**24. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

**Top ten brokers during the year ended June 30, 2018**

- 1 JS Global Capital Limited
- 2 BMA Capital Management Limited
- 3 Optimus Capital Management (Pvt.) Limited.
- 4 Shajar Capital Pakistan (Pvt) Limited
- 5 Intermarket Securities Limited.
- 6 Arif Habib Limited
- 7 Taurus Securities Limited.
- 8 AL Habib Capital Markets (Pvt.) Limited.
- 9 EFG Hermes Pakistan Limited
- 10 Foundation Securities (Pvt) Limited.

**Top ten brokers during the year ended June 30, 2017**

- 1 BMA Capital Management Limited
- 2 Habib Metropolitan Financial Services Limited
- 3 Next Capital Limited
- 4 Taurus Securities Limited.
- 5 Arif Habib Limited
- 6 BIPL Securities Limited
- 7 DJM Securities (Pvt) Limited
- 8 Pearl Securities Limited
- 9 Optimus Capital Management (Pvt.) Limited.
- 10 Topline Securities (Private) Limited.

**25. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2018 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	MBA , CFA	25+ years
2	Muhammad Imran	Chief Investment Officer	MBA - Finance	18+ years
3	Jawad Naeem	Specialist - Equity	MBA, CFA Level 1	10+ years
4	Adeel Abdul Wahab	Specialist - Equity	ACCA	10+ years
5	Noman Ameer	Manager Risk	MBA - Finance	11+ years
6	Sateesh Balani	Head of Research	MBA, CFA	7+ years

**26. PATTERN OF UNIT HOLDING**

	As at June 30, 2018			
	Number of unit holders	Number Units held	Investment amount	Percentage investment
	----- Rupees in '000 -----			
Individuals	282	1,453,675	162,561	6.40%
Associated Companies	4	17,482,776	1,955,057	76.91%
Retirement Funds	1	44,985	5,031	0.20%
Asset Management Company	1	215,061	24,050	0.95%
Trust	1	458,163	51,235	2.02%
Insurance companies	5	3,067,411	343,021	13.49%
Others	3	8,824	987	0.04%
	<b>297</b>	<b>22,730,895</b>	<b>2,541,942</b>	<b>100%</b>
	----- Rupees in '000 -----			
	As at June 30, 2017			
	Number of unit holders	Number Units held	Investment amount	Percentage investment
	----- Rupees in '000 -----			
Individuals	254	960,389	124,872	11.97%
Associated Companies	1	6,198,858	805,991	77.24%
Retirement Funds	1	44,979	5,848	0.56%
Asset Management Company	1	215,062	27,963	2.68%
Trust	1	458,162	59,571	5.71%
Insurance companies	2	77,844	10,122	0.97%
Others	2	70,578	9,177	0.88%
	<b>262</b>	<b>8,025,872</b>	<b>1,043,544</b>	<b>100%</b>

**27. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Agha Sher Shah 1	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23, 2017 & April 23, 2018
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27, 2017
6	Mr. Shabbir Hussain Hashmi 2	1	1	-	-
7	Mr. Shahid Ghaffar 3	2	1	1	February 26, 2018
8	Mr. Nadeem Abdullah 4	4	4	-	-
9	Mr. Towfiq Habib Chinoy 5	3	3	-	-
10	Mr. Salahuddin Manzoor 6	3	3	-	-



- 1 Appointed on November 23, 2017.
- 2 Appointed on February 26, 2018.
- 3 Appointed on December 04, 2017.
- 4 Resigned on February 26, 2018.
- 5 Resigned on November 23, 2017.
- 6 Resigned on November 30, 2017.

**28. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 31, 2018 by the Board of Directors of the Management Company.

**29. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**30. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



# **HBL** Islamic Income Fund

HBL AML annual report 2017-18

<b>NAME OF FUND</b>	<b>HBL ISLAMIC INCOME FUND</b>
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited
<b>NAME OF AUDITORS</b>	Deloitte Yousuf Adil Chartered Accountants
<b>NAME OF SHARIAH ADVISORS</b>	Al - Hilal Shariah Advisors (Pvt.) Limited
<b>NAME OF BANKERS</b>	Bank Islami Pakistan Limited Bank Al Baraka Limited United Bank Limited Burj Bank Limited Faysal Bank Limited Allied Bank Limited Habib Bank Limited Dubai Islamic Bank Limited Askari Bank Limited Bank Al Habib Limited

**Type and Category of Fund**

Open end Shariah Compliant Income Fund

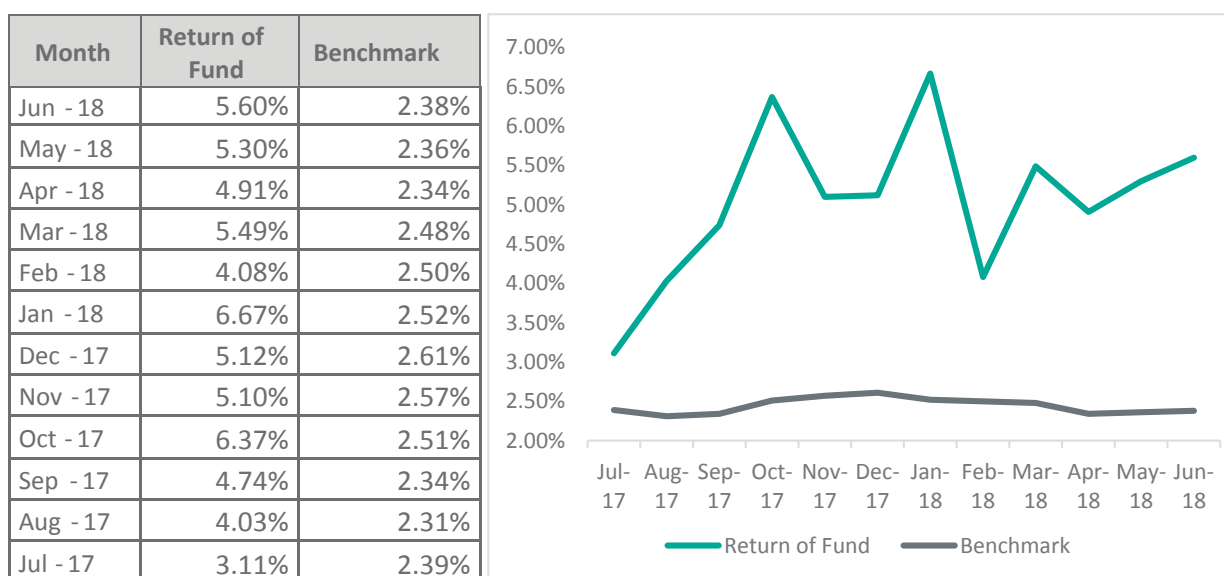
**Investment Objective and Accomplishment of Objective**

The objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is average 6Month deposit rates of 3A Rated Islamic Banks or Islamic Windows of Conventional Banks as per MUFAP.

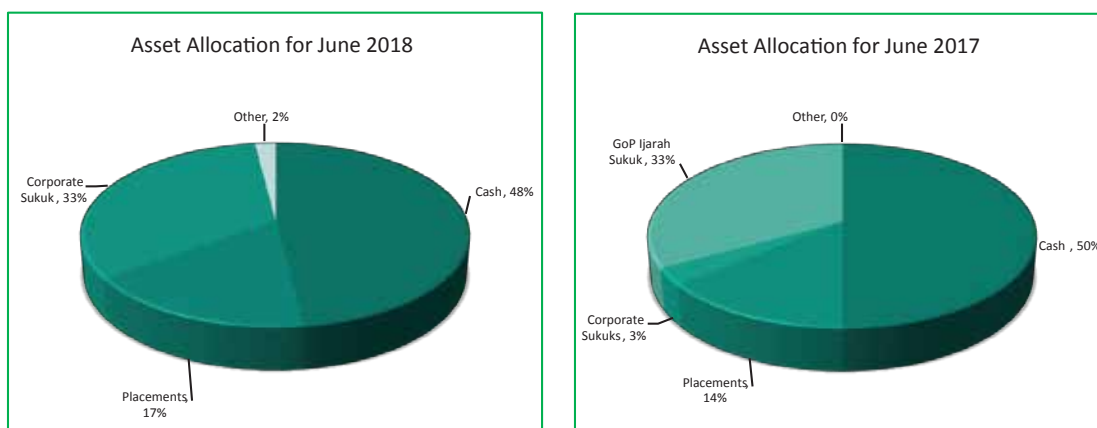
The comparison of the fund return with benchmark is given below:



**Strategies and Policies employed during the Year**

During the year under review, funds were majorly placed in the form of Corporate Sukuk, Cash Deposits and tenor placements which yielded higher returns than the return available on the GoP Ijarah Sukuk. Besides, the Fund management team had proactively placed Certificate of Modaraba (COMs) to augment the fund returns. Due to proactive changes in asset allocation, HBL Islamic Income Fund was among the top performing funds in Islamic Income Fund category with YTD return of 5.18% compared to peer's average of 4.31%.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

During the year under review major shifts in the asset allocation were witnessed. The Fund's exposure in GOP Ijarah Sukuk was eliminated as the fund acquired the newly issued Corporate Sukuk to the tune of 33% of the total assets. At the end of year, cash & placements constitute 65.04% of total assets compared to 67.78% in June, 2017. The Fund Manager increased the allocation in placements in TDRs and COMs as we neared the year end to augment the returns. Due to increase exposure in Sukuk, WAM of the portfolio was increased to 618 days compared to 481 days in June 2017.

## Fund Performance

The total income and net income of the Fund was Rs. 275.91 million and Rs. 223.67 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) of the Fund increased from Rs. 101.0691 per unit as on June 30, 2017 to Rs. 106.3013 per unit as on June 30, 2018; thereby giving an annualized return of 5.18%. During the same year the benchmark return (6 Month bank deposit rates) was 2.44%.

## Money Market Review

Interest rate cycle reversed in FY18 as central bank focus diverted towards containing rising twin deficits and in anticipation of increase in inflation due to lack of fiscal discipline in election times. During the year, secondary market yields of 3,5 and 10-year PIBs increased by 180, 171 and 86 bps respectively while yields of 3,6 and 12 month T-Bills increased by 79,90 and 116 bps respectively. Government of Pakistan raised only PKR 96bn through the PIB auction against a target of PKR 900bn as eight PIB auctions were scrapped in the year due to lack of interest. The last cut-off yields stood at 7.5000%, 8.4795% and 8.6999% p.a. for 3,5 and 10-year PIBs respectively. Overall trading in longer tenures remained lackluster due to market participants' consensus of increase in interest rates.

During FY18, Government retired PKR 77bn from scheduled banks against borrowing of PKR 179bn during same period last year due to multiple scrapped PIB Auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,439bn during the period against PKR 908bn during same period last year. Government largely managed its borrowing requirements through domestic sources, and raised PKR 16,894bn via T-bills (excluding NCB) compared to the cumulative target of PKR 16,925bn and maturities of PKR 15,971bn. In the last T-Bill Auction held in Jun-18 no amount was accepted in the 6 and 12 month T-Bills. The cutoff yield was 6.7596% for the 3 month T-Bills. SBP increased the policy rate by 25bps in January and a further 50bps in May to 6.50% to control aggregate demand and the current account deficit. Since then the SBP has further increased policy rate by 100bps in Jul-18 MPS. Going forward, we foresee another interest rate hike of 50bps in the calendar year on the back of increasing inflation expectation and sustainability of current account risks.

## Distribution

Subsequent to the year end, the Fund has distributed cash dividend upto Rs. 5.00 per unit for the year ended June 30, 2018, which reduced the cum-NAV of the Fund as of June 30, 2018 by amount of distribution to Rs. 101.3013 per unit.

## Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Fund.

## Breakdown of Unit Holding by Size

From –To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	42	2,262
101 – 500	35	10,246
501 – 1,000	22	17,581
1,001 – 10,000	144	737,129
10,001 – 100,000	78	2,631,752
100,001 – 500,000	19	3,669,414
500,001 – 1,000,000	1	917,910
1,000,001 – 5,000,000	5	9,641,936
5,000,001 and above	1	20,391,293
<b>Total</b>	<b>347</b>	<b>38,019,523</b>

### **Unit Splits**

There were no unit splits during the year.

### **Circumstances materially affecting the Interest of Unit Holders**

Investments are subject to market risk.

### **Soft Commission**

The Management Company from time to time receives research reports and presentations from brokerage houses.

# PERFORMANCE TABLE - HBL ISLAMIC INCOME FUND

	2018	2017	2016	2015	2014
Net assets at the period end (Rs'000)	4,041,526	4,461,245	226,967	359,343	769,602
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>					
Redemption	106.3013	101.0691	100.7401	100.3876	100.0282
Offer	108.1031	102.7823	102.2512	101.8934	101.5286
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>					
Highest offer price per unit - Class C	108.1031	107.3662	106.7245	109.6756	102.1769
Lowest offer price per unit - Class C	102.6902	102.2990	101.9324	101.5694	101.4335
Highest offer price per unit - Class D	108.1031	107.3662	106.7245	109.6756	102.1769
Lowest offer price per unit - Class D	102.6902	102.2990	101.9324	101.5694	101.4335
Highest redemption price per unit	106.3013	105.5767	105.1473	108.0548	100.6669
Lowest redemption price per unit	100.9786	100.7872	100.4260	100.0684	99.9345
<b>RETURN ( % )</b>					
Total return	5.18%	5.52%	4.82%	8.37%	8.95%
Income distribution	5.00%	5.20%	4.50%	8.00%	0.78%
Capital growth	0.18%	0.32%	0.32%	0.37%	8.17%
<b>DISTRIBUTION</b>					
First Interim dividend distribution (Rs)	-	4.85	4.50	8.00	0.78
Date of Income Distribution	-	22-Jun-17	24-Jun-16	24-Jun-15	25-Jun-14
Final Interim dividend distribution (Rs)	5.00	0.35	-	-	-
Date of Income Distribution	4-Jul-18	30-Jun-17	-	-	-
Total dividend distribution for the year (Rs)	5.00	5.20	4.50	8.00	0.78
<b>AVERAGE RETURNS ( % )</b>					
Average annual return 1 year	5.18%	5.52%	4.82%	8.37%	8.95%
Average annual return 2 year	5.35%	5.18%	6.59%	8.45%	-
Average annual return 3 year	5.18%	6.24%	6.71%	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>					
Percentage of Net Assets as at 30 June:					
Bank Balances	47.62%	50%	82%	65%	42%
GoP Ijarah Sukuks	0%	33%	-	22%	-
Placement with Banks and DFIs	17.43%	14%	-	0%	57%
Corporate Sukuks	33.39%	3%	16%	11%	-
Others	1.56%	-	2%	2%	1%
Weighted average portfolio during (No. of days)	618	481	187	198	33

**Note:**

The Launch date of the Fund is May 29, 2014

**Disclaimer:**

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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S.M.C.H.S. Main Shakra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
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Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC INCOME FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Income Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

  
**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 18, 2018







ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٽڊ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Income Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2018. This has been duly confirmed by the Shariah Advisor of the Fund.

Farid Ahmed Khan

Chief Executive Officer

Dated: August 31, 2018

HBL Asset Management Limited  
Head Office  
7th Floor  
Emerald Tower  
G-19 Block-5,  
Main Clifton Road,  
Clifton, Karachi

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 10, 2018

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2018 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Income Fund (HBL-IIF) are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

For and on behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisors (Pvt) Limited

Mufti Irshad Ahmad Aijaz  
Member Shariah Council

Faraz Younus Bandukda, CFA  
Chief Executive

#### Al-Hilal Shariah Advisors (Pvt) Limited

Suite# 619, 6th Floor, Clifton Centre, Schon Circle, Block - 5 Clifton,  
Karachi, Pakistan. Tel :+92-21-35305931-37, Web: www.alhilal.com

## **INDEPENDENT ASSURANCE REPORT TO THE UNITHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

We have performed an independent assurance engagement of HBL Islamic Income Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2018. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2018 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.



Member of  
Deloitte Touche Tohmatsu Limited

## Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shairah Advisor for the year ended June 30, 2018.

*Deloitte Yousuf Adil*  
Chartered Accountants

**Dated:** September 19, 2018  
**Place:** Karachi

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL ISLAMIC INCOME FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 1.389 billion as at June 30, 2018.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in 'Privately placed sukuk certificates' and their valuation and existence is a significant area during our audit. There is a risk that appropriate quoted prices may not be used to determine fair value.</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>independent testing of valuations by using the rates determined by the Mutual Fund Association of Pakistan and ensuring the existence of number of certificates by comparing the internal records with Central Depository Company (CDC) account records;</li> </ul>

*Y.A.*

Member of  
Deloitte Touche Tohmatsu Limited

S. No.	Key audit matters	How the matters were addressed in our audit
	Further, the Fund may have included Investments in its financial statements which were not owned by Fund.	<ul style="list-style-type: none"> <li>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of certificates during the year; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
2	<p><b>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</b></p> <p>As disclosed in note 4.7, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> <li>Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

*Y.A.*

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management Company and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to



the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

  
Chartered Accountants

Place: Karachi

Date: September 19, 2018



	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	2,716,661	3,192,747
Investments	6	1,389,253	1,803,410
Profit receivable	7	38,957	7,576
Receivable against sale of investments		10,156	-
Preliminary expenses and floatation costs	8	740	1,557
Deposits and prepayments	9	4,450	102
<b>Total Assets</b>		<b>4,160,217</b>	<b>5,005,392</b>
<b>Liabilities</b>			
Payable to the Management Company	10	3,308	1,320
Payable to the Trustee	11	421	265
Payable to Securities and Exchange Commission of Pakistan	12	3,331	353
Payable against redemption of units		101,997	533,432
Dividend payable		20	1,796
Accrued expenses and other liabilities	13	9,614	6,981
<b>Total Liabilities</b>		<b>118,691</b>	<b>544,147</b>
<b>Net Assets</b>		<b>4,041,526</b>	<b>4,461,245</b>
<b>Unit Holders' Fund (as per statement attached)</b>		<b>4,041,526</b>	<b>4,461,245</b>
<b>Contingencies and commitments</b>	14		
		----- Number of units -----	
<b>Number of units in issue</b>	15	<b>38,019,523</b>	44,140,526
		----- Rupees -----	
<b>Net assets value per unit</b>	4.9	<b>106.3013</b>	101.0691

The annexed notes 1 to 32 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Financial Officer**

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

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

# HBL ISLAMIC INCOME FUND

## Income Statement

For the year ended June 30, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Mark-up on bank deposits and term deposit receipts		199,516	22,006
Mark-up / return on investments		74,373	6,234
Capital gain on sale of investments - net		14,203	1,035
		<b>288,092</b>	<b>29,275</b>
Unrealised appreciation / (diminution) on remeasurement of investments at fair value through profit or loss - net		-	-
Unrealised (loss) / gain on re-measurement of investments at "fair value through profit or loss - held for trading" - net		-	-
"fair value through profit or loss - held for trading" - net		(12,183)	13,116
		<b>275,909</b>	<b>42,391</b>
<b>Expenses</b>			
Remuneration of the Management Company	10.1	28,248	3,223
Sindh Sales Tax on remuneration of the Management Company	10.2	3,672	419
Remuneration of the Trustee	11.1	5,227	842
Annual fee to the Securities and Exchange Commission of Pakistan	12.1	3,332	353
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	4,444	481
Amortisation of preliminary expenses and floatation costs	8.1	817	816
Security transaction, settlement and bank charges		659	346
Auditors' remuneration	16	236	218
Fees and subscription		548	243
Shariah advisory charges		143	144
Printing charges		351	72
		<b>47,677</b>	<b>7,157</b>
<b>Net income from operating activities</b>		<b>228,232</b>	<b>35,234</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net		-	9,068
Reversal of provision for Workers' Welfare Fund	13.1	-	333
Provision for Sindh Workers' Welfare Fund	13.1	(4,565)	(1,177)
		<b>(4,565)</b>	<b>(843)</b>
<b>Net income for the year before taxation</b>		<b>223,667</b>	<b>43,459</b>
<b>Taxation</b>	17	-	-
<b>Net income for the year after taxation</b>		<b>223,667</b>	<b>43,459</b>
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		176,954	
Accounting income available for distribution:			
- Relating to capital gains		968	
- Excluding capital gains		45,745	
		<b>46,713</b>	
		<b>223,667</b>	
<b>Earning per unit</b>	18		

The annexed notes 1 to 32 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

Note	2018 ------(Rupees in '000)-----	2017
Net income for the year after taxation	<b>223,667</b>	43,459
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b><u>223,667</u></b>	<b><u>43,459</u></b>

The annexed notes 1 to 32 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Financial Officer**

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

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

**HBL ISLAMIC INCOME FUND**  
**Statement Of Movement In Unitholders' Fund**  
For the year ended June 30, 2018

	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	------(Rupees in '000)-----					
<b>Net assets at beginning of the year</b>	4,414,052	47,193	4,461,245	-	-	226,967
Issuance of 57,492,183 units (2017: 51,481,519 units)						
- Capital value (at net asset value per unit at the beginning of the year)	5,810,686	-	5,810,686	-	-	-
	207,749	-	207,749	-	-	-
Total proceeds on issuance of units	6,018,435	-	6,018,435	-	-	5,228,653
Redemption of 63,613,186 units (2017: 9,593,983 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(6,429,330)	-	(6,429,330)	-	-	-
- Amount paid out of element of income	(55,537)	(176,954)	(232,491)	-	-	-
Relating to net income for the year after taxation						
Total payment on redemption of units	(6,484,867)	(176,954)	(6,661,821)	-	-	(999,826)
Element of income and capital gains included in prices of units issued less those in units redeemed	-	-	-	-	-	(9,068)
Net income for the year after taxation	-	223,667	223,667	-	-	43,459
Distribution during the year	-	-	-	-	-	(28,939)
Total comprehensive income for the year	-	223,667	223,667	-	-	14,520
<b>Net assets at end of the year</b>	<b>3,947,620</b>	<b>93,906</b>	<b>4,041,526</b>	<b>-</b>	<b>-</b>	<b>4,461,245</b>
<b>Undistributed income brought forward</b>						
- Realised		34,077			1,146	
- Unrealised		13,116			522	
		47,193			1,668	
Element of income and capital gains included in prices of units issued less those in units redeemed		-			31,005	
Accounting income available for distribution						
- Relating to capital gains		968				
- Excluding capital gains		45,745				
		46,713			43,459	
Distribution during the year		-			(28,939)	
Undistributed income carried forward		93,906			47,193	
<b>Undistributed income carried forward</b>						
- Realised		106,089			34,077	
- Unrealised		(12,183)			13,116	
		93,906			47,193	
				(Rupees)		
<b>Net assets value per unit at beginning of the year</b>			<u>101.0691</u>			<u>100.7410</u>
<b>Net assets value per unit at end of the year</b>			<u>106.3013</u>			<u>101.0691</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC INCOME FUND

## Cash Flow Statement

As at June 30, 2018

	2018	2017
Note	------(Rupees in '000)-----	
<b>Cash flows from operating activities</b>		
Net income for the year before taxation	223,667	43,459
<b>Adjustments for:</b>		
Capital gain on sale of investments - net	(14,203)	(1,035)
Unrealised loss / (gain) on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net	12,183	(13,116)
Amortisation of preliminary expenses and floatation costs	817	816
Element of income and capital gains included in prices of units issued less those in units redeemed	-	(9,068)
Mark up / return on;		
- Bank	(199,516)	(22,006)
- Investments	(74,373)	(6,234)
	<b>(51,425)</b>	<b>(7,184)</b>
<b>(Increase) / decrease in assets</b>		
Investments - net	406,021	(1,750,916)
Deposits and prepayments	(4,348)	179
	<b>401,673</b>	<b>(1,750,737)</b>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	1,988	1,064
Payable to the Trustee	156	218
Payable to Securities and Exchange Commission of Pakistan	2,978	93
Accrued expenses and other liabilities	2,633	2,928
	<b>7,755</b>	<b>4,303</b>
Income received from sukuk	52,948	23,358
Profit received on bank deposit and term deposit receipts	189,560	-
	<b>242,508</b>	<b>23,358</b>
<b>Net cash generated from / (used in) operating activities</b>	<b>600,511</b>	<b>(1,730,260)</b>
<b>Cash flow from financing activities</b>		
Amount received on issuance of units	6,018,435	5,228,653
Payment against redemption of units	(7,093,256)	(473,970)
Dividend paid	(1,776)	(29,183)
<b>Net cash (used in) / generated from financing activities</b>	<b>(1,076,597)</b>	<b>4,725,500</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(476,086)</b>	<b>2,995,240</b>
Cash and cash equivalents at beginning of the year	3,192,747	197,507
<b>Cash and cash equivalents at end of the year</b>	<b>2,716,661</b>	<b>3,192,747</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

The HBL Islamic Income Fund was established under a trust deed executed between PICIC Asset Management Company Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/AMCW/PIIF/949/2014 dated April 4, 2014 and the trust deed was executed on February 20, 2014.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016 HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund has been categorised as a Shariah Compliant Income Scheme as per the criteria laid down by the SECP for categorization of open-end Collective Investment Schemes (CISs) and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The investment objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations.

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

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

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### **2.2 Basis of measurement**

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

### **2.3 Functional and presentation currency**

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

## 2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

## 3. APPLICATION OF NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

### 3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following amendments are effective for the year ended June 30, 2018. These 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.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant for the fund.

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

#### 3.2.1 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 amendments (except IFRS 9 'Financial Instruments') 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.

	<b>Effective from accounting period beginning on or after:</b>
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 9 'Financial Instruments'	July 01, 2018

Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 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 from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, which are also not expected to have material impact on final reporting of the fund.

### **3.2.2 IFRS 9 'Financial Instruments' Impact Assessment**

"IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

#### **3.2.2.1 Key requirements of IFRS 9 are as follows;**

Classification and measurement of financial assets

- All recognized financial asset that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through Other Comprehensive Income.



- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading in other comprehensive income, with only dividend income generally recognized in profit or loss).

#### **Classification and measurement of financial liabilities**

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows;

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

#### **Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 on the basis of facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Privately placed sukuk certificates and GOP Ijarah sukuk classified as financial assets at fair value through profit or loss - held for trading will be classified as financial assets measured at fair value through profit or loss upon application of IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. These financial assets will be classified as financial assets measured at amortised cost and will continue to be subsequently measured at amortised cost upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

#### **3.2.3 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 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **3.3 Change in policy in relation to preparation of income statement and statement of comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

This change has no impact on the items of income or loss or other comprehensive income recognized in prior year except that items of other comprehensive income previously presented under 'income statement and other comprehensive income' in single statement are now presented within 'income statement' and 'statement of comprehensive income' separately.

#### **4 SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

##### **4.2 Financial instruments**

###### **4.2.1 Financial assets**

###### **4.2.1.1 Classification**

The management determines the appropriate classification of financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

###### **a) Investments 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 financial assets at 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**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, the Fund does not hold any financial assets categorised as 'available for sale'.

###### **4.2.1.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

###### **4.2.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held-for-trading", in which case the transaction costs are charged off to the income statement.

###### **4.2.1.4 Subsequent measurement**

###### **a) Financial assets 'at fair value through profit or loss - held-for-trading' and 'available for sale'**

Subsequent to initial measurement, financial assets 'at fair value through profit or loss - held-for-trading' and 'available for sale' are valued as follows:

Basis of valuation of debt 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.

Net gains and losses arising on 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 and statement of comprehensive income.

b) Loans and receivables

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

Gains or losses are also recognised in the income statement and statement of comprehensive income when financial assets carried at amortised cost are derecognised or impaired.

**4.2.1.5 Impairment**

Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**4.2.1.6 Derecognition**

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

**4.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These 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.

**4.2.3 Offsetting of financial assets and liabilities**

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

**4.3 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**4.4 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.

**4.5 Taxation**

"The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.6 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

#### **4.7 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 during business hours on that day. The offer price represents the net assets 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.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

#### **4.8 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 statement of comprehensive income and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the "Statement of Movement in Unitholders' Fund".

Amendments in the NBFC Regulations in the current year

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and

payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, for the year would have been lower by Rs 24.730 million. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these financial statements.

#### 4.9 Net assets value per unit

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

#### 4.10 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement and statement of comprehensive income on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - held for trading are included in the income statement and statement of comprehensive income in the period in which they arise.
- Mark-up / return on Sukuks, bank profits and investment in debt securities are recognized at a time apportionate basis using the effective interest method.

#### 4.11 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised in the income statement and statement of comprehensive income on a time apportionment basis.

5. BANK BALANCES	Note	2018 ------(Rupees in '000)-----	2017
Savings accounts	5.1	1,991,661	2,492,747
Term deposit receipt	5.2	725,000	700,000
		<u>2,716,661</u>	<u>3,192,747</u>

5.1 Mark-up rates on these accounts range between 5.45% - 6.50% p.a (2017: 5.45% - 6.10% p.a).

5.2 These carry markup rate ranging from 5.75% to 6.75% (2017: 5.75% to 5.8%) per annum and having maturity maximum by August 7, 2018 (2017: September 28, 2017).

6. INVESTMENTS	Note	2018 ------(Rupees in '000)-----	2017
<b>Financial assets 'at fair value through profit or loss' - held-for-trading</b>			
- Privately placed sukuk certificates	6.1 & 6.1.1	1,389,253	102,755
- GOP Ijarah sukuk	6.2	-	1,661,055
<b>Loans and receivable</b>			
-Advance against initial public offering	6.3	-	39,600
		<u>1,389,253</u>	<u>1,803,410</u>

## 6.1 Privately placed sukuk certificates - Held-for-Trading

Name of the Investee Company	Number of units				Market value as at June 30, 2018 Rupees in 000's	Market value as a percentage of	
	As at July 1, 2017	Purchases during the year	Sales during the year	As at June 30, 2018		Total Investments	Net Assets
------(Number of certificates)-----							
<b>Corporate Sukuks - Listed</b>							
Byco Petroleum Limited	-	100	100	-	-	-	-
Dawood Hercules Corporation Limited**	-	5,320	-	5,320	523,044	38	12.94
International Brands Limited	-	1,040	1,040	-	104,000	7	2.57
Meezan Bank Limited	-	250	200	50	50,750	4	1.26
Neelum Jehlum Hydro Power Company	-	100	100	-	-	-	-
	-	6,810	1,440	5,370	677,794	49	16.77
<b>Corporate Sukuks - Unlisted</b>							
AGP Limited	-	3,506	846	2,660	215,034	15	5.32
Al Baraka Limited	-	24	24	-	-	-	-
Dawood Hercules Corporation Limited**	-	1,100	100	1,000	100,064	7	2.48
Dubai Islamic Bank Pakistan Limited	-	524	334	190	193,554	14	4.79
Engro Fertilizers Limited	-	30,350	-	30,350	80,465	6	1.99
Fatima Fertilizer Company Limited	10,943	27,162	38,105	-	-	-	-
Ghani Gasses Limited	530	1,000	-	1,530	122,342	9	3.03
Hascol Petroleum Limited	-	5,000	5,000	-	-	-	-
K Electric Limited	-	5,000	5,000	-	-	-	-
	11,473	73,666	49,409	35,730	711,459	51	17.60
<b>Total</b>	<b>11,473</b>	<b>80,476</b>	<b>50,849</b>	<b>41,100</b>	<b>1,389,253</b>	<b>100</b>	<b>34.37</b>
Cost of investments at June 30, 2018					<u>1,401,436</u>		

\*\* Related party due to common directorship

**6.1.1** These Sukuks carry semi annual mark-up at the rate of 6.04% to 7.96% per annum. (2017: semi annual mark-up at the rate of 7.14% & 7.25% per annum).

**6.1.2** Significant terms and conditions of privately placed Sukuk certificates outstanding as at June 30, 2018 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
<b>Corporate Sukuks - Listed</b>				
Dawood Hercules Corporation Limited	100,000	3 Month KIBOR + 1%	16-Nov-17	15-Nov-22
International Brands Limited	100,000	12 Month KIBOR + 0.50%	15-Nov-17	15-Nov-22
Meezan Bank Limited	1,000,000	6 Month KIBOR + 0.50%	22-Sep-16	22-Sep-26
<b>Corporate Sukuks - Unlisted</b>				
AGP Limited	80,000	3 Month KIBOR + 1.30%	09-Jun-17	09-Jun-22
Dawood Hercules Corporation Limited	100,000	3 Month KIBOR + 1%	01-Mar-18	01-Mar-23
Dubai Islamic Bank Pakistan Limited	1,000,000	6 Month KIBOR + 0.50%	14-Jul-17	14-Jul-27
Engro Fertilizers Limited	2,625	6 Month KIBOR + 1.75%	09-Jul-14	09-Jul-19
Ghani Gasses Limited	79,167	3 Month KIBOR + 1%	03-Feb-17	02-Feb-23

6.2	GOP Ijarah Sukuk	Number of units				Market value as at June 30, 2018 Rupees in '000's	Market value as a percentage of	
		As at July 1, 2017	Purchases during the year	Sales during the year	As at June 30, 2018		Total Investments	Net Assets
Name of the Investee Company		------(Number of certificates)-----						
	GOP Ijarah Sukuk 19	16,500	6,510	23,010	-	-	-	-
		<u>16,500</u>	<u>6,510</u>	<u>23,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Cost of investments at June 30, 2018					<u>-</u>		

7.	PROFIT RECEIVABLE	Note	2018 ------(Rupees in '000)-----	2017
	Profit on bank deposits		12,680	6,132
	Profit on Corporate Sukuk	7.1	22,758	1,096
	Profit on GOP Ijarah Sukuk		-	237
	Profit on term deposit receipt		3,519	111
			<u>38,957</u>	<u>7,576</u>

7.1 This includes Rs. 5.516 million (2017: Nil) receivable from Dawood Hercules Corporation Limited, which is a related party due to common directorship.

#### 8. PRELIMINARY EXPENSES AND FLOATATION COSTS

	Opening balance		1,557	2,373
	Cost amortised during the year	8.1	(817)	(816)
	Closing balance		<u>740</u>	<u>1,557</u>

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from May 29, 2014 (post IPO) as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

9.	DEPOSITS AND PREPAYMENTS	Note	2018 ------(Rupees in '000)-----	2017
	Security deposit with Central Depository Company of Pakistan Limited		100	100
	Security deposit with National Clearing Company of Pakistan Limited		4,157	-
	Prepayments		193	2
			<u>4,450</u>	<u>102</u>

#### 10. PAYABLE TO MANAGEMENT COMPANY

	Management fee	10.1	2,475	858
	Sindh sales tax on remuneration of the Management Company	10.2	322	111
	Sales load payable		154	234
	Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	357	117
			<u>3,308</u>	<u>1,320</u>

- 10.1** As per the offering document of the Fund, the Management Company charges a fee at the rate of 10% of gross earnings of the Scheme, calculated on daily basis not exceeding 1.50% of the average daily net assets of the Scheme and subject to a minimum fee of 0.50% of the average daily net assets of the Scheme subject to the guidelines issued by the Commission from time to time. The fee is payable monthly in arrears.
- 10.2** The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2017: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.
- 10.3** "As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

		<b>2018</b>	2017
	Note	------(Rupees in '000)-----	
<b>11. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	11.1	<u>421</u>	<u>265</u>

- 11.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund are as follows:

<b>Amount of funds under management [Average Net Assets Value (NAV)]</b>	<b>Tariff per annum</b>
Upton Rs 1,000 million	0.17% p.a. of NAV
Exceeding Rs 1,000 million and up to Rs 5,000 million	Rs 1.70 million plus 0.085% p.a. of NAV exceeding Rs 1,000 million
Over 5,000 million	Rs 5.10 million plus 0.07% p.a. of NAV exceeding Rs 5,000 million

		<b>2018</b>	2017
	Note	------(Rupees in '000)-----	
<b>12. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	12.1	<u>3,331</u>	<u>353</u>

- 12.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorized as a income scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

		<b>2018</b>	2017
	Note	------(Rupees in '000)-----	
<b>13. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Withholding tax payable		<b>2,045</b>	4,127
Federal excise duty	13.2	<b>1,344</b>	1,344
Provision for Sindh Workers' Welfare Fund	13.1	<b>5,741</b>	1,177
Auditors' remuneration		<b>169</b>	140
Payable to brokers		<b>43</b>	97
Printing charges		<b>254</b>	80
Other payables		<b>18</b>	16
		<u><b>9,614</b></u>	<u>6,981</u>



**13.1** "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 High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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. "

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 were 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 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 High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

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 Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has 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.

However, the Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

Further, the Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan, in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

Considering the above developments, the Management Company assessed the position of the Fund with regard to reversal of provision of WWF and recognition of provision of SWWF, and decided that:

- The Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 0.333 million and had started recognising provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 5.741 million (2017: Rs. 1.177 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.15 (June 30, 2017: Rs. 0.03) per unit.

**13.2** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) is levied at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the year SST at the rate of 13 percent (2017: 13 percent) was charged on the remuneration of Fund Manager and sales load.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The Finance Act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged for the years ended June 30, 2018 and June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 1.344 million (2017: Rs. 1.344 million). Had the provision not been made, the Net Asset Value per certificate as at June 30, 2018 would have been higher by Rs. 0.04 (2017: Rs. 0.03) per unit.

**14. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017 except as disclosed elsewhere in the financial statements.

	2018	2017
	------(Rupees in '000)-----	
<b>15. NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	<b>44,140,526</b>	2,252,990
Units issued	<b>57,492,183</b>	51,481,519
Units redeemed	<b>(63,613,186)</b>	(9,593,983)
Total units in issue at the end of the year	<b>38,019,523</b>	44,140,526

**16. AUDITORS' REMUNERATION**

Annual statutory audit fee	<b>140</b>	94
Fee for half yearly review	<b>60</b>	47
Review of compliance with the requirements of the Code of Corporate Governance	-	32
Out of pocket	<b>36</b>	45
	<b>236</b>	218

**17. 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 to the unit holders in cash. 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. Subsequent to year end on July 4, 2018, Management Company has distributed cash dividend of at least 90 percent of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

**18. EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed as in the opinion of Management Company determination of cumulative weighted average number of outstanding units is not practicable.

**19. TRANSACTIONS AND BALANCES 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 and directors of connected persons.

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

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

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

**19.1 Transactions during the year**

	2018	2017
	----- (Rupees in '000) -----	
<b>Management Company</b>		
<b>HBL Asset Management Limited</b>		
Remuneration of the Management Company for the year	28,248	3,223
Sindh sales tax on remuneration of the Management Company	3,672	419
Allocation of expenses related to registrar services, accounting, operation and valuation services	4,444	481
Redemption of Nil units (2017: 248,136 units)	-	25,400
<b>Habib Bank Limited - Sponsors</b>		
Profit on bank deposits	341	74
Bank charges paid	93	4
Issue of 2,422,199 units (June 2017: Nil units)	250,000	4
<b>Central Depository Company of Pakistan Limited-Trustee</b>		
Remuneration	5,227	842
Transaction charges paid	63	9
<b>Directors and executives of the Management Company</b>		
Issue of 208,630 units (2017: 272,129 units)	21,551	28,100
Redemption of 79,087 units (2017: 171,627 units)	8,076	18,061
Dividend paid	-	175
<b>HBL Asset Management Limited Employees Gratuity Fund</b>		
Issue of 4,124 units (2017: Nil units)	428	-
<b>HBL Asset Management Limited Employees Provident Fund</b>		
Issue of 22,169 units (2017: Nil units)	2,313	-

	2018	2017
	------(Rupees in '000)-----	
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Active Allocation Plan</b>		
Issue of 2,478,879 units (2017: 1,512,478 units)	257,259	152,990
Redemption of 3,073,447 units (2017: Nil units)	320,274	-
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Conservative Allocation Plan</b>		
Issue of 864,289 units (2017: 384,899 units)	89,481	38,919
Redemption of 975,448 units (2017: Nil units)	101,029	-
<b>MCBFSL Trustee HBL Islamic Financial Planning</b>		
<b>Fund Strategic Allocation Plan</b>		
Issue of 26,235,908 units (2017: 38,577,118 units)	2,780,608	3,900,000
Redemption of 43,251,224 units (2017: 1,299,931 units)	4,527,507	131,500
Dividend Nil units (2017: 129,423 units)	-	13,047
<b>Jubilee Life Insurance Company Limited</b>		
<b>Associated company due to common Directorship</b>		
Sale of certificates	2,300	210,445
<b>Dawood Hercules Corporation Limited</b>		
<b>Associated company due to common Directorship</b>		
Purchase of 5,320 certificates (2017: Nil Certificate)	532,000	-
Sale of 100 certificates (2017: Nil Certificate)	10,000	-
<b>CDC - Trustee HBL Income fund</b>		
Sale of Sukuk certificates	100,000	-
<b>HBL Islamic Asset Allocation fund</b>		
Purchase of Sukuk certificates	96,000	-
Sale of Sukuk certificates	96,000	-
<b>Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited</b>		
Management fee	2,475	858
Sindh sales tax	322	111
Sales load payable	154	233
Allocation of expenses related to registrar services, accounting, operation and valuation services	357	117
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	421	265
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund : 2,422,199 units (2017: Nil units)	257,483	-
Bank balances	8,636	8,722
<b>HBL Asset Management Limited Employees Gratuity Fund</b>		
Investment held in the fund 4,124 units (2017: Nil units)	438	-

	2018	2017
	----- (Rupees in '000) -----	
<b>HBL Asset Management Limited Employees Provident Fund</b>		
Investment held in the fund of 22,169 units (2017: Nil units)	<b>2,357</b>	-
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Active Allocation Plan</b>		
Investment held in the Fund : 917,910 units (2017: 1,512,478 units)	<b>97,575</b>	152,865
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Conservative Allocation Plan</b>		
Investment held in the Fund : 273,740 units (2017: 384,899 units)	<b>29,099</b>	38,901
<b>MCBFSL Trustee HBL Islamic Financial Planning</b>		
<b>Fund Strategic Allocation Plan</b>		
Investment held in the Fund : 20,391,293 units (2017: 37,406,609 units)	<b>2,167,622</b>	3,780,652
<b>Executives of the Management Company</b>		
<b>and their relatives</b>		
Investment held in the Fund : 260,862 units (2017: 131,223 units)	<b>27,730</b>	13,298
<b>Dawood Hercules Corporation Limited</b>		
Investment in sukuk certificates : 5220 certificates (2017: Nil)	<b>523,044</b>	-
Profit Receivable on sukuk certificates	<b>5,516</b>	-
Advance against initial public offering	-	-

**20. FINANCIAL INSTRUMENTS BY CATEGORY**

	----- As at June 30, 2018 -----		
	Loans and receivables	At fair value through profit or loss	Total
	----- Rupees in '000' -----		
<b>Financial assets</b>			
Bank balances	2,716,661	-	2,716,661
Investments	-	1,389,253	1,389,253
Profit receivable	38,957	-	38,957
Receivable against sale of investments	10,156	-	10,156
	<u>2,765,774</u>	<u>1,389,253</u>	<u>4,155,027</u>
	----- As at June 30, 2018 -----		
	At fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000' -----		
<b>Financial liabilities</b>			
Payable to the Management Company	-	2,986	2,986
Payable to Trustee	-	421	421
Accrued expenses and other liabilities	-	484	484
Payable against redemption of units	-	101,997	101,997
Unit holders' fund	-	4,041,526	4,041,526
	<u>-</u>	<u>4,147,414</u>	<u>4,147,414</u>

----- As at June 30, 2017 -----			
	Loans and receivables	At fair value through profit or loss	Total
-----Rupees in '000'-----			
Financial assets			
Bank balances	3,192,747	-	3,192,747
Investments	39,600	1,763,810	1,803,410
Profit receivable	7,576	-	7,576
	<u>3,239,923</u>	<u>1,763,810</u>	<u>5,003,733</u>
----- As at June 30, 2018 -----			
	At fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000'-----			
Financial liabilities			
Payable to the Management Company	-	1,209	1,209
Payable to Trustee	-	235	235
Accrued expenses and other liabilities	-	333	333
Payable against redemption of units	-	533,432	533,432
Unit holders' fund	-	4,461,245	4,461,245
	-	<u>4,996,455</u>	<u>4,996,455</u>

## 21. RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in a portfolio of long, medium and short term Shariah compliant debt instruments. These activities are exposed to a variety of financial risks, market risks, credit risks and liquidity risks.

### 21.1 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 Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### 21.1.1 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 its full transactions are carried out in Pak Rupees.

#### 21.1.2 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) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts and term deposit receipts. The net income for the year would have increased / (decreased) by Rs. 27.167 million (2017: Rs. 31.927 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

As at June 30, 2018 and June 30, 2017, the Fund does not have any fixed rate financial assets and liabilities at fair value through profit or loss, that could expose the Fund to fair value interest rate risk.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

	<b>2018</b>				
	<b>Exposed to Yield / Interest rate risk</b>			<b>Not exposed to Yield / Interest rate risk</b>	<b>Total</b>
	<b>Upto three months</b>	<b>More than three months and upto one year</b>	<b>More than one year</b>		
-----Rupees in '000'-----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balances with banks	2,716,661	-	-	-	2,716,661
Investments	-	1,389,253	-	-	1,389,253
Profit receivable	-	-	-	38,957	38,957
Receivable against sale of investments	-	-	-	10,156	10,156
	<b>2,716,661</b>	<b>1,389,253</b>	<b>-</b>	<b>49,113</b>	<b>4,155,027</b>
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	2,986	2,986
Payable to the Trustee	-	-	-	421	421
Accrued expenses and other liabilities	-	-	-	484	484
Payable against redemption of units	-	-	-	101,997	101,997
Unit holders' fund	-	-	-	4,041,526	4,041,526
	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,147,414</b>	<b>4,147,414</b>
<b>On-balance sheet gap</b>	<b>2,716,661</b>	<b>1,389,253</b>	<b>-</b>	<b>(4,098,301)</b>	<b>7,613</b>
<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>2017</b>					
<b>Exposed to Yield / Interest rate risk</b>					
	<b>Upto three months</b>	<b>More than three months and upto one year</b>	<b>More than one year</b>	<b>Not exposed to Yield / Interest rate risk</b>	<b>Total</b>
-----Rupees in '000'-----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balances with banks	3,192,747	-	-	-	3,192,747
Investments	-	1,803,410	-	-	1,803,410
Profit receivable	-	-	-	7,576	7,576
	<b>3,192,747</b>	<b>1,803,410</b>	<b>-</b>	<b>7,576</b>	<b>5,003,733</b>
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	1,209	1,209
Payable to the Trustee	-	-	-	235	235
Accrued expenses and other liabilities	-	-	-	333	333
Payable against redemption of units	-	-	-	533,432	533,432
Unit Holders' Fund	-	-	-	4,461,245	4,461,245
	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,996,455</b>	<b>4,996,455</b>
<b>On-balance sheet gap</b>	<b>3,192,747</b>	<b>1,803,410</b>	<b>-</b>	<b>(4,988,879)</b>	<b>7,278</b>
<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 21.1.3 Price risk

Price 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 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. Currently, the Fund does not hold any security which exposes the Fund to price risk.

### 21.2 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the counter party to fulfil 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 shariah compliant securities and government securities, balances with banks, 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. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets.

The analysis below summarises the credit quality of the Fund's bank balances. TDRs and Investments as at June 30, 2018 and June 30, 2017:

Name of banks / institutions	Balances held by the Fund as at June 30, 2018	Latest available published rating as at June 30, 2018	Rating agency
<b>Balances with banks by rating category</b>			
Al Baraka Pakistan Limited	49	A+	JCR-VIS
United Bank Limited	35	AAA	JCR-VIS
Bank Islami Pakistan Limited	24,201	A+	PACRA
Burj Bank Limited	15	BBB+	JCR-VIS
Habib Bank Limited	8,636	AAA	JCR-VIS
Soneri Bank Limited	396,734	AA-	PACRA
Dubai Islamic Bank	322,383	AA-	JCR-VIS
Allied Bank Limited	524,823	AA+	PACRA
Askari Bank Limited	20	AA+	PACRA
Faysal Bank Limited	91	AA	PACRA
Summit Bank	767,543	A-	JCR-VIS
Bank Alhabib Limited	327,131	AA+	PACRA
	2,371,661		
<b>Balance with financial institution</b>			
First Habib Modarba	345,000	AA+	PACRA
	2,716,661		
<b>Total Balances with banks and financial institutions</b>			



**Investments by rating category**

Name of investee company	Balances held by the Fund as at June 30, 2018	published rating as at June 30, 2018	Rating agency
<b>Corporate Sukuks - Listed</b>			
Dawood Hercules Corporation Limited	523,044	AA	PACRA
International Brands Limited	104,000	AA	JCR-VIS
Meezan Bank Limited	50,750	AA	JCR-VIS
	<u>677,794</u>		
<b>Corporate Sukuks - Unlisted</b>			
AGP Limited	215,034	A	PACRA
Dawood Hercules Corporation Limited	100,064	AA	PACRA
Dubai Islamic Bank Pakistan Limited	193,554	A+	JCR-VIS
Engro Fertilizers Limited	80,465	AA-	PACRA
Ghani Gasses Limited	122,342	A	PACRA
	<u>711,459</u>		
<b>Total Investments</b>	<u><u>1,389,253</u></u>		

Balances with banks by rating category

Name of banks / institutions	Balances held by the Fund as at June 30, 2017	Latest available published rating as at June 30, 2018	Rating agency
Dubai Islamic Bank Limited	1,734,927	A-1+	PACRA
Askari bank Limited	500,010	A1+	PACRA
Soneri bank Limited	772,743	A1+	PACRA
Bank Islami Pakistan Limited	176,243	A1	PACRA
Habib bank Limited	8,722	A-1+	PACRA
AlBaraka Bank (Pakistan) Limited	50	A1	PACRA
United Bank Limited	32	A-1+	PACRA
Allied bank Limited	10	A1+	PACRA
Faisal Bank Limited	10	A1+	PACRA
<b>Total Balances with banks</b>	<u><u>3,192,747</u></u>		

Name of investee company	Balances held by the Fund as at June 30, 2017	published rating as at June 30, 2018	Rating agency
<b>Corporate Sukuks - Listed</b>			
Fatima Fertilizer Company Limited	51,455	AA-	PACRA
	<u>51,455</u>		
<b>Corporate Sukuks - Unlisted</b>			
Ghani Gases Limited	51,300	A	PACRA
	<u>51,300</u>		
<b>GOP Ijarah Sukuk</b>			
GOP Ijara 19	1,661,055	-	-
<b>Total Investment</b>	<u><u>1,763,810</u></u>		

### 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 mainly concentrated in privately placed corporate sukuks and bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the government.

### 21.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations 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 daily cash redemptions, if any, at the option of unit holders. 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 damage 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 can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings were made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current year.

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

	-----As at June 30, 2018 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	------(Rupees in '000)-----			
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to the Management Company	2,986	-	-	2,986
Payable to the Trustee	421	-	-	421
Accrued expenses and other liabilities	484	-	-	484
Payable against redemption of units	101,997	-	-	101,997
	<u>105,888</u>	<u>-</u>	<u>-</u>	<u>105,888</u>
Unit holder's fund	<u>4,041,526</u>	<u>-</u>	<u>-</u>	<u>4,041,526</u>
	-----As at June 30, 2017 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	------(Rupees in '000)-----			
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to the Management Company	1,209	-	-	1,209
Payable to the Trustee	235	-	-	235
Accrued expenses and other liabilities	333	-	-	333
Payable against redemption of units	533,432	-	-	533,432
	<u>535,210</u>	<u>-</u>	<u>-</u>	<u>535,210</u>
Unit holder's fund	<u>4,461,245</u>	<u>-</u>	<u>-</u>	<u>4,461,245</u>

## 22. 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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets 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.

The Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. 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.

		June 30, 2018						
		Carrying amount				Fair Value		
		Fair value through profit or loss - Held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3 Total
		------(Rupees in '000)-----						
On-balance sheet financial instruments	Note							
Financial assets measured at fair value								
Investments		1,389,253	-	-	1,389,253	1,389,253		1,389,253
		<u>1,389,253</u>	<u>-</u>	<u>-</u>	<u>1,389,253</u>	<u>-</u>	<u>1,389,253</u>	<u>-</u>
Financial assets not measured at fair value		22.1						
Balances with banks		-	2,716,661	-	2,716,661			
Profit receivable		-	38,957	-	38,957			
Receivable against sale of investments		-	10,156	-	10,156			
		<u>-</u>	<u>2,765,774</u>	<u>-</u>	<u>2,765,774</u>			
Financial liabilities not measured at fair value								
Payable to Management Company		-	-	2,986	2,986			
Payable to Trustee		-	-	421	421			
Accrued expenses and other liabilities		-	-	484	484			
Payable against redemption of units		-	-	101,997	101,997			
Unit holders' fund		-	-	4,041,526	4,041,526			
		<u>-</u>	<u>-</u>	<u>4,147,414</u>	<u>4,147,414</u>			

		June 30, 2018							
		Carrying amount			Fair Value				
Note		Fair value through profit or loss - Held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments		----- (Rupees in '000) -----							
Financial assets measured at fair value									
	Investments	1,763,810	-	-	1,763,810	1,763,810			1,763,810
		<u>1,763,810</u>	<u>-</u>	<u>-</u>	<u>1,763,810</u>	<u>-</u>	<u>1,763,810</u>	<u>-</u>	<u>1,763,810</u>
	Financial assets not measured at fair value								
	Balances with banks	-	3,192,747	-	3,192,747				
	Investments	-	39,600	-	39,600				
	Profit receivable	-	7,576	-	7,576				
		<u>-</u>	<u>3,239,923</u>	<u>-</u>	<u>3,239,923</u>				
	Financial liabilities not measured at fair value								
	Payable to Management Company	-	-	1,209	1,209				
	Payable to Trustee	-	-	235	235				
	Accrued expenses and other liabilities	-	-	333	333				
	Payable against redemption of units	-	-	533,432	533,432				
	Unit holders' fund	-	-	4,461,245	4,461,245				
		<u>-</u>	<u>-</u>	<u>4,996,455</u>	<u>4,996,455</u>				

**22.1** 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.

**22.2 Transfers during the year**

There were no transfers between various levels of fair value hierarchy during the year.

**23. UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund. Unit holders fund risk management is carried out by the Management Company through following steps:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

**24. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

**Brokers during the year ended June 30, 2018**

- 1 Next Capital Limited
- 2 Invest Capital Markets Limited
- 3 BIPL Securities Limited
- 4 JS Global Capital Limited
- 5 Paramount Capital (Private.) Limited
- 6 BMA Capital Management Limited
- 7 Bright Capital (Private) Limited

**Brokers during the year ended June 30, 2017**

- 1 BMA Capital Management Limited.
- 2 Next Capital Limited.
- 3 Paramount Capital (Private) Limited.
- 4 Summit Capital (Private) Limited.

**25. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2018 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	25+ years
2	Muhammad Imran	Chief Investment Officer	MBA - Finance	18+ years
3	Faizan Saleem	Head of Fixed Income	MBA - Finance	10+ years
4	Noman Ameer	Manager Risk	MBA - Finance	11+ years
5	Sateesh Balani	Head of Research	CFA, MBA	7+ years

**26. PATTERN OF UNIT HOLDING**

Pattern of unit holding as at June 30, 2018 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Individuals	312	4,782,703	508,408	12.58%
Associated Companies and Directors	2	29,922	3,181	0.08%
Banks and DFIs	1	2,422,199	257,483	6.37%
Insurance Companies	5	1,938,135	206,026	5.10%
Trust	5	21,602,945	2,296,422	56.82%
Retirement Funds	10	444,288	47,228	1.17%
Other corporate	12	6,799,331	722,778	17.88%
	<b>347</b>	<b>38,019,523</b>	<b>4,041,526</b>	<b>100.00%</b>

Pattern of unit holding as at June 30, 2017 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Individuals	134	42,112,919	193,932	4.35%
Retirement Funds	2	108,806	10,995	0.25%
Other corporate	10	1,918,801	4,256,318	95.40%
	<b>146</b>	<b>44,140,526</b>	<b>4,461,245</b>	<b>100.00%</b>

**27. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave	
1	Mr. Agha Sher Shah <sup>1</sup>	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23,2017 & April 23,2018
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27,2017
6	Mr. Shabbir Hussain Hashmi <sup>2</sup>	1	1	-	-
7	Mr. Shahid Ghaffar <sup>3</sup>	2	1	1	February 26,2018
8	Mr. Nadeem Abdullah <sup>4</sup>	4	4	-	-
9	Mr. Towfiq Habib Chinoy <sup>5</sup>	3	3	-	-
10	Mr. Salahuddin Manzoor <sup>6</sup>	3	3	-	-
1	Appointed on November 23, 2017.				
2	Appointed on February 26, 2018.				
3	Appointed on December 04, 2017.				
4	Resigned on February 26, 2018.				
5	Resigned on November 23, 2017.				
6	Resigned on November 30, 2017.				

**28. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 1.18% (2017: 0.16%) which includes 0.27% (2017: 0.02%) representing government levy and SECP fee.

**29. NON ADJUSTING EVENT AFTER REPORTING DATE**

The Board of Directors of the Management Company in its meeting held on July 4, 2018 has proposed a variable final cash distribution of upto Rs. 5 per unit amounting to PKR 44.653 million as cash dividend and Rs. 145.445 million as refund of capital. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

**30. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 31, 2018 by the Board of Directors of the Management Company.

**31. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**32. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director



# HBL Islamic Equity Fund

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HBL AML Financial annual report 2017-18

<b>NAME OF FUND</b>	<b>HBL ISLAMIC EQUITY FUND</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF AUDITORS</b>	<b>Deloitte Yousuf Adil Chartered Accountants</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Bank Islami Pakistan Limited Bank Al Baraka Limited United Bank Limited Burj Bank Limited MCB Bank Limited Faisal Bank Limited Allied Bank Limited</b>



**Type and Category of Fund**

Open end Equity Fund

**Investment Objective and Accomplishment of Objective**

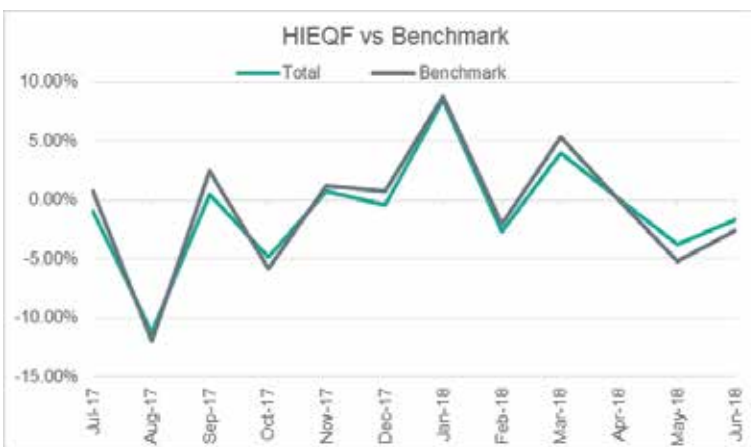
The objective of the Fund is to provide maximum total return to the unit holders from investment in shariah compliant equity investments for the given level of risk.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KMI 30 Index.

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

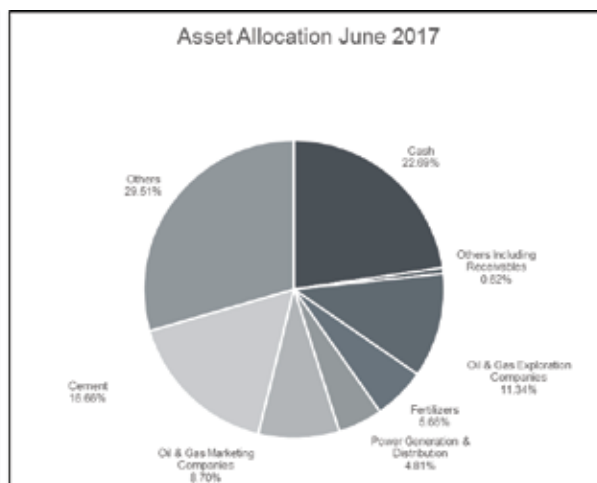
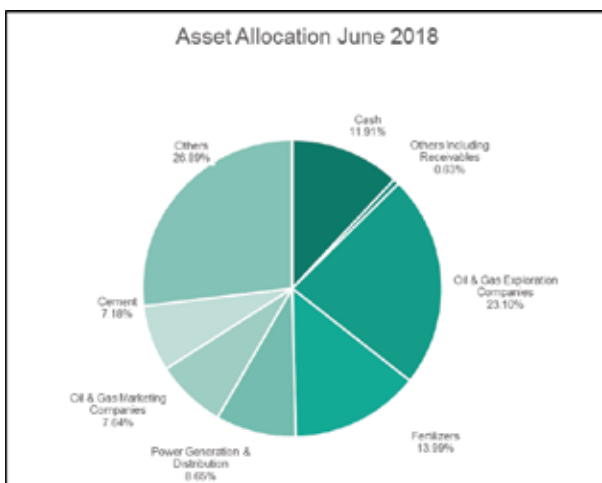
Month	Benchmark	Return of Fund
Jun - 18	-2.63%	-1.68%
May - 18	-5.25%	-3.78%
Apr - 18	0.05%	0.14%
Mar - 18	5.31%	4.02%
Feb - 18	-2.02%	-2.68%
Jan - 18	8.74%	8.46%
Dec - 17	0.76%	-0.40%
Nov - 17	1.19%	0.70%
Oct - 17	-5.80%	-4.84%
Sep - 17	2.49%	0.49%
Aug - 17	-11.94%	-11.27%
Jul - 17	0.72%	-0.94%



**Strategies and Policies employed during the Year**

During the year under review, the Fund increased its exposure in equity from 77% of total assets as on June 30, 2017 to 87% of total assets as on June 2018. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in Cements, Oil & Gas Marketing and Engineering was reduced; however exposure in Fertilizers, Oil & Gas Exploration, and Power Generation & Distribution was increased.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2017 and June 30, 2018:

Sector Name	As on Jun 2018	As on Jun 2017
Cash	11.91%	22.69%
Others Including Receivables	0.63%	0.62%
Oil & Gas Exploration Companies	23.10%	11.34%
Fertilizers	13.99%	5.66%
Power Generation & Distribution	8.65%	4.81%
Oil & Gas Marketing Companies	7.64%	8.70%
Cement	7.18%	16.66%
Others	26.89%	29.51%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Fund Performance

The total and net loss of the Fund was Rs. 81.82 million and Rs. 125.48 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) of the Fund decreased from Rs. 105.4755 per unit as on June 30, 2017 to Rs. 92.4834 per unit as on June 30, 2018 giving a negative return of 12.32% during the year against the benchmark return (KMI 30 Index) of negative 9.59%.

## Market Review

Pakistan Equities witnessed a topsy-turvy ride during outgoing year with disappointing foreign flows (after MSCI upgrade), political uncertainty following the ouster of ex-PM, macroeconomic challenges and ongoing speculation about the upcoming general elections.

Pakistan Islamic Equities benchmark (KMI30 Index) fell 7,538 points to close at 71,060 points, reflecting a decline of 10%. Despite market expectation of strong foreign inflows following Pakistan's inclusion in the MSCI Emerging Markets, foreign investors continued to remain net sellers and sold stocks of worth USD289mn. Within local investors, insurance companies and corporates bought equities of USD204mn and USD100mn respectively while Mutual funds divested equities of USD35mn during the year. On the political front, Ex-Prime Minister Nawaz Sharif was disqualified by Supreme Court in Jul-17 which further marred investor sentiment. Moreover, economic concerns increased due to rising twin deficits followed by stringent policy measures by policy makers (16% PKR depreciation and 75bps increase in interest rates).

The Cement sector led the rout in the KMI index, causing attrition of where DGKC and LUCK fell 44% and 37% YoY. Decline in cements was caused owing to the fears of a price war in the segment as upcoming expansions could lead to an oversupply situation particularly in the Southern region as can be grasped from the poor price performance of DGKC and LUCK. Within the banking sector, MEBL returned 10% during the outgoing year buoyed by rising interest rate environment which is expected to lead to margin expansion.

FY18 experienced strong performance from the Oil & Gas Exploration Companies owing to 66% increase in International Oil Prices and 16% PKR depreciation. The outperformance was led by POL and PPL which increased 58% and 53% against SPLY.

Going forward, we expect Pakistan equities to rebound with restoration of political stability (after General Elections), gradual improvement in macroeconomic trends and potential revival of foreign investor interest after steep PKR depreciation. Moreover, we highlight that Pakistan market's discount to emerging as well as frontier peers has increased to 30% and 28% against 5-year averages of 25% and 19% respectively reflecting a good entry point.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

### Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Fund.

### Breakdown of Unit Holding by Size

From –To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	10	552
101 – 500	37	9,110
501 – 1,000	23	15,318
1,001 – 10,000	66	230,932
10,001 – 100,000	26	625,790
100,001 – 500,000	2	539,295
500,001 – 1,000,000	3	2,404,150
1,000,001 – 5,000,000	-	-
5,000,001 and above	1	10,424,976
<b>Total</b>	<b>168</b>	<b>14,250,123</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

# PERFORMANCE TABLE - HBL ISLAMIC EQUITY FUND

	2018	2017	2016	2015	2014
Net assets at the period end(Rs'000)	1,317,899	789,907	348,924	229,129	131,280
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>					
Redemption	92.4834	105.4755	106.4735	116.4714	100.8827
Offer	94.5735	107.8590	109.6677	119.9655	103.9092
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>					
Highest offer price per unit	109.3377	152.2625	132.6151	127.8777	101.6865
Lowest offer price per unit	85.5229	102.5189	104.4090	91.8137	97.5635
Highest redemption price per unit	106.9213	148.8974	132.6151	127.8777	101.6865
Lowest redemption price per unit	83.6328	100.2532	104.4090	91.8137	97.5635
<b>RETURN ( % )</b>					
Total return	-12.32%	24.42%	10.96%	24.49%	0.88%
Income distribution	0.00%	27.00%	23.00%	9.00%	-
Capital growth	-12.32%	-2.58%	-12.04%	15.49%	0.88%
<b>DISTRIBUTION</b>					
Final dividend distribution- Cash	-	26.00	3.00	9.00	-
Date of Income Distribution	-	20-Jun-17	24-Jun-16	23-Jun-15	-
Final dividend distribution- Bonus	-	1.00	20.00	-	-
Date of Income Distribution	-	20-Jun-17	24-Jun-16	23-Jun-15	-
Total dividend distribution for the year/ period	-	27.00	23.00	9.00	-
<b>AVERAGE RETURNS ( % )</b>					
Average annual return 1 year	-12.32%	24.42%	10.96%	24.49%	0.88%
Average annual return 2 year	4.45%	17.50%	17.53%	12.07%	-
Average annual return 3 year	6.58%	19.79%	11.70%	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>					
Percentage of Net Assets as at 30 June:					
Bank Balances	11.91%	23%	29%	5%	2%
GoP Ijarah Sukuks	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	-
Corporate Sukuks	-	-	-	-	-
Stock / Equities	87.46%	77%	70%	88%	95%
Others	0.63%	-	1%	7%	3%

**Note:**

The Launch date of the Fund is May 29, 2014

**Disclaimer:**

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

# PROXY VOTING DISCLOSURE

As at June 30, 2018

Summary of Actual Proxy voted by CIS

HBL Islamic Equity Fund	Meetings	Resolutions	For	Against
Number	1	6	6	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
AGP Limited	6-7-2018	N-A
Amreli Steels Limited	25-10-2017	5-7-2018
Cherat Cement Company Ltd.	16-10-2017	N-A
Crescent Steel & Allied Products Ltd	17-10-2017	29-1-2018
D G Khan Cement Co.Ltd.	28-10-2017	N-A
Engro Corporation Ltd	24-4-2018	N-A
Engro Fertilizers Limited	26-3-2018	N-A
Engro Polymer & Chemicals Ltd	29-3-2018	2-7-2018
Hascol Petroleum Ltd	27-4-2018	N-A
Hub Power Company Ltd	10-5-2017	22-6-2018
International Industries Ltd	28-9-2017	21-5-2018
International Steels Limited	26-9-2017	N-A
Kohat Cement Ltd	23-10-2017	N-A
Lucky Cement Ltd	(25-09-2017)(28-11-2017)	N-A
Mari Petroleum Company Ltd	26-9-2017	N-A
Meezan Bank Ltd	28-3-2018	N-A
Millat Tractors Ltd	27-10-2017	N-A
Nishat Mills Ltd	28-10-2017	28-3-2018
Oil & Gas Development Co Ltd	24-10-2017	N-A
Packages Ltd	19-4-2018	(28-08-2017)(26-2-2018)
Pak Elektron Ltd	25-4-2018	N-A
Pak Suzuki Motor Company Limited	25-4-2018	(2-2-2018)(26-2-2018)
Pakistan National Shipping Corp Ltd	20-11-2017	N-A
Pakistan Oilfields Ltd	19-10-2017	N-A
Pakistan Petroleum Ltd	27-10-2017	N-A
Pakistan State Oil Company Ltd	20-10-2017	N-A
Pioneer Cement Limited	26-10-2017	N-A
Sui Northern Gas Pipeline Ltd	27-11-2017	N-A
Systems Limited	26-4-2018	N-A
The Searle Company Ltd	27-10-2017	31-7-2017

The proxy voting policy of the Fund is available on the website of the Management Company and detailed information regarding actual proxies voted by Management Company in respect of the Fund is also available without charge, upon request, to all unit holders.

**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 ISLAMIC EQUITY FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Equity Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 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.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 18, 2018





ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٽيڊ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Equity Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2018. This has been duly confirmed by the Shariah Advisor of the Fund.

Farid Ahmed Khan

Chief Executive Officer

Dated: August 31, 2018

HBL Asset Management Limited  
Head Office  
7th Floor  
Emerald Tower  
G-19 Block-5,  
Main Clifton Road,  
Clifton, Karachi

UAN (021) III-425-262  
Fax (021) 35168455  
www.hblasasset.com

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 10, 2018

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2018 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Equity Fund (HBL-IEF) are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

For and on behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisors (Pvt) Limited

Mufti Irshad Ahmad Aijaz  
Member Shariah Council

Faraz Younus Bandukda, CFA  
Chief Executive

**Al-Hilal Shariah Advisors (Pvt) Limited**

Suite# 619, 6th Floor, Clifton Centre, Schon Circle, Block - 5 Clifton,  
Karachi, Pakistan. Tel :+92-21-35305931-37, Web: www.alhilalsa.com



## **INDEPENDENT ASSURANCE REPORT TO THE UNITHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

We have performed an independent assurance engagement of HBL Islamic Equity Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2018. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2018 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Member of  
Deloitte Touche Tohmatsu Limited



**Deloitte Yousuf Adil**  
Chartered Accountants

**Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the guidelines issued by the Shairah Advisor for the year ended June 30, 2018.

*Deloitte Yousuf Adil*  
Chartered Accountants

**Dated:** September 19, 2018  
**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL ISLAMIC EQUITY FUND

### Report on the Audit of the Financial Statements Opinion

We have audited the financial statements of HBL Islamic Equity Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note-6 to the financial statements, investments amounted to Rs. 1.168 billion as at June 30, 2018.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and their valuation and existence is a significant area during our audit. There is a risk that appropriate quoted prices may not be used to determine fair value.</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>independent testing of valuations by using the quoted market prices from the Pakistan Stock Exchange Limited and ensuring the existence of number of securities by comparing the internal records with Central Depository Company (CDC) account records;</li> </ul>

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S. No.	Key audit matters	How the matters were addressed in our audit
	<p>Further, the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<ul style="list-style-type: none"> <li>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of securities during the year; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
2	<p><b><i>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</i></b></p> <p>As disclosed in note 4.7, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> <li>Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management Company and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

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the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

  
Chartered Accountants

Place: Karachi

Date: September 19, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	159,107	209,464
Investments	6	1,168,226	708,091
Dividends and profit receivable	7	3,035	2,678
Receivable against sale of investments		2,152	-
Deposits and other receivable	8	3,001	2,632
Preliminary and floatation costs	9	183	386
<b>Total assets</b>		<b>1,335,704</b>	<b>923,251</b>
<b>Liabilities</b>			
Payable to the Management Company	10	5,309	2,293
Payable to the Trustee	11	442	216
Payable to Securities and Exchange Commission of Pakistan	12	1,194	451
Payable against redemption of units		5	116,993
Accrued expenses and other liabilities	13	10,855	13,391
<b>Total liabilities</b>		<b>17,805</b>	<b>133,344</b>
<b>Net assets</b>		<b>1,317,899</b>	<b>789,907</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,317,899</b>	<b>789,907</b>
<b>Contingencies and commitments</b>	14	----- Number of units -----	
<b>Number of units in issue</b>	16	14,250,123	7,489,015
<b>Net asset value per unit</b>	4.10	92.4834	105.4755

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Financial Officer**

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

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

# HBL Islamic Equity Fund

## Income Statement

For the year ended June 30, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Capital (loss) / gain on sale of investments - net		(102,021)	79,069
Dividend income		52,792	17,062
Profit on bank deposits		11,831	2,844
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' held-for-trading - net	6.1.3	(44,421)	11,769
<b>Total (loss) / income</b>		<b>(81,819)</b>	<b>110,744</b>
<b>Expenses</b>			
Remuneration of the Management Company	10.1	25,127	9,488
Sindh Sales Tax on remuneration of the Management Company	10.2	3,266	1,233
Remuneration of the Trustee	11.1	2,526	1,072
Annual fee to Securities and Exchange Commission of Pakistan	12.1	1,194	451
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	1,256	483
Selling and marketing expense	10.3	5,026	685
Amortisation of preliminary and floatation costs	9.1	203	203
Auditors' remuneration	15	236	218
Settlement and bank charges		159	105
Securities transaction cost		4,131	4,065
Fee and subscription		89	47
Printing charges		300	91
Shariah advisory services		143	144
<b>Total expenses</b>		<b>43,656</b>	<b>18,285</b>
<b>Net (loss) / income from operating activities</b>		<b>(125,475)</b>	<b>92,459</b>
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		-	(10,758)
Reversal of provision for Workers' Welfare Fund	13.1	-	1,000
Provision for Sindh Workers' Welfare Fund	13.1	-	(3,194)
		-	(2,194)
<b>Net (loss) / income for the year before taxation</b>		<b>(125,475)</b>	<b>79,507</b>
Taxation	17	-	-
<b>Net (loss) / income for the year after taxation</b>		<b>(125,475)</b>	<b>79,507</b>
<b>Earnings per unit</b>	18		

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director



	2018	2017
	----- (Rupees in '000) -----	
Net (loss) / income for the year after taxation	<b>(125,475)</b>	79,507
<b>Other comprehensive income for the year</b>	-	-
Total comprehensive income for the year	<u><u><b>(125,475)</b></u></u>	<u><u>79,507</u></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

\_\_\_\_\_  
**Chief Financial Officer**

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

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

**HBL Islamic Equity Fund**  
**Statement of Movement in Unitholders' Fund**  
For the year ended June 30, 2018

	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	----- Rupees in '000' -----					
<b>Net assets at beginning of the year</b>	748,901	41,006	789,907	-	-	348,924
Issuance of 9,938,204 units (2017: 8,849,950 units)						
- Capital value (at net asset value per unit at the beginning of the period)	1,048,237	-	1,048,237	-	-	-
- Element of loss	(100,435)	-	(100,435)	-	-	-
Total proceeds on issuance of units	947,802	-	947,802	-	-	1,016,733
Redemption of 3,177,096 units (2017: 5,060,194 units)						
- Capital value (at net asset value per unit at the beginning of the period)	(335,105)	-	(335,105)	-	-	-
- Amount relating to element of loss	40,770	-	40,770	-	-	-
Relating to net loss for the year after taxation						
Total payments on redemption of units	(294,335)	-	(294,335)	-	-	(662,793)
Bonus issue of Nil units (2017: 782,167 units)						
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	-	-	83,762
						10,758
Total comprehensive income for the year	-	(125,475)	(125,475)	-	-	79,507
Distribution for the year	-	-	-	-	-	(86,984)
Total comprehensive income for the year less distribution	-	(125,475)	(125,475)	-	-	(7,477)
<b>Net assets at end of the year</b>	<b>1,402,368</b>	<b>(84,469)</b>	<b>1,317,899</b>	<b>-</b>	<b>-</b>	<b>789,907</b>
<b>Undistributed income brought forward</b>						
- Realised		29,237			18,253	
- Unrealised		11,769			2,962	
		41,006			21,215	
Element of income and capital gains included in prices of units issued less those in units redeemed		-			27,268	
Accounting (loss) / income for the year		(125,475)			79,507	
Distribution during the year		-			(86,984)	
<b>Undistributed income carried forward</b>		<b>(84,469)</b>			<b>41,006</b>	
<b>Undistributed income carried forward</b>						
- Realised		(40,048)			29,237	
- Unrealised		(44,421)			11,769	
		(84,469)			41,006	
<b>Net assets value per unit at beginning of the year</b>			<b>105.4755</b>			<b>106.4738</b>
<b>Net assets value per unit at end of the year</b>			<b>92.4834</b>			<b>105.4755</b>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

# HBL Islamic Equity Fund

## Cash Flow Statement

For the year ended June 30, 2018

Note	2018 ------(Rupees in '000)-----	2017
<b>Cash flows from operating activities</b>		
Net (loss) / income for the year before taxation	(125,475)	79,507
<b>Adjustments for:</b>		
Capital loss / (gain) on sale of investments - net	102,021	(79,069)
Unrealised (diminution) / appreciation on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net	44,421	(11,769)
Amortisation of preliminary expenses and floatation costs	203	203
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	10,758
Return / markup on bank deposit	(11,831)	(2,844)
Dividend income	(52,792)	(17,062)
	(43,453)	(20,276)
<b>Increase in assets</b>		
Investments - net	(608,729)	(353,259)
Deposits and other receivables	(369)	-
	(609,098)	(353,259)
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	3,016	1,515
Payable to the Trustee	226	144
Payable to Securities and Exchange Commission of Pakistan	743	74
Payable against purchase of investments	-	(13,060)
Dividend payable	-	(1,630)
Accrued expenses and other liabilities	(2,536)	2628
	1,449	(10,329)
<b>Net cash used in operations</b>	(651,102)	(383,864)
Dividend income received	52,885	15,125
Profit received on bank deposit	11,381	2,652
	64,266	17,777
<b>Net cash used in operating activities</b>	(586,836)	(366,087)
<b>Cash flows from financing activities</b>		
Amount received on issue of units	947,802	1,016,733
Payment against redemption of units	(411,323)	(549,336)
Dividend paid	-	(3,222)
<b>Net cash generated from financing activities</b>	536,479	464,175
<b>Net (decrease) / increase in cash and cash equivalents</b>	(50,357)	98,088
Cash and cash equivalents at beginning of the year	209,464	111,376
Cash and cash equivalents at end of the year	159,107	209,464

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Islamic Equity Fund (formerly PICIC Islamic Stock Fund) ("the Fund") was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/AMCW/PISF/965/2014 dated April 23, 2014 and the Trust Deed was executed on February 20, 2014.

The Fund has been categorised as a Shariah Compliant equity scheme as per the criteria laid down by the SECP for categorisation of Open-End Collective Investment Schemes (CISs) and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016 HBL Asset Management Limited became Management Company of the fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The objective of HBL Islamic Equity Fund (formerly PICIC Islamic Stock Fund) is to provide the maximum total return to the unit holders from investment in "Shariah Compliant" equity investments for the given level of risk. Title to the assets of the Fund is held in the name of Central Depository Company Limited as trustee of the Fund.

JCR-VIS Credit Rating Company has assigned an asset management rating of 'AM2+' to the Management Company.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except that investments are stated at fair values.

### **2.3 Functional and presentation currency**

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

## 2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

## 3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

### 3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following amendments are effective for the year ended June 30, 2018. These 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.

#### Effective from accounting period beginning on or after:

Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant for the fund.

### 3.2.1 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 (except IFRS 9 'Financial Instruments') 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.

#### Effective from accounting period beginning on or after:

IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 9 'Financial Instruments'	January 01, 2019
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019

**Effective from accounting period beginning on or after:**

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 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 from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, which are also not expected to have material impact on final reporting of the fund.

**3.2.2 IFRS 9 'Financial Instruments' Impact Assessment**

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

**3.2.2.1 Key requirements of IFRS 9 are as follows;**

**Classification and measurement of financial assets**

- All recognized financial asset that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through Other Comprehensive Income.
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

### **Classification and measurement of financial liabilities**

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows;

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

### **Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 on the basis of facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Listed equity securities classified as financial assets at fair value through profit or loss - held for trading will be classified as measured at fair value through profit or loss upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

#### **3.2.3 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 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **3.3 Change in policy in relation to preparation of income statement and statement of comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

This change has no impact on the items of income or loss or other comprehensive income recognized in prior year except that items of other comprehensive income previously presented under 'income statement and other comprehensive income' in single statement are now presented within 'income statement' and 'statement of comprehensive income' separately.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

##### **4.2 Financial instruments**

###### **4.2.1 Financial assets**

###### **4.2.1.1 Classification**

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

###### **a) Investments 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 financial assets at 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**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, the Fund does not hold any 'available for sale' financial assets.

###### **4.2.1.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

###### **4.2.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held-for-trading", in which case the transaction costs are charged off to the 'income statement'.

###### **4.2.1.4 Subsequent measurement**

###### **a) Financial assets 'at fair value through profit or loss' - held for trading and 'available for sale'**

- Subsequent to initial measurement, financial assets 'at fair value through profit or loss' and 'available for sale' are valued as follows:
- The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.
- Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the Income Statement.



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

**b) Loans and receivables**

- Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.
- Gains or losses are recognised in the income statement through the amortisation process or when financial assets carried at amortised cost are derecognised or impaired.

**4.2.1.5 Impairment**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 determined based on the provisioning criteria specified by the SECP.

**4.2.1.6 Derecognition**

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

**4.2.2 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.

**4.2.3 Offsetting of financial assets and financial liabilities**

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

**4.3 Preliminary and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**4.4 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.

**4.5 Collaterals**

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies those collaterals in the statement of assets and liabilities separately from other assets and identifies the assets as pledged collaterals. Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

#### **4.6 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

'The Fund is also exempt from the Provisions of Section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.7 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statement in the period in which such distributions are declared.

#### **4.8 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 during business hours on that day. The offer price represents the net assets 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.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

#### **4.9 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 statement of comprehensive income and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the "Statement of Movement in Unitholders' Fund".

#### **Amendment in the NBFC Regulations in the current year**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss)

and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss for the year of the Fund would have been higher by Rs 50.663 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

#### 4.10 Net assets value per unit

The net asset value (NAV) per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net asset of the Fund by the number of units in issue at the year end.

#### 4.11 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.
- Dividend income from equity securities is recognised when the right to receive dividend is established.
- Unrealised gains / (losses) arising on re-measurement 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.
- Profit on bank deposits is recognised on a time apportionment basis using the effective interest method.

#### 4.12 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the income statement on a time apportionment basis using the effective interest method.

	Note	2018 ------(Rupees in '000)-----	2017
<b>5. BANK BALANCES</b>			
Current accounts		1,435	2,546
Savings accounts	5.1	<u>157,672</u>	<u>206,918</u>
		<u>159,107</u>	<u>209,464</u>
<b>5.1</b>			
These accounts carry mark-up at rates ranging between 5.45% and 6.50% (2017: 5.45% and 6.10%) per annum.			
	Note	2018 ------(Rupees in '000)-----	2017
<b>6. INVESTMENTS</b>			
Financial assets at fair value through profit or loss - held for trading			
Listed equity securities	6.1	<u>1,168,226</u>	<u>708,091</u>

## 6.1 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					Market value	Percentage in relation to		
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2018		Net assets of the Fund	Total investments	Investee paid up capital
<b>Automobile Assembler</b>									
Millat Tractors Limited	11,000	24,460	-	3,000	32,460	38,564	2.93	3.30	0.07%
Pak Suzuki Motor Company Limited	23,500	46,000	-	69,500	-	-	-	-	-
	34,500	70,460	-	72,500	32,460	38,564	2.93	3.30	
<b>Automobiles Parts &amp; Accessories</b>									
Thal Limited (Par value Rs 5 per share)	8,000	75,450	-	8,000	75,450	36,030	2.73	3.08	0.09%
	8,000	75,450	-	8,000	75,450	36,030	2.73	3.08	
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	387,500	815,000	-	793,000	409,500	14,521	1.10	1.24	0.08%
	387,500	815,000	-	793,000	409,500	14,521	1.10	1.24	
<b>Cement</b>									
Cherat Cement Company Limited	145,400	30,000	-	175,400	-	-	-	-	-
D.G Khan Cement Company Limited	146,000	421,100	-	451,900	115,200	13,189	1.00	1.13	0.03%
Fauji Cement Company Limited	-	1,265,000	-	1,265,000	-	-	-	-	-
Lucky Cement Limited	78,300	144,800	-	116,950	106,150	53,916	4.09	4.62	0.03%
Kohat Cement Limited	-	308,700	-	131,500	177,200	21,808	1.65	1.87	0.14%
Pioneer Cement Limited	240,400	304,500	-	395,400	149,500	7,006	0.53	0.60	0.07%
	610,100	2,474,100	-	2,536,150	548,050	95,919	7.28	8.21	
<b>Chemicals</b>									
Engro Polymer & Chemicals Limited	388,000	1,834,500	-	1,368,000	854,500	26,797	2.03	2.29	0.07%
Engro Polymer & Chemicals Limited LOR	-	273,985	-	33	273,952	2,416	0.18	0.21	0.11%
	388,000	2,108,485	-	1,368,033	1,128,452	29,213	2.22	2.50	
<b>Commercial Bank</b>									
Meezan Bank Limited	146,500	801,290	-	305,290	642,500	52,505	3.98	4.49	0.06%
Meezan Bank Limited - LOR	-	8,790	-	8,790	-	-	-	-	-
	146,500	810,080	-	314,080	642,500	52,505	3.98	4.49	
<b>Engineering</b>									
Amreli Steels Limited	42,500	426,100	-	284,500	184,100	12,987	0.99	1.11	0.06%
Aisha Steel Mills	-	440,000	-	-	440,000	6,939	0.53	0.59	0.05%
Crescent Steel & Allied Products Limited	101,600	77,000	-	178,600	-	-	-	-	-
International Industries Limited	-	158,800	-	103,000	55,800	12,962	0.98	1.11	0.05%
International Steels Limited**	314,000	222,000	-	342,000	194,000	19,730	1.50	1.69	0.04%
Mughal Iron & Steel Inds Limited	-	343,500	-	55,000	288,500	17,720	1.34	1.52	0.11%
	458,100	1,667,400	-	963,100	1,162,400	70,338	5.34	6.02	
<b>Fertilizer</b>									
Engro Corporation Limited	127,300	222,500	-	74,000	275,800	86,563	6.57	7.41	0.5%
Engro Fertilizers Limited	195,000	1,122,000	-	330,000	987,000	73,936	5.61	6.33	0.07%
Fauji Fertilizer Company Limited	-	302,000	-	35,000	267,000	26,404	2.00	2.26	0.02%
	322,300	1,646,500	-	439,000	1,529,800	186,903	14.18	16.00	
<b>Glass &amp; Ceramics</b>									
Shabbir Tiles & Ceramics	-	408,500	-	-	408,500	8,603	0.65	0.74	0.17%
	-	408,500	-	-	408,500	8,603	0.65	0.74	
<b>Oil and Gas Exploration Companies</b>									
Mari Petroleum Company Limited	20,810	33,420	-	11,000	43,230	65,112	4.94	5.57	0.04%
Oil & Gas Development Company Limited (6.1.1)	181,600	603,000	-	285,200	499,400	77,717	5.90	6.65	0.01%
Pakistan Oilfields Limited	40,100	142,700	-	73,500	109,300	73,427	5.57	6.29	0.05%
Pakistan Petroleum Limited	189,200	474,000	-	233,500	429,700	92,343	7.01	7.90	0.02%
	431,710	1,253,120	-	603,200	1,081,630	308,599	23.42	26.42	

Name of the Investee Company	Number of shares					Market value	Percentage in relation to		Investee paid up capital
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2018		Net assets of the Fund	Total investments	
<b>Oil and Gas Marketing Companies</b>									
Hascol Petroleum Limited	70,000	48,500	-	67,600	50,900	15,970	1.21	1.37	0.04%
Hascol Petroleum Limited - LOR	-	15,200	-	15,200	-	-	-	-	-
Pakistan State Oil Company Limited	49,500	176,500	10,400	69,200	167,200	53,221	4.04	4.56	0.05%
Sui Southern Gas Limited	-	389,000	-	389,000	-	-	-	-	-
Sui Northern Gas Pipeline Limited	250,500	439,000	-	362,200	327,300	32,802	2.49	2.81	0.05%
	<u>370,000</u>	<u>1,068,200</u>	<u>10,400</u>	<u>903,200</u>	<u>545,400</u>	<u>101,993</u>	<u>7.74</u>	<u>8.73</u>	
<b>Power Generation &amp; Distribution</b>									
Hub Power Company Limited (6.1.1)	378,100	789,000	-	212,800	954,300	87,948	6.67	7.53	0.08%
K-Electric Limited	-	5,067,000	-	200,000	4,867,000	27,645	2.10	2.37	0.02%
	<u>378,100</u>	<u>5,856,000</u>	<u>-</u>	<u>412,800</u>	<u>5,821,300</u>	<u>115,593</u>	<u>8.77</u>	<u>9.89</u>	
<b>Pharmaceuticals</b>									
Abbott Laboratories (Pakistan) Limited	14,850	-	-	14,850	-	-	-	-	-
AGP Limited	-	311,500	-	88,000	223,500	19,845	1.51	1.70	0.01%
The Searle Company Limited (Note 6.1.2)	52,850	69,000	18,070	100,100	39,820	13,519	1.03	1.16	0.02%
	<u>67,700</u>	<u>380,500</u>	<u>18,070</u>	<u>202,950</u>	<u>263,320</u>	<u>33,364</u>	<u>2.53</u>	<u>2.86</u>	
<b>Paper &amp; Board</b>									
Packages Limited**	23,350	24,200	-	20,550	27,000	13,222	1.00	1.13	0.03%
	<u>23,350</u>	<u>24,200</u>	<u>-</u>	<u>20,550</u>	<u>27,000</u>	<u>13,222</u>	<u>1.00</u>	<u>1.13</u>	
<b>Textile Composite</b>									
Nishat Mills Limited	196,400	422,900	-	273,800	345,500	48,688	3.69	4.17	0.10%
	<u>196,400</u>	<u>422,900</u>	<u>-</u>	<u>273,800</u>	<u>345,500</u>	<u>48,688</u>	<u>3.69</u>	<u>4.17</u>	
<b>Transport</b>									
Pakistan National Shipping Corporation	-	135,300	-	135,300	-	-	-	-	-
	<u>-</u>	<u>135,300</u>	<u>-</u>	<u>135,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Technology &amp; Communication</b>									
Systems Limited	102,000	152,000	-	114,000	140,000	14,171	1.08	1.21	0.13%
	<u>102,000</u>	<u>152,000</u>	<u>-</u>	<u>114,000</u>	<u>140,000</u>	<u>14,171</u>	<u>1.08</u>	<u>1.21</u>	
<b>As at June 30, 2018</b>	<b><u>3,924,260</u></b>	<b><u>19,368,195</u></b>	<b><u>28,470</u></b>	<b><u>9,159,663</u></b>	<b><u>14,161,262</u></b>	<b><u>1,168,226</u></b>	<b><u>88.64</u></b>	<b><u>100.00</u></b>	
<b>Carrying value as at June 30, 2018</b>						<b><u>1,200,878</u></b>			

\*\* Related party due to common directorship

**6.1.1** The above investments include shares with market value aggregating to Rs. 92.766 million (June 30, 2017: Rs. 39.157 million) which have been pledged with the National Clearing Company of Pakistan (NCCPL) as collateral for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the SECP.

- 300,000 shares of Oil and Gas Development Company
- 500,000 shares of The Hub Power Company Limited

**6.1.2** This includes 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 Management Company of the Fund jointly 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 premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the

final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.472 million at June 30, 2018 (June 30, 2017 Rs. 0.473 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at period end.

	Note	2018 ------(Rupees in '000)-----	2017
<b>6.1.3 Net unrealised (diminution) / appreciation on re-measurement of investments classified as fair value through profit and loss - held-for-trading</b>			
Market value of investment		1,168,226	708,091
Carrying value of investment		(1,200,878)	(696,322)
		<u>(32,652)</u>	<u>11,769</u>
<b>7. DIVIDENDS AND PROFIT RECEIVABLE</b>			
Dividend receivable		2,155	2,248
Profit receivable		880	430
		<u>3,035</u>	<u>2,678</u>
<b>8. DEPOSITS AND OTHER RECEIVABLE</b>			
Deposit with:			
National Clearing Company of Pakistan Limited		2,500	2,500
Central Depository Company of Pakistan Limited		100	100
Advance tax on dividend		279	32
Prepaid listing fee		122	-
		<u>3,001</u>	<u>2,632</u>
<b>9. PRELIMINARY AND FLOATATION COSTS</b>			
Unamortised cost	9.1	386	589
Amortised to the income statement during the year		(203)	(203)
Closing balance		<u>183</u>	<u>386</u>
9.1 This represents expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a year of five years commencing from May 29, 2014 (post IPO) as per the requirements set out in the Trust Deed.			
	Note	2018 ------(Rupees in '000)-----	2017
<b>10. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration to the Management Company	10.1	2,206	1,022
Sindh Sales Tax on Management Company's remuneration	10.2	287	133
Sales load payable		-	402
Selling and marketing expenses	10.3	2,706	685
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.4	110	51
		<u>5,309</u>	<u>2,293</u>
10.1 As per the offering document of the Fund, the Management Company charged a fee at the rate of 2% of the average annual net assets on daily basis of the Scheme subject to the guidelines as may be issued by the SECP from time to time. Therefore, the management fee is charged at 2%. The fee is payable monthly in arrears. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.			
10.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (2017: 13 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.			

**10.3** SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a year of three years (from January 01, 2017 till December 31, 2019) being chargeable to open end equity, asset allocation and index funds. Maximum cap on the expenses has been set at 0.4% per annum of net assets of fund or actual expenses, whichever being lower. The Fund has started accruing expense on this account at 0.4% per annum of net assets of the Fund effective from March 21, 2017.

**10.4** As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

	Note	2018 ------(Rupees in '000)-----	2017 -----
<b>11. PAYABLE TO THE TRUSTEE</b>			
Remuneration to the Trustee	11.1	<u>442</u>	<u>216</u>
		<u>442</u>	<u>216</u>

**11.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

**Based on the Trust Deed, the tariff structure applicable to the Fund are as follows:**

Amount of funds under management  
[Average Net Assets Value (NAV)]

Upto Rs 1,000 million	Rs 0.7 million or 0.20% per annum of net assets value whichever is higher
Rs 1,000 million and above	Rs 2.0 million plus 0.10% per annum of net assets value exceeding Rs 1,000 million

	Note	2018 ------(Rupees in '000)-----	2017 -----
<b>12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	12.1	<u>1,194</u>	<u>451</u>

**12.1** Under the provisions of the NBFC Regulations, 2008 a collective investment scheme categorised as an equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

	Note	2018 ------(Rupees in '000)-----	2017 -----
<b>13. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Sindh Workers' Welfare Fund	13.1	<b>3,194</b>	3,194
Provision for Federal Excise Duty	13.2	<b>3,268</b>	3,268
Donation payable		<b>3,704</b>	1,535
Brokerage charges		<b>269</b>	522
Withholding tax		<b>8</b>	4,605
Auditors' remuneration		<b>169</b>	140
Printing charges		<b>228</b>	80
Others		<b>15</b>	47
		<u><b>10,855</b></u>	<u>13,391</u>

### **13.1 WORKERS' WELFARE FUND AND SINDH 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 High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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.

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 notices which were 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 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 High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the honorable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has 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 Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

Further, the Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan, in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

Considering the above developments, the Management Company assessed the position of the Fund with regard to reversal of provision of WWF and recognition of provision of SWWF, and decided that:

- The Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.



In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and Sindh Workers' Welfare Fund (SWWF)

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs.1 million. Further, the Fund started recognising provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 3.194 million (2017: 3.194 million). Had the provision not being made, the net asset value per unit as at June 30, 2018 would have been higher by Rs. 0.2241 per unit (2017: Rs. 0.4265 per unit)

**13.2** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 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 results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan along-with Central Depository Company of Pakistan Limited with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated June 30, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The Finance Act, 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ended June 30, 2018 and June 30, 2017.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 3.268 million (2017: Rs. 3.268 million).

Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2017 would have been higher by Rs. 0.2293 per unit (2017: 0.4364 per unit).

**14. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments at June 30, 2018 and June 30, 2017.

**15. AUDITORS' REMUNERATION**

	2018	2017
	------(Rupees in '000)-----	
Annual audit fee	135	80
Fee for half yearly review	60	40
Review of compliance with the requirements of the Code of Corporate Governance	-	30
Shariah compliance audit fee	5	2
Other certifications and out of pocket	36	66
	<u>236</u>	<u>218</u>

**16. NUMBER OF UNITS IN ISSUE**

	2018	2017
	------(Number of Units)-----	
Total units in issue at the beginning of the year	7,489,015	3,277,092
Sales during the year	9,938,204	8,489,950
Redemption during the year	(3,177,096)	(5,060,194)
Bonus during the year	-	782,167
Total units in issue at the end of the year	<u>14,250,123</u>	<u>7,489,015</u>

**17. TAXATION**

No provision for taxation has been made as the Fund has incurred a net loss and as such is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the income statement.

**18. EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed as in the opinion of Management Company determination of cumulative weighted average number of outstanding units is not practicable.

**19. TRANSACTIONS AND BALANCES 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 financial statements are as follows:

	2018	2017
	------(Rupees in '000)-----	
<b>19.1 Balance as at June 30, 2018</b>		
<b>HBL Asset Management Company Limited</b>		
914,962 units (2017: 1,702,128 units)	<u>84,619</u>	<u>179,533</u>
Management fee payable	<u>2,206</u>	<u>1,022</u>
Sindh Sales Tax on management company's remuneration	<u>287</u>	<u>133</u>
Sales load payable	<u>-</u>	<u>402</u>
Selling and marketing expenses	<u>2,706</u>	<u>685</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>110</u>	<u>51</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee Fee payable	<u>442</u>	<u>216</u>
<b>Directors and executives of the Management Company</b>		
25,777 units (2017: 25,748 units)	<u>2,384</u>	<u>2,716</u>
<b>Connected Person due to holding more than 10% units:</b>		
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Active Allocation Plan</b>		
437,975 units (2017: 176,613 units)	<u>40,505</u>	<u>18,248</u>
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Conservative Allocation Plan</b>		
71,636 units (2017: 105,863 units)	<u>6,625</u>	<u>10,938</u>
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund Strategic Allocation Plan</b>		
10,424,976 units (2017: 2,020,801 units)	<u>964,137</u>	<u>211,137</u>

2018  
------(Rupees in '000)-----

2017

**19.2 Transactions during the year**

**HBL Asset Management Company Limited**

Remuneration of the Management Company for the year

Sindh Sales tax on remuneration of the

Management Company

Allocation of expenses related to registrar services,

accounting, operation and valuation services

Selling and marketing expenses

Sale load

Issue of Nil units (2017: 11,366 units)

Bonus of Nil units (2017: 337,744 units)

Cash dividend

Redemption of 787,166 units (2017: 738,542 units)

**Directors and executives of the Management Company**

Issue of Nil units (2017: 11,109 units)

Bonus of Nil units (2017: 5,109 units)

Cash Dividend

Redemption of Nil units (2017: 2,914 units)

**Connected Person due to holding more than 10% units:**

**MCBFSL Trustee HBL Islamic Financial Planning Fund**

**Strategic Allocation Plan**

Issue of 8,433,819 units (2017:2,020,801 units)

Redemption of 29,644 units (2017: Nil units)

**MCBFSL Trustee HBL Islamic Financial Planning Fund**

**Active Allocation Fund**

Issue of 566,975 units (2017: 176,613 units)

Redemption of 305,613 units (2017: Nil units)

**MCBFSL Trustee HBL Islamic Financial Planning Fund**

**Conservative Allocation Fund**

Issue of 108,943 units (2017: 105,864 units)

Redemption of 143,171 units (2017: Nil units)

**MCB Bank Limited - connected person due to holding more than 10% units**

Issue of Nil units (2017: 2,397,860 units)

Bonus of Nil units (2017: 181,635 units)

Redemption of Nil units (2017: 1,654,154 units)

Cash dividend

**Pak-Qatar Individual Family Participant Investment Fund**

Issue of Nil units (2017: 1,560,686 units)

Redemption of Nil units (2017: 687,388 units)

**Central Depository Company of Pakistan Limited - Trustee**

Trustee fee

CDS charges

	2018	2017
	25,127	9,488
	3,266	1,233
	1,256	483
	5,026	685
	-	1,416
	-	1,199
	-	35,618
	-	1,370
	70,000	100,000
	-	1,426
	-	539
	-	21
	-	397
	800,000	210,688
	2,800	-
	54,000	18,682
	30,000	-
	9,937	11,099
	13,565	-
	-	366,737
	-	19,155
	-	220,329
	-	737
	-	191,050
	-	91,049
	2,526	1,072
	121	97

**20. FINANCIAL INSTRUMENTS BY CATEGORY**

	----- As on June 30, 2018 -----		
	At fair value through profit or loss - held for trading	Loans and receivables	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Bank balances	-	159,107	159,107
Investments	1,168,226	-	1,168,226
Dividends and profit receivable	-	3,035	3,035
Receivable against sale of investments	-	2,152	2,152
	<u>1,168,226</u>	<u>164,294</u>	<u>1,332,520</u>

	----- As on June 30, 2018 -----		
	At fair value through profit or loss - held for trading	Other financial liabilities	Total
	----- Rupees in '000 -----		
<b>Liabilities</b>			
Payable to the Management Company	-	5,022	5,022
Payable to the Trustee	-	442	442
Payable against redemption of units	-	5	5
Accrued expenses and other liabilities	-	666	666
Unit holders' fund	-	1,317,899	1,317,899
	<u>-</u>	<u>1,324,034</u>	<u>1,324,034</u>

	----- As on June 30, 2017 -----		
	At fair value through profit or loss	Available for sale	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Bank balances	-	209,464	209,464
Investments	708,091	-	708,091
Dividends and profit receivable	-	2,678	2,678
	<u>708,091</u>	<u>212,142</u>	<u>920,233</u>

	----- As on June 30, 2017 -----		
	At fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----		
<b>Liabilities</b>			
Payable to the Management Company	-	2,160	2,160
Payable to the Trustee	-	216	216
Payable against redemption of units	-	116,993	116,993
Accrued expenses and other liabilities	-	742	742
Unit holders' fund	-	789,907	789,907
	<u>-</u>	<u>910,018</u>	<u>910,018</u>

## **21. FINANCIAL RISK MANAGEMENT**

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### **21.1 Market risk**

Market 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 prices.

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### **21.1.1 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.

#### **21.1.2 Yield / interest rate risk**

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

##### **a) Cash flow interest rate risk**

Presently, the Fund holds balances in savings bank accounts as at June 30, 2018, that could expose the Fund to cash flow interest rate risk. The net income for the year would have increased / (decreased) by Rs. 1.576 million (2017: Rs. 2.069 million) had the interest rates on savings accounts with the banks increased / (decreased) by 100 basis points.

##### **b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

#### **21.1.3 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 is exposed to equity price risk because of investments held by the Fund in listed equity securities classified on the Statement of Assets and Liabilities as 'financial assets at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document / NBFC Regulations, 2008 also limit individual equity securities to no more than 15% of net assets of the Fund, or issued capital of the investee company.

In case of 5% increase / decrease in price of all shares held by Fund at the year end, net income for the year would increase / decrease by Rs 58.411 million (2017: Rs 35.405 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

## 21.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

### Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2018 and June 30, 2017:

### Balances with banks by rating category

Name of the bank	Balances held by the Fund as at June 30, 2018	Latest available published rating as at June 30, 2018	Rating agency
	Rupees in '000'		
MCB Bank Limited	1,435	AA-	PACRA
Faysal Bank Limited	9	AA	PACRA
Habib Bank Ltd	20	AAA	JCR-Vis
Bank Islami Pakistan Limited	154,111	A+	PACRA
AlBaraka Bank Limited	404	A+	PACRA
Burj Bank Limited	2,912	BBB+	JCR-Vis
United Bank Ltd	216	AAA	JCR-VIS
	<u>159,107</u>		

Name of the bank	Balances held by the Fund as at June 30, 2017	Latest available published rating as at June 30, 2017	Rating agency
	Rupees in '000'		
NIB Bank Limited (Merged with MCB Bank)	2,546	AA-	PACRA
Faysal Bank Limited	10	AA	PACRA
Bank Islami Pakistan Limited	205,262	A+	PACRA
AlBaraka Bank Limited	385	A	PACRA
Burj Bank Limited	12	A	PACRA
UBL Bank Limited	1,249	AAA	JCR-VIS
	<u>209,464</u>		

### Concentration of credit risk

The Fund mainly deals in equity securities which are primarily subject to price risk. The 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 comprise of bank balances and dividend receivables which are with various credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

## 21.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any. 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 damage 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 can be readily disposed of. The Fund's policy is therefore to invest the majority of its assets in securities that are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings were made by the Fund.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

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

----- As at June 30, 2018 -----				
	Upto three months	Over three months and upto one year	Over one year	Total
----- Rupees in '000 -----				
<b>Liabilities</b>				
Payable to the Management Company	5,022	-	-	5,022
Payable to the Trustee	442	-	-	442
Payable against redemption of units	5	-	-	5
Accrued expenses and other liabilities	666	-	-	666
<b>Contractual cash outflows</b>	<b>6,135</b>	<b>-</b>	<b>-</b>	<b>6,135</b>
<b>Unit holders' fund</b>	<b>1,317,899</b>	<b>-</b>	<b>-</b>	<b>1,317,899</b>
----- As at June 30, 2017 -----				
	Upto three months	Over three months and upto one year	Over one year	Total
----- Rupees in '000 -----				
<b>Liabilities</b>				
Payable to the Management Company	2,160	-	-	2,160
Payable to the Trustee	216	-	-	216
Payable against redemption of units	116,993	-	-	116,993
Accrued expenses and other liabilities	742	-	-	742
<b>Contractual cash outflows</b>	<b>120,111</b>	<b>-</b>	<b>-</b>	<b>120,111</b>
<b>Unit holders' fund</b>	<b>789,907</b>	<b>-</b>	<b>-</b>	<b>789,907</b>

## 22. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid or transfer a liability in an orderly transaction between market participants and measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the reporting 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' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

		June 30, 2018							
		Carrying amount			Fair Value				
		Fair value through profit or loss- held -for-trading	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Investments									
Listed equity securities									
6		1,168,226	-	-	1,168,226	1,168,226	-	-	1,168,226
		<u>1,168,226</u>	<u>-</u>	<u>-</u>	<u>1,168,226</u>	<u>1,168,226</u>	<u>-</u>	<u>-</u>	<u>1,168,226</u>
<b>Financial assets not measured at fair value</b>									
Bank balances									
5		-	159,107	-	159,107	-	-	-	-
Dividend and profit receivable									
7		-	3,035	-	3,035	-	-	-	-
Receivable against sale of investments									
		-	2,152	-	2,152	-	-	-	-
		<u>-</u>	<u>164,294</u>	<u>-</u>	<u>164,294</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>									
Payable to the Management Company									
10		-	-	5,022	5,022	-	-	-	-
Payable to the Trustee									
11		-	-	442	442	-	-	-	-
Payable against redemption of units									
		-	-	5	5	-	-	-	-
Accrued expenses and other liabilities									
13		-	-	666	666	-	-	-	-
Unit holders' fund									
		-	-	1,317,899	1,317,899	-	-	-	-
		<u>-</u>	<u>-</u>	<u>1,324,034</u>	<u>1,324,034</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		June 30, 2017							
		Carrying amount			Fair Value				
		Available -for-sale	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Investments									
Listed equity securities									
6		708,091	-	-	708,091	708,091	-	-	708,091
		<u>708,091</u>	<u>-</u>	<u>-</u>	<u>708,091</u>	<u>708,091</u>	<u>-</u>	<u>-</u>	<u>708,091</u>
<b>Financial assets not measured at fair value</b>									
Bank balances									
5		-	209,464	-	209,464	-	-	-	-
Dividend and profit receivable									
7		-	2,678	-	2,678	-	-	-	-
		<u>-</u>	<u>212,142</u>	<u>-</u>	<u>212,142</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>									
Payable to the Management Company									
10		-	-	2,160	2,160	-	-	-	-
Payable to the Trustee									
11		-	-	216	216	-	-	-	-
Payable against redemption of units									
		-	-	116,993	116,993	-	-	-	-
Accrued expenses and other liabilities									
13		-	-	742	742	-	-	-	-
Unit holders' fund									
		-	-	789,907	789,907	-	-	-	-
		<u>-</u>	<u>-</u>	<u>910,018</u>	<u>910,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



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.

#### Valuation techniques

For level 1 investments at fair value through profit or loss - held for trading investment in respect of Quoted shares Fund uses rates derived from Quotation rates at reporting date per share multiplied by the number of shares held.

#### Transfers during the year

No transfers were made between various levels of fair value hierarchy during the year.

### 23. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

### 24. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the investment committee of the Fund as on June 30, 2018 are as follow:

Name	Designation	Qualification	Experience in years
Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	25+ years
Muhammad Imran	Chief Investment Officer	MBA - Finance	18+ years
Jawad Naeem	Specialist - Equity	MBA, CFA Level 1	10+ years
Adeel Abdul Wahab	Specialist - Equity	ACCA	10+ years
Noman Ameer	Manager Risk	MBA - Finance	11+ years
Sateesh Balani	Head of Research	CFA, MBA	7+ years

### 25. PATTERN OF UNITHOLDING

Pattern of unit holding at June 30, 2018 is as follows:

Category	2018			
	No. of unit holders	Number of Units held	Investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	161	867,081	80,190	6.08%
Associated Companies and Directors	1	914,962	84,619	6.42%
Trust	3	10,934,588	1,011,267	76.73%
Banks and DFIs	1	916,259	84,739	6.43%
Others	2	617,233	57,084	4.34%
	<u>168</u>	<u>14,250,123</u>	<u>1,317,899</u>	<u>100.00%</u>

Category	2017			
	No. of unit holders	Number of Units held	Investment amount	Percentage investment
	----- Rupees in '000 -----			
Individuals	179	1,076,820	113,580	14.38%
Associated Companies and Directors	1	1,702,129	179,530	22.73%
Insurance Companies	1	873,297	92,110	11.66%
Banks and DFIs	1	916,259	96,640	12.23%
Others	5	2,920,510	308,047	39.00%
	<u>187</u>	<u>7,489,015</u>	<u>789,907</u>	<u>100.00%</u>

## 26. LIST OF TOP TEN BROKERS / DEALERS

### Top ten brokers during the year ended June 30, 2018

Intermarket Securities Limited.  
BMA Capital Management Limited  
AL Falah Securities (Private) Limited.  
BIPL Securities Limited  
Insight Securities (Private) Limited  
AKD Securities Limited  
Elixir Securities Pakistan (Private) Limited  
EFG Hermes Pakistan Limited  
Topline Securities (Private) Limited.  
DJM Securities (Private) Limited

### Top ten brokers during the year ended June 30, 2017

Taurus Securities Limited  
Next Capital Limited  
Shajar Capital Pakistan (Private) Limited  
Topline Securities (Private) Limited  
AL Falah Securities (Private) Limited  
WE Financial Services Limited  
Zillion Capital Securities (Private) Limited  
M.M. Securities (Private) Limited  
BIPL Securities Limited  
IGI Finex Securities Limited

## 27. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Agha Sher Shah 1	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23,2017 & April 23,2018
4	Mr. Raymond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27,2017
6	Mr. Shabbir Hussain Hashmi 2	1	1	-	-
7	Mr. Shahid Ghaffar 3	2	1	1	February 26,2018
8	Mr. Nadeem Abdullah 4	4	4	-	-
9	Mr. Towfiq Habib Chinoy 5	3	3	-	-
10	Mr. Salahuddin Manzoor 6	3	3	-	-

1 Appointed on November 23, 2017.  
2 Appointed on February 26, 2018.  
3 Appointed on December 04, 2017.  
4 Resigned on February 26, 2018.  
5 Resigned on November 23, 2017.  
6 Resigned on November 30, 2017.

**28. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 3.47% (2017: 4.32%) which includes 0.39% (2017: 0.98%) representing government levy and SECP fee.

**29. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 31, 2018 by the Board of Directors of the Management Company.

**30. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**31. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



# **HBL** Islamic Financial Planning Fund

HBL AML annual report 2017-18

<b>NAME OF FUND</b>	<b>HBL ISLAMIC FINANCIAL PLANNING FUND</b>
<b>NAME OF TRUSTEE</b>	<b>MCB Financial Services Limited</b>
<b>NAME OF AUDITORS</b>	<b>Deloitte Yousuf Adil Chartered Accountants</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Dubai Islamic Bank Limited Bank Islami Pakistan Limited</b>

**Category of Fund**

Open end Shariah Compliant Fund of Funds Scheme

**Investment Objective**

The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the Investor.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark for Conservative Allocation Plan, Active Allocation Plan and Strategic Allocation plan is as follows:

**Conservative Allocation Plan**

- a. 20% KMI 30 index
- b. Six(6) months average deposit rates of three(3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- c. Three(3) months average deposit rates of three(3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

B and c will be based on actual proportion of investment in Islamic Income and Islamic Money Market Funds / Cash and near cash instruments.

**Active Allocation Plan & Strategic Allocation Plan**

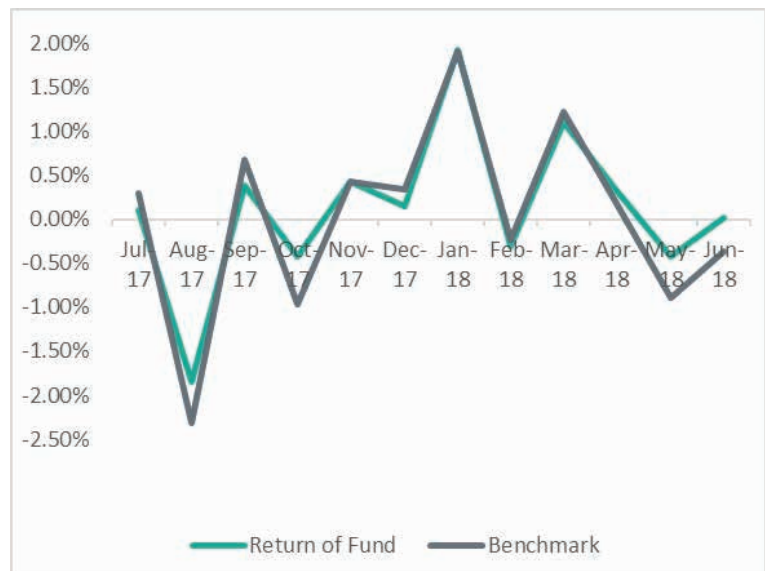
- a. KMI 30 index
- b. Six(6) months average deposit rates of three(3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- c. Three(3) months average deposit rates of three(3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

Based on actual proportion in Equity Fund and Income / Money Market Funds and/or in cash And/or near cash instruments in each allocation plan.

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

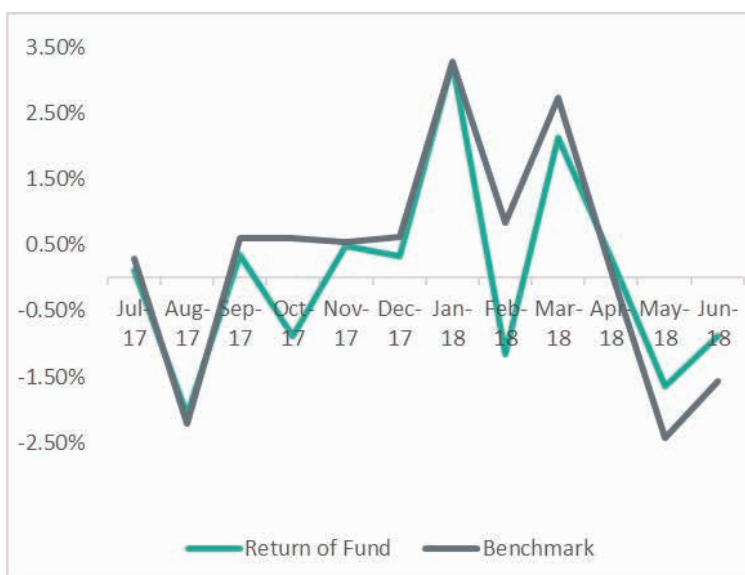
**Conservative Allocation Plan**

Month	Return of Fund	Benchmark
Jun - 18	0.01%	-0.36%
May - 18	-0.42%	-0.89%
Apr - 18	0.33%	0.18%
Mar - 18	1.10%	1.21%
Feb - 18	-0.30%	-0.24%
Jan - 18	1.92%	1.90%
Dec - 17	0.15%	0.34%
Nov - 17	0.43%	0.43%
Oct - 17	-0.42%	-0.97%
Sep - 17	0.38%	0.67%
Aug - 17	-1.85%	-2.32%
Jul - 17	0.11%	0.30%



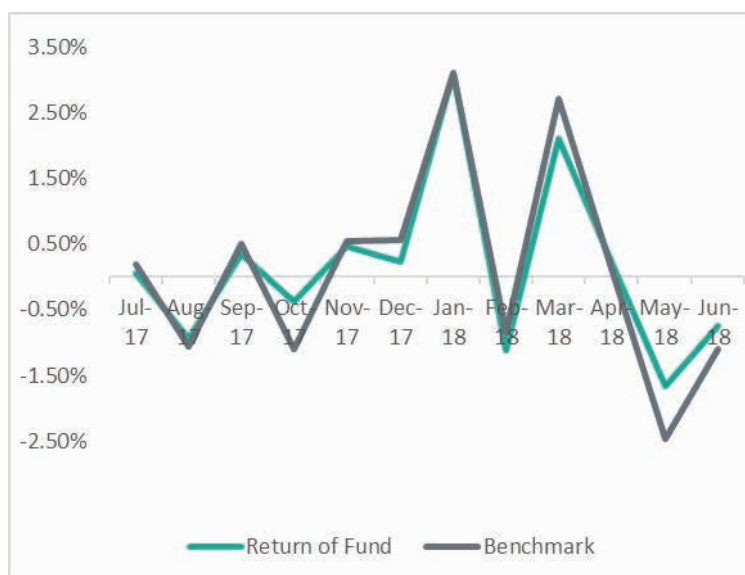
### Active Allocation Plan

Month	Return of Fund	Benchmark
Jun - 18	-0.89%	-1.56%
May - 18	-1.64%	-2.43%
Apr - 18	0.30%	0.12%
Mar - 18	2.12%	2.73%
Feb - 18	-1.15%	0.83%
Jan - 18	3.25%	3.28%
Dec - 17	0.33%	0.62%
Nov - 17	0.48%	0.54%
Oct - 17	-0.89%	0.60%
Sep - 17	0.35%	0.60%
Aug - 17	-2.08%	-2.21%
Jul - 17	0.11%	0.29%



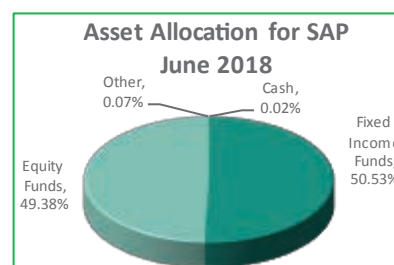
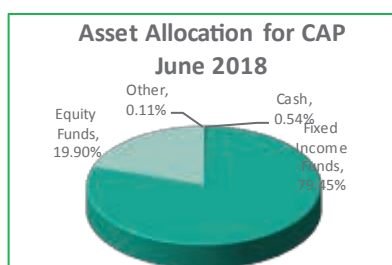
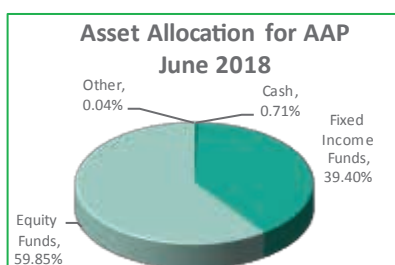
### Strategic Allocation Plan

Month	Return of Fund	Benchmark
Jun - 18	-0.74%	-1.11%
May - 18	-1.66%	-2.46%
Apr - 18	0.22%	0.13%
Mar - 18	2.10%	2.70%
Feb - 18	-1.12%	-0.84%
Jan - 18	3.11%	3.10%
Dec - 17	0.23%	0.56%
Nov - 17	0.47%	0.55%
Oct - 17	-0.37%	-1.11%
Sep - 17	0.34%	0.50%
Aug - 17	-0.94%	-1.06%
Jul - 17	0.06%	0.18%



### Strategies and Policies employed during the Year

During this period, Active Allocation Plan asset allocation comprises of 60% investment in equity funds while cash assets, investment in fixed income funds represent 1% and 39% of total assets respectively. Conservative allocation plan invested the funds in equity fund, fixed income fund and cash at 20%, 79% and 1% of the fund. Strategic Allocation Plan asset allocation comprises of 49% investment in equity funds while fixed income funds represent 49% and 51% of total assets respectively.



## Fund Performance

### HBL Islamic Financial Planning Fund

HBL Islamic Financial Planning Fund comprises of three sub funds (plans) namely Active allocation plan, Conservative allocation plan and Strategic allocation plan.

The Fund as a whole earned total and net income of Rs. 85.83 million and Rs. 66.97 million respectively during the year under review. The fund size of the fund stood at Rs. 4.57 billion. Performance review for plan is given below:

#### Active Allocation Plan

During the year under review, the Active allocation plan earned total and net income of Rs. 4.69 million and Rs. 3.63 million respectively. The net assets of the Active allocation plan stood at Rs. 247 million representing Net Asset Value (NAV) of Rs. 100.4143 per unit as at June 30, 2018. The plan earned a return of 0.40% for the year under review. The plan is invested to the extent of 60% in equity funds & 39% in fixed income funds.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

#### Conservative Allocation Plan

During the year under review, the Conservative allocation plan earned total and net income of Rs. 0.92 million and Rs. 0.70 million respectively. The net assets of the Conservative allocation plan stood at Rs. 37 million representing Net Asset Value (NAV) of Rs. 101.4151 per unit as at June 30, 2018. The plan earned a return of 1.40% for the year under review. The plan is invested to the extent of 20% in equity funds & 79% in fixed income funds.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

#### Strategic Allocation Plan

During the year under review, the Strategic allocation plan earned total and net income of Rs. 80.22 million and Rs. 62.64 million respectively. The net assets of the Strategic allocation plan stood at Rs. 4.28 billion representing Net Asset Value (NAV) of Rs. 101.4938 per unit as at June 30, 2018. The plan earned a return of 1.36% for the year under review. The plan is invested to the extent of 49% in equity funds & 51% in fixed income funds.

### Money Market Review

Interest rate cycle reversed in FY18 as central bank focus diverted towards containing rising twin deficits and in anticipation of increase in inflation due to lack of fiscal discipline in election times. During the year, secondary market yields of 3, 5 and 10-year PIBs increased by 180, 171 and 86 bps respectively while yields of 3, 6 and 12 month T-Bills increased by 79, 90 and 116 bps respectively. Government of Pakistan raised only PKR 96bn through the PIB auction against a target of PKR 900bn as eight PIB auctions were scrapped in the year due to lack of interest. The last cut-off yields stood at 7.5000%, 8.4795% and 8.6999% p.a. for 3, 5 and 10-year PIBs respectively. Overall trading in longer tenures remained lackluster due to market participants' consensus of increase in interest rates.

During FY18, Government retired PKR 77bn from scheduled banks against borrowing of PKR 179bn during same period last year due to multiple scrapped PIB Auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,439bn during the period against PKR 908bn during same period last year. Government largely managed its borrowing requirements through domestic sources, and raised PKR 16,894bn via T-bills (excluding NCB) compared to the cumulative target of PKR 16,925bn and maturities of PKR 15,971bn. In the last T-Bill Auction held in Jun-18 no amount was accepted in the 6 and 12 month T-Bills. The cutoff yield was 6.7596% for the 3 month T-Bills. SBP increased the policy rate by 25bps in January and a further 50bps in May to 6.50% to control aggregate demand and the current account deficit. Since then the SBP has further increased policy rate by 100bps in Jul-18 MPS. Going forward, we foresee another interest rate hike of 50bps in the calendar year on the back of increasing inflation expectation and sustainability of current account risks.

### Stock Market Review

Pakistan Equities witnessed a topsy-turvy ride during outgoing year with disappointing foreign flows (after MSCI upgrade), political uncertainty following the ouster of ex-PM, macroeconomic challenges and ongoing speculation about the upcoming general elections.



Pakistan Islamic Equities benchmark (KMI30 Index) fell 7,538 points to close at 71,060 points, reflecting a decline of 10%. Despite market expectation of strong foreign inflows following Pakistan's inclusion in the MSCI Emerging Markets, foreign investors continued to remain net sellers and sold stocks of worth USD289mn. Within local investors, insurance companies and corporates bought equities of USD204mn and USD100mn respectively while Mutual funds divested equities of USD35mn during the year. On the political front, Ex-Prime Minister Nawaz Sharif was disqualified by Supreme Court in Jul-17 which further marred investor sentiment. Moreover, economic concerns increased due to rising twin deficits followed by stringent policy measures by policy makers (16% PKR depreciation and 75bps increase in interest rates).

The Cement sector led the rout in the KMI index, causing attrition of where DGKC and LUCK fell 44% and 37% YoY. Decline in cements was caused owing to the fears of a price war in the segment as upcoming expansions could lead to an oversupply situation particularly in the Southern region as can be grasped from the poor price performance of DGKC and LUCK. Within the banking sector, MEBL returned 10% during the outgoing year buoyed by rising interest rate environment which is expected to lead to margin expansion.

FY18 experienced strong performance from the Oil & Gas Exploration Companies owing to 66% increase in International Oil Prices and 16% PKR depreciation. The outperformance was led by POL and PPL which increased 58% and 53% against SPLY.

Going forward, we expect Pakistan equities to rebound with restoration of political stability (after General Elections), gradual improvement in macroeconomic trends and potential revival of foreign investor interest after steep PKR depreciation. Moreover, we highlight that Pakistan market's discount to emerging as well as frontier peers has increased to 30% and 28% against 5-year averages of 25% and 19% respectively reflecting a good entry point.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

## Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the year under review.

## Breakdown of Unit Holding by Size

From – To (Number of units)	Active Allocation Plan		Conservative Allocation Plan		Strategic Allocation Plan	
	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held
1 – 100	1	20	-	-	-	-
101 – 500	9	2,148	-	-	6	1,746
501 – 1,000	2	1,739	1	845	4	2,489
1,001 – 10,000	40	214,890	8	44,009	13	44,288
10,001 – 100,000	46	1,703,261	11	315,506	24	952,961
1,000,001 – 5,000,000	4	536,866	-	-	13	3,156,615
500,001 – 1,000,000	-	-	-	-	3	1,787,760
1,000,001 – 5,000,000	-	-	-	-	1	1,003,961
5,000,001 and above	-	-	-	-	2	35,243,494
<b>Total</b>	<b>102</b>	<b>2,458,924</b>	<b>20</b>	<b>360,360</b>	<b>66</b>	<b>42,193,314</b>

### **Unit Splits**

There were no unit splits during the year.

### **Circumstances materially affecting the Interest of Unit Holders**

Investments are subject to market risk.

### **Soft Commission**

The Management Company from time to time receives research reports and presentations from brokerage houses.

# PERFORMANCE TABLE - HBL ISLAMIC FINANCIAL PLANNING FUND

	2018			2017		
	Active Allocation Plan	Consevative Allocation Plan	Strategic Allocation Plan	Active Allocation Plan	Consevative Allocation Plan	Strategic Allocation Plan
Net assets at the period end (Rs'000)	246,911	36,546	4,282,358	194,204	58,338	4,225,557
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	100.4143	101.4151	100.9863	100.0133	100.0178	100.0143
Offer	102.6837	103.7071	N/A	103.0137	103.0183	N/A
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	106.4147	104.4465	N/A	103.0671	103.3839	N/A
Lowest offer price per unit	98.6755	99.7455	N/A	100.0000	100.0000	N/A
Highest redemption price per unit	104.0629	102.1382	104.0473	100.0651	100.3727	100.2155
Lowest redemption price per unit	96.4947	97.5411	96.6515	100.0000	100.0000	100.0000
<b>RETURN ( % )</b>						
Total return	0.40%	1.40%	1.36%	0.17%	0.34%	0.51%
Income distribution	0.00%	0.00%	0.00%	0.16%	0.32%	0.37%
Capital growth	0.40%	1.40%	1.36%	0.01%	0.02%	0.14%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	-	-	-	0.16	0.32	0.37
Date of Income Distribution	-	-	-	29-Jun-17	29-Jun-17	29-Jun-17
Total dividend distribution for the year (Rs)	-	-	-	0.16	0.32	0.37
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	0.40%	1.40%	1.36%	0.17%	0.34%	0.51%
Average annual return 2 year	0.29%	0.87%	0.93%	-	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	0.71%	0.54%	0.02%	11.03%	7.76%	0.05%
Equity Funds	59.85%	19.90%	49.38%	8.13%	16.78%	5.04%
Income Funds	39.40%	79.45%	50.53%	66.69%	58.46%	91.18%
Others	0.04%	0.11%	0.07%	14.16%	17.00%	3.74%

**Note:**

The Launch date of the Fund is June 19, 2017

**Disclaimer:**

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



# MCB FINANCIAL SERVICES LIMITED

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### HBL ISLAMIC FINANCIAL PLANNING FUND

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

HBL Islamic Financial Planning Fund, an open-end Scheme established under a Trust Deed dated March 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund commenced its operations from June 17, 2017.

1. HBL Asset Management Company Limited, the Management Company of HBL Islamic Financial Planning Fund has, in all material respects, managed HBL Islamic Financial Planning Fund during the year ended 30<sup>th</sup> June 2018 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

For the purpose of information the attention of unit holders is drawn towards auditor's report which states that Strategic Allocation Plan ("the Plan") would automatically dissolve on maturity i.e June 16, 2019 and the Management Company has assessed and concluded that the plan is no longer a going concern. Accordingly, the financial information of the Plan is prepared on the basis other than going concern. However, no adjustments are required as the assets and liabilities of the plan are stated at values at which they are expected to be realized or settled.

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: August 30, 2018



ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٹڈ

### STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Financial Planning Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2018. This has been duly confirmed by the Shariah Advisor of the Fund.

**Farid Ahmed Khan**

**Chief Executive Officer**

**Dated: August 31, 2018**

HBL Asset Management Limited  
Head Office  
7th Floor  
Emerald Tower  
G-19 Block-5,  
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Clifton, Karachi

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 10, 2018

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2018 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Financial Planning Fund (HBL-IFPF) are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

For and on behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisors (Pvt) Limited

Mufti Irshad Ahmad Aijaz  
Member Shariah Council

Faraz Younus Bandukda, CFA  
Chief Executive

**Al-Hilal Shariah Advisors (Pvt) Limited**

Suite# 619, 6th Floor, Clifton Centre, Schon Circle, Block - 5 Clifton,  
Karachi, Pakistan. Tel :+92-21-35305931-37, Web: www.alhilalsa.com

## **INDEPENDENT ASSURANCE REPORT TO THE UNITHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

We have performed an independent assurance engagement of HBL Islamic Financial Planning Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2018. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### **Management Company's responsibility**

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining Internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements, including independence requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making Investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2018 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.



Member of  
Deloitte Touche Tohmatsu Limited



Deloitte Yousuf Adil  
Chartered Accountants

#### Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shairah Advisor for the year ended June 30, 2018.

*Deloitte Yousuf Adil*  
Chartered Accountants™

**Dated:** September 19, 2018  
**Place:** Karachi

Member of  
Deloitte Touche Tohmatsu Limited



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL ISLAMIC FINANCIAL PLANNING FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Islamic Financial Planning Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter

We draw attention to note 1.4 to the financial statements, which states that Strategic Allocation Plan ('the Plan') would automatically dissolve on its maturity i.e. June 16, 2019 and the Management Company has assessed and concluded that the plan is no longer a going concern. Accordingly the financial information of the Plan is prepared on the basis other than going concern. However, no adjustments are required as the assets and liabilities of the plan are stated at the values at which they are expected to be realised or settled. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key audit matters	How the matters were addressed in our audit
1	Valuation and existence of investments	We performed the following steps during our audit of investments:



S. No.	Key audit matters	How the matters were addressed in our audit
	<p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 4.567 billion as at June 30, 2018.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in units of mutual funds. Their valuation and existence is a significant area during our audit. There is a risk that appropriate Net Asset Value (NAV) may not be used to determine fair value.</p> <p>Further, the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<ul style="list-style-type: none"> <li>Independent testing of valuations by using the NAV per unit from the website of Mutual Funds Association of Pakistan and ensuring the existence of number of units from portfolio report with the units appearing in the statement of account;</li> <li>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of units during the year; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
2	<p><b><i>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</i></b></p> <p>As disclosed in note 4.10, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> <li>Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

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## **Information Other than the Financial Statements and Auditor's Report Thereon**

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management Company and Those Charged with Governance for the Financial Statements**

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

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.

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- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

  
Chartered Accountants

Place: Karachi

Date: September 19, 2018

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Assets and Liabilities

As at June 30, 2018

	Note	2018				2017			
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>Assets</b>									
Bank balances	5	1,721	199	1,046	2,966	25,286	5,166	2,018	32,470
Investments - net	6	245,764	36,381	4,285,015	4,567,160	171,493	50,067	4,072,801	4,294,361
Accrued mark-up		12	11	10	33	149	47	3,629	3,825
Receivable against sale of investment		-	-	-	-	-	-	131,500	131,500
Receivable against sale of units		-	-	-	-	32,217	11,240	27,282	70,739
Advances		22	12	660	694	-	-	-	-
Preliminary expenses and flotation costs	7	68	18	2,248	2,334	85	23	4,811	4,919
<b>Total assets</b>		<b>247,587</b>	<b>36,621</b>	<b>4,288,979</b>	<b>4,573,187</b>	<b>229,230</b>	<b>66,543</b>	<b>4,242,041</b>	<b>4,537,814</b>
<b>Liabilities</b>									
Payable to the Management Company	8	311	4	356	671	279	44	12,633	12,956
Payable to the Trustee	9	21	3	278	302	6	2	92	100
Payable to the Securities and Exchange Commission of Pakistan	10	242	45	4,055	4,342	6	2	132	140
Accrued expenses and other liabilities	11	102	23	1,932	2,057	50	28	3,627	3,705
Dividend payable		-	-	-	-	2	-	-	2
Payable against redemption of units		-	-	-	-	34,683	8,129	-	42,812
<b>Total liabilities</b>		<b>676</b>	<b>75</b>	<b>6,621</b>	<b>7,372</b>	<b>35,026</b>	<b>8,205</b>	<b>16,484</b>	<b>59,715</b>
<b>Net assets</b>		<b>246,911</b>	<b>36,546</b>	<b>4,282,358</b>	<b>4,565,815</b>	<b>194,204</b>	<b>58,338</b>	<b>4,225,557</b>	<b>4,478,099</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>246,911</b>	<b>36,546</b>	<b>4,282,358</b>	<b>4,565,815</b>	<b>194,204</b>	<b>58,338</b>	<b>4,225,557</b>	<b>4,478,099</b>
<b>Contingencies and commitments</b>									
<b>Number of units in issue</b>	13	<b>2,458,924</b>	<b>360,360</b>	<b>42,193,314</b>		<b>1,941,784</b>	<b>583,282</b>	<b>42,249,517</b>	
----- (Rupees) -----									
<b>Net asset value per unit</b>	4.11	<b>100.4143</b>	<b>101.4151</b>	<b>101.4938</b>		<b>100.0133</b>	<b>100.0178</b>	<b>100.0143</b>	

The annexed notes 1 to 29 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Income Statement

For the year ended June 30, 2018

	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30, 2017				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
	----- (Rupees in '000) -----				----- (Rupees in '000) -----				
<b>Income</b>									
Dividend income	-	-	-	-	490	119	13,047	13,656	
Mark-up on deposits with bank	705	153	5,840	6,698	149	47	3,629	3,825	
Capital gain on sale of investment - net	7,656	1,088	125,455	134,199	-	-	82	82	
Unrealised (diminution) / appreciation on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net	(3,671)	(320)	(51,117)	(55,108)	(178)	49	1,484	1,355	
Back end load income	-	-	41	41	-	-	-	-	
<b>Total income</b>	<b>4,690</b>	<b>921</b>	<b>80,219</b>	<b>85,830</b>	<b>461</b>	<b>215</b>	<b>18,242</b>	<b>18,918</b>	
<b>Expenses</b>									
Remuneration of the Management Company	8.1	119	28	1,323	1,470	61	12	547	550
Remuneration of the Trustee	9.1	259	48	3,424	3,731	6	2	92	100
Annual fee to the Securities and Exchange Commission of Pakistan	10	242	45	4,055	4,342	6	2	132	140
Selling and marketing expense	8.4	(24)	(7)	(555)	(586)	24	7	555	586
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	255	46	4,268	4,569	6	2	139	147
Amortisation of preliminary expenses and floatation costs	17	5	2,563	2,585	1	-	80	81	
Auditors' remuneration	14	16	2	279	297	2	1	48	51
Printing charges		8	1	136	145	4	1	95	100
Shariah advisory fee		9	2	149	160	-	-	10	10
Fee and Subscription Charges		31	9	638	678	-	-	-	-
Bank Charges		52	28	24	104	-	-	-	-
<b>Total expenses</b>		<b>984</b>	<b>207</b>	<b>16,304</b>	<b>17,495</b>	<b>110</b>	<b>27</b>	<b>1,698</b>	<b>1,765</b>
<b>Net income from operating activities</b>		<b>3,706</b>	<b>714</b>	<b>63,915</b>	<b>68,335</b>	<b>351</b>	<b>188</b>	<b>16,544</b>	<b>17,153</b>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net		-	-	-	-	(13)	12	22	21
Provision for Sindh Workers' Welfare Fund	11	(74)	(14)	(1,279)	(1,367)	(7)	(4)	(330)	(341)
<b>Net income for the year / period before taxation</b>		<b>3,632</b>	<b>700</b>	<b>62,636</b>	<b>66,968</b>	<b>331</b>	<b>196</b>	<b>16,236</b>	<b>16,833</b>
Taxation	15	-	-	-	-	-	-	-	-
<b>Net income for the year / period after taxation</b>		<b>3,632</b>	<b>700</b>	<b>62,636</b>	<b>66,968</b>	<b>331</b>	<b>196</b>	<b>16,236</b>	<b>16,833</b>
<b>Allocation of net income for the year</b>									
Income already paid on redemption of units		1,924	121	212	2,257				
Accounting income available for distribution:									
- Relating to capital gains		1,708	579	62,424	64,711				
- Excluding capital gains		-	-	-	-				
		<b>1,708</b>	<b>579</b>	<b>62,424</b>	<b>64,711</b>				
<b>Earning Per Unit</b>									
									16

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Comprehensive Income

For the year ended June 30, 2018

	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30, 2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Net income for the year / period after taxation	3,632	700	62,636	66,968	331	196	16,236	16,763
Other comprehensive income for the year / period	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the year / period</b>	<b>3,632</b>	<b>700</b>	<b>62,636</b>	<b>66,968</b>	<b>331</b>	<b>196</b>	<b>16,236</b>	<b>16,763</b>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Cash Flow Statement

For the year ended June 30, 2018

	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30, 2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>Cash flows from operating activities</b>								
Net income for the year / period before taxation	3,632	700	62,636	66,968	331	196	16,236	16,763
<b>Adjustments for:</b>								
Dividend income	-	-	-	-	(490)	(119)	(13,047)	(13,656)
Profit on bank deposits	(705)	(153)	(5,840)	(6,698)	(149)	(47)	(3,629)	(3,825)
Capital gain on sale of investment - net	(7,656)	(1,088)	(125,455)	(134,199)	-	-	(82)	(82)
Unrealised appreciation / (diminution) on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net	3,671	320	51,117	55,108	178	(49)	(1,484)	(1,355)
Amortisation of preliminary expenses and floatation costs	17	5	2,563	2,585	1	-	80	81
Element of loss / (income) and capital losses / (gains) included in prices of prices of units issued less those in units redeemed - net	-	-	-	-	13	(12)	(22)	(21)
	(1,041)	(216)	(14,979)	(16,236)	(116)	(31)	(1,948)	(2,095)
<b>(Increase) / decrease in assets</b>								
Investments - net	(70,286)	14,455	(6,376)	(62,207)	(171,671)	(50,018)	(4,202,735)	(4,424,424)
Advances	(22)	(12)	(660)	(694)	-	-	-	-
	(70,308)	14,443	(7,036)	(62,901)	(171,671)	(50,018)	(4,202,735)	(4,424,424)
<b>(Decrease) / Increase in liabilities</b>								
Payable to the Management Company	32	(40)	(12,277)	(12,285)	279	44	12,633	12,956
Payable to the Trustee	15	1	186	202	6	2	92	100
Payable to the Securities and Exchange Commission of Pakistan	236	43	3,923	4,202	6	2	132	140
Accrued expenses and other liabilities	52	(5)	(1,695)	(1,648)	50	28	3,627	3,705
Unclaimed dividend (including dividend payable)	(2)	-	-	(2)	2	-	-	2
	333	(1)	(9,863)	(9,531)	343	76	16,484	16,903
<b>Net cash (used in) / generated from operations</b>	(71,016)	14,226	(31,878)	(88,668)	(171,444)	(49,973)	(4,188,199)	(4,409,616)
Preliminary expenses and floatation costs paid	-	-	-	-	(86)	(23)	(4,891)	(5,000)
Dividend income received	-	-	-	-	490	119	13,047	13,656
Profit received from bank deposits	842	189	9,459	10,490	-	-	-	-
	842	189	9,459	10,490	404	96	8,156	8,656
<b>Net cash (used in) / generated from operating activities</b>	(70,174)	14,415	(22,419)	(78,178)	(171,040)	(49,877)	(4,180,043)	(4,400,960)
<b>Cash flows from financing activities</b>								
Amount received on issue of units	251,658	75,756	28,361	355,775	197,596	55,622	4,220,831	4,474,049
Amount paid on redemption of units	(205,049)	(95,137)	(6,914)	(307,100)	(965)	(393)	(23,184)	(24,542)
Dividend paid	-	-	-	-	(305)	(186)	(15,586)	(16,077)
<b>Net cash generated from / (used in) financing activities</b>	46,609	(19,381)	21,447	48,675	196,326	55,043	4,182,061	4,433,430
<b>Net (decrease) / increase in cash and cash equivalents</b>	(23,565)	(4,967)	(972)	(29,504)	25,286	5,166	2,018	32,470
Cash and cash equivalents at the beginning of the year	25,286	5,166	2,018	32,470	-	-	-	-
<b>Cash and cash equivalents at the end of the year</b> 5	1,721	199	1,046	2,966	25,286	5,166	2,018	32,470

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2018

	For the year ended June 30, 2018			For the period from June 17, 2017 to June 30, 2017		
	Active Allocation Plan			Active Allocation Plan		
	------(Rupees in '000)-----			------(Rupees in '000)-----		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	------(Rupees in '000)-----					
<b>Net assets at beginning of the year / period</b>	194,178	26	194,204	-	-	-
Issuance of 2,198,956 units (2017: 2,298,110 units)						
- Capital value (at net asset value per unit at the beginning of the year / period)	219,925	-	219,925	-	-	-
- Element of loss	(484)	-	(484)	-	-	-
<b>Total proceeds on issuance of units</b>	219,441	-	219,441			229,813
Redemption of 1,681,816 units (2017:356,326 units)						
- Capital value (at net asset value per unit at the beginning of the year / period)	(168,204)	-	(168,204)	-	-	-
- Amount paid out of element of income	-	-	-	-	-	-
Relating to net income for the year / period after taxation	(238)	(1,924)	(2,162)	-	-	-
<b>Total payment on redemption of units</b>	(168,442)	(1,924)	(170,366)			(35,648)
Element of income and capital gains included in prices of units issued less those in units redeemed	-	-	-	-	-	13
Total comprehensive income for the year / period	-	3,632	3,632	-	-	331
Distribution during the year / period	-	-	-	-	-	(305)
<b>Net income for the year / period less distribution</b>	-	3,632	3,632	-	-	26
<b>Net assets at end of the year / period</b>	245,177	1,734	246,911	-	-	194,204
<b>Undistributed income / (loss) brought forward</b>						
- Realised		204			-	
- Unrealised		(178)			-	
		26			-	
Element of income and capital gains included in prices of units issued less those in units redeemed		-			-	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		1,708				
- Excluding capital gains		-				
		1,708			331	
Distribution during the year / period		-			(305)	
<b>Undistributed income carried forward</b>		1,734			26	
<b>Undistributed income carried forward</b>						
- Realised		5,405			204	
- Unrealised		(3,671)			(178)	
		1,734			26	
	------(Rupees)-----					
<b>Net assets value per unit at beginning of the year / period</b>	100.0133					-
<b>Net assets value per unit at end of the year / period</b>	100.4143					100.0133

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

**HBL ISLAMIC FINANCIAL PLANNING FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2018

	For the year ended June 30, 2018			For the period from June 17, 2017 to June 30, 2017		
	Conservative Allocation Plan			Conservative Allocation Plan		
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
<b>Net assets at beginning of the year / period</b>	58,328	10	58,338	-	-	-
Issuance of 652,816 units (2017: 668,385 units)						
- Capital value (at net asset value per unit at the beginning of the year / period)	65,293	-	65,293	-	-	-
- Element of loss	(777)	-	(777)	-	-	-
<b>Total proceeds on issuance of units</b>	64,516	-	64,516	-	-	66,862
Redemption of 875,738 units (2017: 85,103 units)						
- Capital value (at net asset value per unit at the beginning of the year / period)	(87,589)	-	(87,589)	-	-	-
- Amount paid out of element of income	-	-	-	-	-	-
Relating to net income for the year / period after taxation	702	(121)	581	-	-	-
<b>Total payment on redemption of units</b>	(86,887)	(121)	(87,008)	-	-	(8,522)
Element of income and capital gains included in prices of units issued less those in units redeemed	-	-	-	-	-	(12)
Total comprehensive income for the year / period	-	700	700	-	-	196
Distribution during the year / period	-	-	-	-	-	(186)
<b>Net income for the year / period less distribution</b>	-	700	700	-	-	10
<b>Net assets at end of the year / period</b>	35,957	589	36,546	-	-	58,338
<b>Undistributed income / (loss) brought forward</b>						
- Realised		(39)			-	
- Unrealised		49			-	
		10			-	
Element of income and capital gains included in prices of units issued less those in units redeemed		-			-	
Accounting income available for distribution						
- Relating to capital gains		579				
- Excluding capital gains		-				
		579			196	
Distribution during the year / period		-			(186)	
<b>Undistributed income carried forward</b>		589			10	
<b>Undistributed income carried forward</b>						
- Realised		909			(39)	
- Unrealised		(320)			49	
		589			10	
<b>Net assets value per unit at beginning of the year / period</b>		100.0178			-	
<b>Net assets value per unit at end of the year / period</b>		101.4151			100.0178	

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2018

	For the year ended June 30, 2018			For the period from June 17, 2017 to June 30, 2017		
	Strategic Allocation Plan			Strategic Allocation Plan		
	------(Rupees in '000)-----			------(Rupees in '000)-----		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Net assets at beginning of the year / period	4,224,907	650	4,225,557	-	-	-
Issuance of 10,837 units (2017: 42,481,784 units)						
- Capital value (at net asset value per unit at the beginning of the year / period)	1,084	-	1,084	-	-	-
- Element of loss	(5)	-	(5)	-	-	-
Total proceeds on issuance of units	1,079	-	1,079	-	-	4,248,113
Redemption of 67,040 units (2017: 232,267 units)						
- Capital value (at net asset value per unit at the beginning of the year / period)	(6,705)	-	(6,705)	-	-	-
- Amount paid out of element of income	-	-	-	-	-	-
Relating to net income for the year / period after taxation	3	(212)	(209)	-	-	-
Total payment on redemption of units	(6,702)	(212)	(6,914)	-	-	(23,184)
Element of income and capital gains included in prices of units issued less those in units redeemed	-	-	-	-	-	(22)
Total comprehensive income for the year / period		62,636	62,636	-	-	16,236
Distribution during the year / period	-	-	-	-	-	(15,586)
Net income for the year / period less distribution	-	62,636	62,636	-	-	650
Net assets at end of the year / period	4,219,284	63,074	4,282,358	-	-	4,225,557
Undistributed income / (loss) brought forward						
- Realised		(834)			-	
- Unrealised		1,484			-	
		650			-	
Element of income and capital gains included in prices of units issued less those in units redeemed		-			-	
Accounting income available for distribution						
- Relating to capital gains		62,424				
- Excluding capital gains		-				
		62,424			16,236	
Distribution during the year / period		-			(15,586)	
Undistributed income carried forward		63,074			650	
Undistributed income carried forward						
- Realised		114,191			(834)	
- Unrealised		(51,117)			1,484	
		63,074			650	
Net assets value per unit at beginning of the year / period	100.0143				-	
Net assets value per unit at end of the year / period	101.4938				100.0143	

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** HBL Islamic Financial Planning Fund (the "Fund"), was established under the Trust Deed executed between HBL Asset Management Limited as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Trust Deed was executed on March 22, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 4, 2017 in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi. The fund commenced its operations from June 17, 2017.
- 1.2** The Fund is an open ended shariah compliant fund of fund scheme and the Fund is listed on Pakistan Stock Exchange. The Fund has three different plans namely Conservative Allocation Plan, Active Allocation Plan and Strategic Allocation Plan (collectively referred as 'Plans'). The units of Conservative Allocation and Active Allocation Plan were initially offered to public (IPO) on June 16, 2016 whereas units of Strategic Allocation Plan were offered from June 15, 2016 to June 16, 2016. The units are transferable and can be redeemed by surrendering them to the Fund at the option of unit holder. The duration of the fund is perpetual however the allocation plans may have a set time frame. Each Allocation Plan will announce separate NAVs which will rank pari passu inter se according to the number of Units of the respective Allocation Plans. Units are offered for public subscription on a continuous basis. However, term-based plans, may be offered for a limited subscription period.
- 1.3** The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the Investor. The investment policy for each of the Plan are as follows;
- The "Conservative Allocation Plan" is an Allocation Plan under the Fund and primarily aims to provide stable returns with some capital appreciation through a pre-determined mix of shariah compliant investments in equity, income and money market funds. This Allocation Plan is suitable for Investors who have moderate risk tolerance and have a short to medium term investment horizon. The plan will exist till perpetuity.
  - The "Active Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active asset allocation between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market Scheme(s) based on the Fund Manager's outlook on the asset classes. The plan will exist till perpetuity.
  - The "Strategic Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active allocation of funds between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market Scheme(s) based on fundamental analysis of economic indicators, underlying asset values and a strategy of risk aversion to market volatility. Fund Manager takes a medium term strategic view of the portfolio assets to deliver competitive returns to investors. The duration of this plan is 24 months (Two Years).
- 1.4** The duration of the Strategic Allocation Plan ('the plan') was twenty four months starting from the first day of subscription period i.e June 17, 2017 and the plan would automatically dissolve at the end of stipulated period. Since the dissolution date of the plan is within 12 months of the reporting period, the Management Company has assessed and concluded that the plan is no longer a going concern and the financial information of the plan is prepared on a basis other than going concern. However, no adjustments are required in these financial statements as the asset and liabilities of the plan are stated at values at which they are expected to be realised or settled.
- 1.5** JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+ (AM two plus)' to the Management Company.
- 1.6** Title to the assets of the Fund are held in the name of MCB Financial Services Limited as trustee of the Fund.

**2. BASIS OF PREPARATION****2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Wherever provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

## 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 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1, 4.2.3 and 4.2.4); and
- (ii) impairment of financial assets (note 4.2.5)

## 3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS / LAWS

### 3.1 New accounting standards / amendments and IFRS interpretations / laws that are effective for the year ended June 30, 2018

The following amendments are effective for the year ended June 30, 2018. 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.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Certain annual improvements have also been made to a number of IFRSs, which are also not relevant for the fund.	

### 3.2 New accounting standards / amendments and IFRS interpretations/ laws 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 (except IFRS 9 'Financial Instruments') 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.

	<b>Effective from accounting period beginning on or after:</b>
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	January 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	Effective from accounting periods beginning on or after:
IFRS 9 'Financial Instruments'	January 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	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	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2019
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

### **3.2.2 IFRS 9 'Financial Instruments' Impact Assessment**

"IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018."

#### **3.2.2.1 Key requirements of IFRS 9 are as follows;**

Classification and measurement of financial assets

- All recognized financial asset that are within the scope of IFRS 9 are required to be subsequently measured either at amortized cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods.

- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through Other Comprehensive Income.
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

#### **Classification and measurement of financial liabilities**

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows;

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

#### **Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 on the basis of facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Units of mutual funds classified as financial assets at fair value through profit or loss - held for trading will continue to be measured at fair value through profit or loss upon application of IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest thereon. These financial assets will be classified and measured at 'amortized cost' upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

#### **3.2.3** 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 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

### **3.3 Change in policy in relation to preparation of income statement and other comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

This change has no impact on the items of income or loss or other comprehensive income recognized in prior year except that items of other comprehensive income previously presented under 'statement of income statement and other comprehensive income' in single statement are now presented within 'income statement' and 'statement of comprehensive income' separately.

## **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

### **4.2 Financial assets**

#### **4.2.1 Classification**

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

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. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently there are no investments of the fund classified as available for sale.

#### **4.2.2 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.

#### **4.2.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss", in which case the transaction costs are charged off to the Income Statement and Other Comprehensive Income



#### **4.2.4 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:

Basis of valuation of units of mutual funds

The investment of the Fund in units of mutual funds is valued on the basis of closing quoted market prices available at Mutual Fund 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.

#### **4.2.5 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) 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.

##### **b) 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.

#### **4.2.6 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.

#### **4.3 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.

#### **4.4 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### **4.5 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortized over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Rules.

#### **4.6 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.

#### **4.7 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.8 Proposed distributions**

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

#### **4.9 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 during business hours on that day. The offer price represents the net assets 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.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

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

The Fund has followed the requirements of SRO 756 (I) 2017 dated August 3, 2017 read with NBFC regulations, 2008 in the preparation of these financial statements as follows:

- element of income has been determined as the difference between net assets value on the issuance or redemption date, as the case maybe, of units and the net asset value at the beginning of the accounting period;
- presented distributable income in statement of movement In unitholders' fund ; and
- presented allocation of net income available for distribution relating to capital gains and excluding capital gains in statement of movement In unitholders' fund.

Amendment in the NBFC Regulations subsequent to the period end

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations.

As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs.2.65 million in Active Allocation Plan, Rs.0.20 million in Conservative Allocation Plan, Rs.0.21 million in Strategic Allocation Plan. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

#### **4.11 Net assets value per unit**

The net asset value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net asset of the Fund by the number of units in issue at the period end.

#### **4.12 Revenue recognition**

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss - held-for-trading' are included in the Income Statement in the period in which they arise.
- Dividend income is recognized when the right to receive the dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Markup / return on bank balances are recognized on a time apportion basis using the effective interest method.

**4.13 Expenses**

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognized in the Income Statement on a time apportion basis using the effective interest method.

**5. BANK BALANCES**

	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30,2017				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
Note	----- (Rupees in '000) -----				----- (Rupees in '000) -----				
Savings accounts	5.1	1,721	199	1,046	2,966	25,286	5,166	2,018	32,470

5.1 This represents bank accounts held with various banks. Mark-up rates on these accounts range between 3.6% to 5.6% (2017:3.3% to 5.5%) per annum.

**6. INVESTMENTS - NET**

	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30,2017				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
Note	----- (Rupees in '000) -----				----- (Rupees in '000) -----				
Investments by category									
At fair value through profit or loss - held-for-trading									
Units of mutual funds	6.1	245,764	36,381	4,285,015	4,567,160	171,493	50,067	4,072,801	4,294,361

**6.1 Units of mutual funds**

Name of Investee Funds	As at July 1, 2017	Purchases during the Year	Redemptions during the year	As at June 30, 2018	Total carrying value as at June 30, 2018	Total market value as at June 30, 2018	Appreciation/ (diminution) as at June 30, 2018	Market value as a percentage of net assets	"Market value as a percentage of total value of Investment"
	----- Number of Units -----				----- (Rupees in '000) -----				
<b>Active Allocation Plan</b>									
HBL Islamic Income Fund	1,512,478	2,478,881	3,073,449	917,910	97,559	97,559	(0)	39.97	39.70
HBL Islamic Equity Fund	176,613	566,975	305,613	437,975	42,576	40,508	(2,068)	16.41	16.48
HBL Islamic Stock Fund	-	963,012	-	963,012	109,300	107,697	(1,603)	43.62	43.82
	1,689,091	4,008,868	3,379,062	2,318,897	249,435	245,764	(3,671)	100.00	100.00
<b>Conservative Allocation Plan</b>									
HBL Islamic Income Fund	384,899	864,289	975,448	273,740	29,094	29,094	-	80.06	79.97
HBL Islamic Equity Fund	105,864	108,943	143,171	71,636	6,930	6,626	(304)	18.13	18.21
HBL Islamic Stock Fund	-	16,260	10,347	5,913	677	661	(16)	1.81	1.82
	490,763	989,492	1,128,966	351,289	36,701	36,381	(320)	100.00	100.00
<b>Strategic Allocation Plan</b>									
HBL Islamic Income Fund	37,406,609	26,235,908	43,251,224	20,391,293	2,167,258	2,167,258	-	50.61	50.58
HBL Islamic Equity Fund	2,020,801	8,433,819	29,644	10,424,976	1,010,272	964,196	(46,076)	22.52	22.50
HBL Islamic Money Market Fund	785,072	974,853	1,759,925	-	-	-	-	-	-
HBL Islamic Stock Fund	-	13,058,539	2,743,541	10,314,998	1,158,602	1,153,561	(5,041)	26.88	26.92
	40,212,482	48,703,119	47,784,334	41,131,267	4,336,132	4,285,015	(51,117)	100.00	100.00
<b>Total as at June 30, 2018</b>	<b>42,392,336</b>	<b>53,701,479</b>	<b>52,292,362</b>	<b>43,801,453</b>	<b>4,622,268</b>	<b>4,567,160</b>	<b>(55,108)</b>		
Total as at June 30, 2017	-	43,692,267	1,299,931	42,392,336	4,293,006	4,294,361	1,355		

**7. PRELIMINARY EXPENSES AND FLOTATION COSTS**

	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30,2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Opening balance	85	23	4,811	4,919	-	-	-	-
Cost incurred during the year / period	-	-	-	-	86	23	4,891	5,000
Less: amortised during the year / period	(17)	(5)	(2,563)	(2,585)	(1)	-	(80)	(81)
Closing balance	<u>68</u>	<u>18</u>	<u>2,248</u>	<u>2,334</u>	<u>85</u>	<u>23</u>	<u>4,811</u>	<u>4,919</u>

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortized over a period of two years for strategic allocation plan and five years for active allocation plan and conservative allocation plan commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and the NBFC Rules.

**8. PAYABLE TO THE MANAGEMENT COMPANY**

	Note	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30,2017			
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Formation Cost		-	-	-	-	85	23	4,891	4,999
Management fee	8.1	-	-	-	-	54	11	484	549
Sindh Sales Tax on Management Company's remuneration	8.2	-	-	-	-	7	1	63	71
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	21	4	356	381	6	2	139	147
Selling and marketing	8.4	-	-	-	-	24	7	555	586
Sales load payable		290	-	-	290	103	-	6,501	6,604
		<u>311</u>	<u>4</u>	<u>356</u>	<u>671</u>	<u>279</u>	<u>44</u>	<u>12,633</u>	<u>12,956</u>

**8.1** As per the offering document of the fund, the Management Company shall charge a fee at the rate of 1% of the average annual net assets on daily basis of the Scheme. However, no Management Fee is charged on that part of the net assets which have been invested in mutual funds managed by the Management Company. The fee is payable monthly in arrears. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.

**8.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2017: 13%) on the services provided by the Management Company as required by Sindh Sales Tax on Services Act, 2011.

**8.3** As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year / period.

**8.4** During the year, Management Company has stopped charging these expenses to the Fund and reserved the entire provision till June 30, 2017, as these expenses are not applicable to the Fund of Fund category.

**9. PAYABLE TO THE TRUSTEE**

	Note	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30,2017			
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Remuneration payable to the Trustee	9.1	21	3	278	302	6	2	92	100
		<u>21</u>	<u>3</u>	<u>278</u>	<u>302</u>	<u>6</u>	<u>2</u>	<u>92</u>	<u>100</u>

- 9.1 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, 2018 is as follows:

Net assets	Tariff per annum
Up to Rs. 1 billion	0.09% per annum of the daily average net assets
Over Rs. 1 billion	Rs 0.9 million plus 0.065% per annum of the daily average net assets exceeding one billion

## 10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the NBFC Regulations, 2008 a collective investment scheme categorised as a fund of fund scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

## 11. ACCRUED EXPENSES AND OTHER LIABILITIES

		For the year ended June 30, 2018				For the period from June 17, 2017 to June 30, 2017			
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	Note	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Remuneration payable to the Trustee	9.1	21	3	278	302	6	2	92	100
		21	3	278	302	6	2	92	100
		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
		For the year ended June 30, 2018				For the period from June 17, 2017 to June 30, 2017			
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	Note	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Withholding tax		2	2	3	7	37	22	3,144	3,203
Provision for Sindh Workers' - Welfare Fund	11.1	81	18	1,609	1,708	7	4	330	341
Shariah advisory fee		1	-	17	18	-	-	10	10
Printing charges		6	1	93	100	4	1	95	100
Auditors' remuneration	14	12	2	210	224	2	1	48	51
		102	23	1,932	2,057	50	28	3,627	3,705

- 11.1. The Government of Sindh has introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan (MUFAP), in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

In view of the above developments regarding applicability of SWWF, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and as an abundant caution, Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs.0.081 million (2017: 0.007 million), Rs. 0.018 million (2017:0.004 million) and Rs. 1.609 million (2017:0.3 million) has been made in Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively. Had the provision not been made, the net asset value per unit would have been higher by Rs. 0.033 (June 30, 2017: Rs. 0.036) per unit, Rs. 0.050 (June 30, 2017: Rs. 0.069) per unit and Rs. 0.038 (June 30, 2017: Rs. 0.078) per unit of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively.

**12. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

**13. NUMBER OF UNITS IN ISSUE**

	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30,2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
Opening units	1,941,784	583,282	42,249,517	44,774,583	-	-	-	-
Units issued	2,198,956	652,816	10,837	2,862,609	2,298,110	668,385	42,481,784	45,448,279
Units redeemed	(1,681,816)	(875,738)	(67,040)	(2,624,594)	(356,326)	(85,103)	(232,267)	(673,696)
Total units in issue at the end of the year / period	<u>2,458,924</u>	<u>360,360</u>	<u>42,193,314</u>	<u>45,012,598</u>	<u>1,941,784</u>	<u>583,282</u>	<u>42,249,517</u>	<u>44,774,583</u>

	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30,2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- (Rupees in '000) -----								

**14. AUDITOR'S REMUNERATION**

Annual Audit fee including certification	<u>16</u>	<u>2</u>	<u>279</u>	<u>297</u>	<u>2</u>	<u>1</u>	<u>48</u>	<u>51</u>
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**15. TAXATION**

The Fund has incurred tax loss during the year which has been computed based on requirement of Income Tax Ordinance, 2001. Accordingly, no provision for taxation has been recognized in these financial statements. Further, the Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the income statement.

**16. Earnings per unit (EPU)**

Earnings per unit (EPU) has not been disclosed as in the opinion of Management Company determination of cumulative weighted average number of outstanding units is not practicable.

**17. TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, MCB Financial Services Limited being the Trustee of the Fund, 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 offering document.

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

**17.1 Transactions during the year**

	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30, 2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- (Rupees in '000) -----				----- (Rupees in '000) -----				
<b>HBL Asset Management Limited - Management Company</b>								
Remuneration of the Management Company	119	28	1,323	1,470	61	12	547	620
Reversal of selling and marketing expense	(24)	(7)	(555)	(586)	24	7	555	586
Allocation of expenses related to registrar services, accounting, operation and valuation services	255	46	4,268	4,569	6	2	139	147
----- (Rupees in '000) -----				----- (Rupees in '000) -----				
<b>Habib Bank Limited - Sponsor</b>								
Mark-up on deposits with bank	299	72	58	429	94	36	672	802
<b>MCB Financial Services Limited - Trustee</b>								
Remuneration of the Trustee	259	48	3,424	3,731	6	2	92	100
<b>HBL Asset Management Limited - Employees Provident Fund</b>								
Issue of 11,575 units (2017: Nil units)	1,204	-	-	1,204	-	-	-	-
<b>Darayus Happy Minwalla - Connected Person due to 10% holding</b>								
Issue of 2,383 units (2017: 15,140,192 units)	-	-	237	237	-	-	1,514,019	1,514,019
<b>Imperial Developers &amp; Builders (pvt) Ltd - Connected Person due to 10% holding</b>								
Issue of 1,574 units (2017: 20,000,000 units)	-	-	157	157	-	-	2,000,000	2,000,000
<b>CDC Trustee - HBL Islamic Income Fund</b>								
Purchase of 2,478,881 units (2017: 1,512,478 units)	257,259	-	-	257,259	152,990	-	-	152,990
Purchase of 864,289 units (2017: 384,899 units)	-	89,477	-	89,477	-	38,919	-	38,919
Purchase of 26,235,908 units (2017: 38,706,540 units)	-	-	2,780,608	2,780,608	-	-	3,913	3,913
Redemption of 3,073,449 units (2017: Nil units)	320,274	-	-	320,274	-	-	-	-
Redemption of 975,448 units (2017: Nil units)	-	101,029	-	101,029	-	-	-	-
Redemption of 43,251,224 units (2017: 1,299,931 units)	-	-	4,527,507	4,527,507	-	-	131,500	131,500
<b>CDC Trustee - HBL Islamic Equity Fund</b>								
Purchase of 566,975 units (2017: 176,613 units)	54,000	-	-	54,000	18,682	-	-	18,682
Purchase of 108,943 units (2017: 105,864 units)	-	9,937	-	9,937	-	11,099	-	11,099
Purchase of 8,433,819 units (2017: 2,020,801 units)	-	-	800,000	800,000	-	-	210,688	210,688
Redemption of 305,613 units (2017: Nil units)	30,000	-	-	30,000	-	-	-	-
Redemption of 143,171 units (2017: Nil units)	-	13,565	-	13,565	-	-	-	-
Redemption of 29,644 units (2017: Nil units)	-	-	2,800	2,800	-	-	-	-



	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30, 2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>CDC Trustee - HBL Islamic Money Market Fund</b>								
Purchase of 974,853 units (2017: 785,072 units)	-	-	100,000	100,000	-	-	79,000	79,000
Redemption of 1,759,925 units (2017: Nil units)	-	-	179,425	179,425	-	-	-	-
<b>CDC Trustee - HBL Islamic Stock Fund</b>								
Purchase of 963,012 units (2017: Nil units)	109,300	-	-	109,300	-	-	-	-
Purchase of 16,260 units (2017: Nil units)	-	1,900	-	1,900	-	-	-	-
Purchase of 13,058,539 units (2017: Nil units)	-	-	1,467,000	1,467,000	-	-	-	-
Redemption of 10,347 units (2017: Nil units)	-	1,175	-	1,175	-	-	-	-
Redemption of 2,743,541 units (2017: Nil units)	-	-	300,000	300,000	-	-	-	-
<b>MOHSIN SAFDAR - Connected person due to 10% holding</b>								
Issue of Nil units (2017: 59,748 units)	-	-	-	-	-	5,977	-	5,977
Dividend	-	-	-	-	-	17	-	17
<b>Saba Muzammil - Connected Person due to 10% holding</b>								
Issue of 49,738 units (2017: Nil units)	-	5,000	-	5,000	-	-	-	-
Redemption of 686 units (2017: Nil units)	-	70	-	70	-	-	-	-

17.2

Balances outstanding as at year / period end

**HBL Asset Management Limited -  
Management Company**

	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30, 2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Management fee	-	-	-	-	54	11	484	549
Sindh Sales Tax on remuneration of the Management Company	-	-	-	-	-	-	-	-
	-	-	-	-	7	1	63	71
Selling and marketing Allocation of expenses related to registrar services, accounting, operation and valuation services	-	-	-	-	24	7	555	586
Sales load payable	21	4	356	381	6	2	139	147
Formation Cost	290	-	-	290	103	-	6,501	6,604
	-	-	-	-	85	23	4,891	4,999

**Habib Bank Limited - Sponsor**

Mark-up accrued on deposits with bank	11	15	2	28	94	36	672	802
Balance in savings account	1,517	29	339	1,885	10,468	2,359	1,687	14,514

**MCB Financial Services Limited - Trustee**

Remuneration payable to the Trustee	21	3	278	302	6	2	92	100
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**Darayus Happy Minwalla - Connected Person  
due to 10% holding**

Units held 15,190,277 units (2017: 15,187,893 units)	-	-	1,541,719	1,541,719	-	-	1,514,236	1,514,236
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**Imperial Developers & Builders (pvt) Ltd  
- Connected Person due to 10% holding**

Units held 20,057,175 units (2017: 20,055,600 units)	-	-	2,035,679	2,035,679	-	-	2,000,287	2,000,287
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**Mohsin Safdar - Connected Person  
due to 10% holding**

Units held 59,748 units (2017: 59,748 units)	-	6,059	-	6,059	-	5,976	-	5,976
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**Saba Muzammil - Connected Person  
due to 10% holding**

Units held 49,051 units (2017: Nil units)	-	4,975	-	4,975	-	-	-	-
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**Mr. Jehan Zeb Khan Jomezai - Connected Person  
due to 10% holding**

Units held 41,625 units (2017: 41,625 units)	-	4,221	-	4,221	-	4,145	-	4,145
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	For the year ended June 30, 2018				For the period from June 17, 2017 to June 30, 2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>HBL Asset Management Limited - Employees Provident Fund</b>								
Units held 11,575 units (2017: Nil units)	1,162	-	-	1,162	-	-	-	-
<b>Patient Welfare Association - Connected Person due to 10% holding</b>								
Units held 400,000 units (2017: Nil units)	-	40,566	-	40,566	-	-	-	-
<b>CDC Trustee - HBL Islamic Income Fund</b>								
Units held 917,910 units (2017: 1,512,478 units)	97,559	-	-	97,559	152,865	-	-	152,865
Units held 273,740 units (2017: 384,899 units)	-	29,094	-	29,094	-	38,901	-	38,901
Units held 20,391,293 units (2017: 37,406,609 units)	-	-	2,167,258	2,167,258	-	-	3,780,656	3,780,656
<b>CDC Trustee - HBL Islamic Equity Fund</b>								
Units held 437,975 units (2017: 176,613 units)	40,508	-	-	40,508	18,628	-	-	18,628
Units held 71,636 units (2017: 105,864 units)	-	6,626	-	6,626	-	11,166	-	11,166
Units held 10,424,976 units (2017: 2,020,801 units)	-	-	964,196	964,196	-	-	213,145	213,145
<b>CDC Trustee - HBL Islamic Stock Fund</b>								
Units held 963,012 units (2017: Nil units)	107,697	-	-	107,697	-	-	-	-
Units held 5,913 units (2017: Nil units)	-	661	-	661	-	-	-	-
Units held 10,314,998 units (2017: Nil units)	-	-	1,153,561	1,153,561	-	-	-	-
<b>CDC Trustee - HBL Islamic Money Market Fund</b>								
Units held Nil units (2017: 785,072 units)	-	-	-	-	-	-	79,000	79,000

## **18. FINANCIAL RISK MANAGEMENT**

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### **18.1 Market risk**

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

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### **18.1.1 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 its all transactions are carried out in Pak Rupees.

#### **18.1.2 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) Cash flow interest rate risk**

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year / period would have increased / (decreased) by Rs. 0.0172 million ( June 30, 2017 : Rs 0.253 million) of Active Allocation Plan, Rs. 0.002 million( June 30, 2017 : Rs 0.52 million) of Conservative Allocation plan and Rs. 0.0105 ( June 30, 2017 : Rs 0.20 million)of Strategic Allocation Plan, had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

##### **b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are measured at Fair value, therefore, it is not exposed to fair value interest rate risk.

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

	Active Allocation Plan									
	2018					2017				
	Exposed to Yield / Interest rate risk					Exposed to Yield / Interest rate risk				
Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk	
<b>On-balance sheet financial instruments</b>	(Rupees in '000)					(Rupees in '000)				
<b>Financial assets</b>										
Bank balances	1,721	1,721	-	-	-	25,286	25,286	-	-	-
Investments - net	245,764	-	-	-	245,764	171,493	-	-	-	171,493
Accrued mark-up	12	-	-	-	12	149	-	-	-	149
Receivable against sale of units	-	-	-	-	-	32,217	-	-	-	32,217
	<b>247,497</b>	<b>1,721</b>	-	-	<b>245,776</b>	<b>229,145</b>	<b>25,286</b>	-	-	<b>203,859</b>
<b>Financial liabilities</b>										
Payable to the Management Company	311	-	-	-	311	279	-	-	-	279
Payable to the Trustee	21	-	-	-	21	6	-	-	-	6
Accrued expenses and other liabilities	19	-	-	-	19	6	-	-	-	6
Dividend payable	-	-	-	-	-	2	-	-	-	2
Payable against redemption of units	-	-	-	-	-	34,683	-	-	-	34,683
Unit holders' fund	246,911	-	-	-	246,911	194,204	-	-	-	194,204
	<b>247,262</b>	-	-	-	<b>247,262</b>	<b>229,180</b>	-	-	-	<b>229,180</b>
<b>On-balance sheet gap</b>	<b>235</b>	<b>1,721</b>	-	-	<b>(1,486)</b>	<b>(35)</b>	<b>25,286</b>	-	-	<b>(25,321)</b>
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-	-	-	-	-	-

	Conservative Allocation Plan									
	2018					2017				
	Exposed to Yield / Interest rate risk					Exposed to Yield / Interest rate risk				
Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk	
<b>On-balance sheet financial instruments</b>	(Rupees in '000)					(Rupees in '000)				
<b>Financial assets</b>										
Bank balances	199	199	-	-	-	5,166	5,166	-	-	-
Investments - net	36,381	-	-	-	36,381	50,067	-	-	-	50,067
Accrued mark-up	11	-	-	-	11	47	-	-	-	47
Receivable against sale of units	-	-	-	-	-	11,240	-	-	-	11,240
	<b>36,591</b>	<b>199</b>	-	-	<b>36,392</b>	<b>66,520</b>	<b>5,166</b>	-	-	<b>61,354</b>
<b>Financial liabilities</b>										
Payable to the Management Company	4	-	-	-	4	44	-	-	-	44
Payable to the Trustee	3	-	-	-	3	2	-	-	-	2
Accrued expenses and other liabilities	3	-	-	-	3	2	-	-	-	2
Dividend payable	-	-	-	-	-	8,129	-	-	-	8,129
Unit holders' fund	36,546	-	-	-	36,546	58,338	-	-	-	58,338
	<b>36,556</b>	-	-	-	<b>36,556</b>	<b>66,515</b>	-	-	-	<b>66,515</b>
<b>On-balance sheet gap</b>	<b>35</b>	<b>199</b>	-	-	<b>(164)</b>	<b>5</b>	<b>5,166</b>	-	-	<b>(5,161)</b>
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-	-	-	-	-	-

Strategic Allocation Plan

	2018				2017					
	Exposed to Yield / Interest rate risk				Exposed to Yield / Interest rate risk					
	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk
On-balance sheet financial instruments	----- (Rupees in '000) -----					----- (Rupees in '000) -----				
<b>Financial assets</b>										
Bank balances	1,046	1,046	-	-	-	2,018	2,018	-	-	-
Investments - net	4,285,015	-	-	-	4,285,015	4,072,801	-	-	-	4,072,801
Accrued mark-up	10	-	-	-	10	3,629	-	-	-	3,629
Receivable against sale of investment	-	-	-	-	-	131,500	-	-	-	131,500
Receivable against sale of units	-	-	-	-	-	27,282	-	-	-	27,282
	<b>4,286,071</b>	<b>1,046</b>	-	-	<b>4,285,025</b>	<b>4,237,230</b>	<b>2,018</b>	-	-	<b>4,235,212</b>
<b>Financial liabilities</b>										
Payable to the Management Company	356	-	-	-	356	12,633	-	-	-	12,633
Payable to the Trustee	278	-	-	-	278	92	-	-	-	92
Accrued expenses and other liabilities	320	-	-	-	320	153	-	-	-	153
Unit holders' fund	4,282,358	-	-	-	4,282,358	4,225,557	-	-	-	4,225,557
	<b>4,283,312</b>	-	-	-	<b>4,283,312</b>	<b>4,238,435</b>	-	-	-	<b>4,238,435</b>
On-balance sheet gap	2,759	1,046	-	-	1,713	(1,205)	2,018	-	-	(3,223)
Off-balance sheet financial instruments	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-	-	-	-	-	-

### 18.1.3 Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the fund in which the investment is made, change in business circumstances of the fund, industry environment and / or the economy in general. The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The Fund's price risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the SECP. The price risk is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2008.

In case of 5% increase / decrease in price of all units held by Fund at the year end, net income for the year /period would increase / decrease by Rs 12.288 million (2017: Rs 8.575 million) of Active Allocation Plan, Rs. 1.819 million (2017: Rs 2.503 million) of Conservative Allocation Plan and Rs.214.251 million (2017: Rs 203.64 million) of Strategic Allocation Plan and net assets of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan would increase / decrease by the same amount as a result of gains / losses on units of Fund at fair value through profit or loss.

### 18.1.4 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

#### Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in units are settled / paid for upon delivery using the system of Trustee. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2018:

Name of the bank	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Latest available published rating as at June 30, 2018	Rating agency
----- (Rupees in '000)-----					
Savings accounts					
Dubai Islamic Bank	181	32	769	A+	JCR-VIS
Habib Bank Limited	1,517	29	339	AAA	JCR-VIS
Bank Islami Pakistan Limited	23	138	(62)	A+	PACRA
	<b>1,721</b>	<b>199</b>	<b>1,046</b>		

----- As at June 30, 2017 -----

Name of the bank	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Latest available published rating as at June 30, 2017	Rating agency
----- (Rupees in '000)-----					
Savings accounts					
Dubai Islamic Bank	14,818	2,807	331	A+	JCR-VIS
Habib Bank Limited	10,468	2,359	1,687	AAA	JCR-VIS
	<b>25,286</b>	<b>5,166</b>	<b>2,018</b>		

The maximum exposure to credit risk before considering any collateral as at June 30, 2018 is the carrying amount of the financial assets. Investments in units, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

#### Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's bank balances is held with three banks. Management believes that such banks are reputed institutions.

#### 18.1.5 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations 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 daily cash redemptions, if any, at the option of unit holders. 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 damage 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 can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings were made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current 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:

	-----As at June 30, 2018-----				-----As at June 30, 2018-----				-----As at June 30, 2018-----				Total
	Active Allocation Plan				Conservative Allocation Plan				Strategic Allocation Plan				
	Upto three months	Over three months and up to one year	Over one year	Total	Upto three months	Over three months and up to one year	Over one year	Total	Upto three months	Over three months and up to one year	Over one year	Total	
----- (Rupees in '000) -----													
Liabilities ( excluding Unit Holders' Fund )													
Payable to the Management Company	311	-	-	311	4	-	-	4	356	-	-	356	671
Payable to the Trustee	21	-	-	21	3	-	-	3	278	-	-	278	302
Accrued expenses and other liabilities	19	-	-	19	3	-	-	3	320	-	-	320	342
Dividend payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Payable against redemption of units	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>351</b>	-	-	<b>351</b>	<b>10</b>	-	-	<b>10</b>	<b>954</b>	-	-	<b>954</b>	<b>1,315</b>
Unit Holders' Fund	<b>246,911</b>	-	-	<b>246,911</b>	<b>36,546</b>	-	-	<b>36,546</b>	<b>4,282,358</b>	-	-	<b>4,282,358</b>	<b>4,565,815</b>

	-----As at June 30, 2017-----				-----As at June 30, 2017-----				-----As at June 30, 2017-----				Total
	Active Allocation Plan				Conservative Allocation Plan				Strategic Allocation Plan				
	Upto three months	Over three months and up to one year	Over one year	Total	Upto three months	Over three months and up to one year	Over one year	Total	Upto three months	Over three months and up to one year	Over one year	Total	
----- (Rupees in '000) -----													
Liabilities ( excluding Unit Holders' Fund )													
Payable to the Management Company	279	-	-	279	44	-	-	44	12,633	-	-	12,633	12,956
Payable to the Trustee	6	-	-	6	2	-	-	2	92	-	-	92	100
Accrued expenses and other liabilities	6	-	-	6	2	-	-	2	153	-	-	153	161
Dividend payable	2	-	-	2	-	-	-	-	-	-	-	-	2
Payable against redemption of units	34,683	-	-	34,683	8,129	-	-	8,129	-	-	-	-	42,812
	<b>34,976</b>	-	-	<b>34,976</b>	<b>8,177</b>	-	-	<b>8,177</b>	<b>12,878</b>	-	-	<b>12,878</b>	<b>56,031</b>
Unit Holders' Fund	<b>194,204</b>	-	-	<b>194,204</b>	<b>58,338</b>	-	-	<b>58,338</b>	<b>4,225,557</b>	-	-	<b>4,225,557</b>	<b>4,478,099</b>



**19. FINANCIAL INSTRUMENTS BY CATEGORY**

	As at June 30, 2018									Total
	Active Allocation Plan			Conservative Allocation Plan			Conservative Allocation Plan			
	At fair value through profit or loss - held-for-trading	Loans and receivables	Total	At fair value through profit or loss - held-for-trading	Loans and receivables	Total	At fair value through profit or loss - held-for-trading	Loans and receivables	Total	
----- (Rupees in '000) -----										
<b>Financial Assets</b>										
Bank balances	-	1,721	1,721	-	199	199	-	1,046	1,046	2,966
Investments - net	245,764	-	245,764	36,381	-	36,381	4,285,015	-	4,285,015	4,567,160
Accrued mark-up	-	12	12	-	11	11	-	10	10	33
Receivable against sale of investment	-	-	-	-	-	-	-	-	-	-
Receivable against sale of units	-	-	-	-	-	-	-	-	-	-
	<b>245,764</b>	<b>1,733</b>	<b>247,497</b>	<b>36,381</b>	<b>210</b>	<b>36,591</b>	<b>4,285,015</b>	<b>1,056</b>	<b>4,286,071</b>	<b>4,570,159</b>

	For the period from June 17, 2017 to June 30, 2017			Total
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	
	----- (Rupees in '000) -----			
<b>Financial liabilities</b>				
Payable to the Management Company				
Payable to the Trustee				
Accrued expenses and other liabilities				
Dividend payable				
Payable against redemption of units				
Unit Holders' Fund				
	<b>21</b>	<b>3</b>	<b>278</b>	<b>302</b>
	<b>19</b>	<b>3</b>	<b>320</b>	<b>342</b>
	-	-	-	-
	-	-	-	-
	<b>246,911</b>	<b>36,546</b>	<b>4,282,358</b>	<b>4,565,815</b>
	<b>247,262</b>	<b>36,556</b>	<b>4,283,312</b>	<b>4,567,130</b>

	As at June 30, 2017									Total
	Active Allocation Plan			Conservative Allocation Plan			Conservative Allocation Plan			
	At fair value through profit or loss - held-for-trading	Loans and receivables	Total	At fair value through profit or loss - held-for-trading	Loans and receivables	Total	At fair value through profit or loss - held-for-trading	Loans and receivables	Total	
----- (Rupees in '000) -----										
<b>Financial Assets</b>										
Bank balances	-	25,286	25,286	-	5,166	5,166	-	2,018	2,018	32,470
Investments - net	171,493	-	171,493	50,067	-	50,067	4,072,801	-	4,072,801	4,294,361
Accrued mark-up	-	149	149	-	47	47	-	3,629	3,629	3,825
Receivable against sale of investment	-	-	-	-	-	-	-	131,500	131,500	131,500
Receivable against sale of units	-	32,217	32,217	-	11,240	11,240	-	27,282	27,282	70,739
	<b>171,493</b>	<b>57,652</b>	<b>229,145</b>	<b>50,067</b>	<b>16,453</b>	<b>66,520</b>	<b>4,072,801</b>	<b>164,429</b>	<b>4,237,230</b>	<b>4,532,895</b>

	For the period from			Total
	June 17, 2017 to June 30, 2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	
Financial liabilities	----- (Rupees in '000) -----			
Payable to the Management Company	279	44	12,633	12,956
Payable to the Trustee	6	2	92	100
Accrued expenses and other liabilities	6	2	153	161
Dividend payable	2	-	-	2
Payable against redemption of units	34,683	8,129	-	42,812
Unit Holders' Fund	194,204	58,338	4,225,557	4,478,099
	<u>229,180</u>	<u>66,515</u>	<u>4,238,435</u>	<u>4,534,130</u>

## 20. FAIR VALUE AND CATEGORIES 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. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. units of mutual funds are based on the quoted NAVs at the close of the reporting 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.

The Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. 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.



		Conservative Allocation Plan June 30, 2018							
		Carrying amount			Fair Value				
Note		Fair value through profit or loss - held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments									
Financial assets measured at fair value									
------(Rupees in '000)-----									
		36,381	-	-	36,381	36,381	-	-	36,381
		<u>36,381</u>	<u>-</u>	<u>-</u>	<u>36,381</u>	<u>36,381</u>	<u>-</u>	<u>-</u>	<u>36,381</u>
Financial assets not measured at fair value									
		-	199	-	199				
		-	11	-	11				
		-	-	-	-				
		<u>-</u>	<u>210</u>	<u>-</u>	<u>210</u>				
Financial liabilities not measured at fair value									
		-	4	-	4				
		-	3	-	3				
		-	3	-	3				
		-	-	-	-				
		-	36,546	-	36,546				
		<u>-</u>	<u>36,556</u>	<u>-</u>	<u>36,556</u>				

		Conservative Allocation Plan June 30, 2017							
		Carrying amount			Fair Value				
Note		Fair value through profit or loss - held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments									
Financial assets measured at fair value									
------(Rupees in '000)-----									
		50,067	-	-	50,067	50,067	-	-	50,067
		<u>50,067</u>	<u>-</u>	<u>-</u>	<u>50,067</u>	<u>50,067</u>	<u>-</u>	<u>-</u>	<u>50,067</u>
Financial assets not measured at fair value									
		-	5,166	-	5,166				
		-	47	-	47				
		-	11,240	-	11,240				
		<u>-</u>	<u>16,453</u>	<u>-</u>	<u>16,453</u>				
Financial liabilities not measured at fair value									
		-	44	-	44				
		-	2	-	2				
		-	2	-	2				
		-	8,129	-	8,129				
		-	58,338	-	58,338				
		<u>-</u>	<u>66,515</u>	<u>-</u>	<u>66,515</u>				

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2018

		Strategic Allocation Plan June 30, 2018								
		Carrying amount			Fair Value					
Note		Fair value through profit or loss - held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total	
<b>On-balance sheet financial instruments</b>		------(Rupees in '000)-----								
<b>Financial assets measured at fair value</b>										
	Units of mutual funds	6.1	4,285,015	-	-	4,285,015	4,285,015	-	-	4,285,015
			<u>4,285,015</u>	<u>-</u>	<u>-</u>	<u>4,285,015</u>	<u>4,285,015</u>	<u>-</u>	<u>-</u>	<u>4,285,015</u>
<b>Financial assets not measured at fair value</b>		20.1								
	Bank balances		-	1,046	-	1,046				
	Accrued mark-up		-	10	-	10				
	Receivable against sale of investment		-	-	-	-				
	Receivable against sale of units		-	-	-	-				
			-	1,056	-	1,056				
<b>Financial liabilities not measured at fair value</b>		20.1								
	Payable to the Management Company		-	356	-	356				
	Payable to the Trustee		-	278	-	278				
	Accrued expenses and other liabilities		-	320	-	320				
	Unit Holders' Fund		-	4,282,358	-	4,282,358				
			<u>-</u>	<u>4,283,312</u>	<u>-</u>	<u>4,283,312</u>				

		Strategic Allocation Plan June 30, 2017								
		Carrying amount			Fair Value					
Note		Fair value through profit or loss - held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total	
<b>On-balance sheet financial instruments</b>		------(Rupees in '000)-----								
<b>Financial assets measured at fair value</b>										
	Units of mutual funds	6.1	4,072,801	-	-	4,072,801	4,072,801	-	-	4,072,801
			<u>4,072,801</u>	<u>-</u>	<u>-</u>	<u>4,072,801</u>	<u>4,072,801</u>	<u>-</u>	<u>-</u>	<u>4,072,801</u>
<b>Financial assets not measured at fair value</b>		20.1								
	Bank balances		-	2,018	-	2,018				
	Accrued mark-up		-	3,629	-	3,629				
	Receivable against sale of investment		-	131,500	-	131,500				
	Receivable against sale of units		-	27,282	-	27,282				
			-	164,429	-	164,429				
<b>Financial liabilities not measured at fair value</b>		20.1								
	Payable to the Management Company		-	12,633	-	12,633				
	Payable to the Trustee		-	92	-	92				
	Accrued expenses and other liabilities		-	153	-	153				
	Unit Holders' Fund		-	4,225,557	-	4,225,557				
			<u>-</u>	<u>4,238,435</u>	<u>-</u>	<u>4,238,435</u>				

**20.1.** 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.

**20.2. Valuation techniques**

For level 1 investments at fair value through profit or loss - held for trading investment in respect of units of mutual funds, Fund uses daily NAVs which are taken from MUFAP at reporting date.

**20.3. Transfers during the year / period**

There were no transfers between various levels of fair value hierarchy during the year / period.

**21. UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unit Holders' Fund. The Fund has no restrictions on the subscription and redemption of units except for maintaining minimum fund size of Rs.100 million at all times. The Fund has maintained and complied with the requirements of minimum fund size during the year.

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

In accordance with the risk management policies stated in note 18, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

**22. LIST OF TOP TEN BROKERS/DEALERS OF PERCENTAGE OF COMMISSION PAID / PAYABLE**

There were no brokers during the year ended June 30, 2018.

**23. PATTERN OF UNIT HOLDING**

----- As at June 30, 2018 -----

	Active Allocation Plan				Conservative Allocation Plan				Strategic Allocation Plan			
	Number of unit holders	Number of units held	Investment amount	Percentage Investments	Number of unit holders	Number of units held	Investment amount	Percentage Investments	Number of unit holders	Number of units held	Investment amount	Percentage Investments
Trustee	-	-	-	-	-	-	-	-	1	50,253	5,100	0.12%
Associated Company	1	11,575	1,162	0.47%	-	-	-	-	-	-	-	-
NBFCs	-	-	-	-	-	-	-	-	1	329,514	33,444	0.78%
Insurance Companies	-	-	-	-	-	-	-	-	1	200,839	20,384	0.48%
Retirement Funds	3	15,957	1,603	0.65%	-	-	-	-	8	1,770,191	179,663	4.20%
Other Corporate	-	-	-	-	-	-	-	-	10	22,569,825	2,290,697	53.48%
Individuals	98	2,431,392	244,146	99%	20	360,360	36,540	100%	45	17,272,692	1,753,071	40.94%
	<b>102</b>	<b>2,458,924</b>	<b>246,911</b>	<b>100%</b>	<b>20</b>	<b>360,360</b>	<b>36,540</b>	<b>100%</b>	<b>66</b>	<b>42,193,314</b>	<b>4,282,359</b>	<b>100%</b>

----- As at June 30, 2017 -----

	Active Allocation Plan				Conservative Allocation Plan				Strategic Allocation Plan			
	Number of unit holders	Number of units held	Investment amount	Percentage Investments	Number of unit holders	Number of units held	Investment amount	Percentage Investments	Number of unit holders	Number of units held	Investment amount	Percentage Investments
Trustee	-	-	-	-	-	-	-	-	1	50,139	5,021	0.12%
Insurance Companies	-	-	-	-	-	-	-	-	1	200,556	20,083	0.48%
Retirement Funds	-	-	-	-	-	-	-	-	8	1,769,487	177,189	4.19%
Other Corporate	-	-	-	-	-	-	-	-	10	22,894,950	2,292,909	54.26%
Individuals	58	1,941,784	194,204	100%	29	583,282	58,338	100%	48	17,334,384	1,736,101	41.09%
	<b>58</b>	<b>1,941,784</b>	<b>194,204</b>	<b>100%</b>	<b>29</b>	<b>583,282</b>	<b>58,338</b>	<b>100%</b>	<b>68</b>	<b>42,249,517</b>	<b>4,231,303</b>	<b>100%</b>

**24. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the investment committee of the Fund as on June 30, 2018 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA	25+ years
2	Muhammad Imran	Chief Investment Officer	MBA (Finance)	18+ years
3	Jawad Naeem	Specialist - Equity	MBA, CFA Level 1	10+ years
4	Adeel Abdul Wahab	Specialist - Equity	ACCA	10+ years
5	Faizan Saleem	Head of Fixed Income	MBA - Finance	10+ years
6	Noman Ameer	Manager Risk	MBA - Finance	11+ years
7	Sateesh Balani	Head of Research	MBA, CFA	7+ years

**25. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS**

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2017 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave	
1	Mr. Agha Sher Shah <sup>1</sup>	3	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23,2017 & April 23,2018
4	Mr. Raymond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27,2017
6	Mr. Shabbir Hussain Hashmi <sup>2</sup>	2	1	-	-
7	Mr. Shahid Ghaffar <sup>3</sup>	2	1	1	February 26,2018
8	Mr. Nadeem Abdullah <sup>4</sup>	4	4	-	-
9	Mr.Towfiq Habib Chinoy <sup>5</sup>	3	3	-	-
10	Mr.Salahuddin Manzoor <sup>6</sup>	3	3	-	-

- 1 Appointed on November 23, 2017.
- 2 Appointed on February 26, 2018.
- 3 Appointed on December 04, 2017.
- 4 Resigned on February 26, 2018.
- 5 Resigned on November 23, 2017.
- 6 Resigned on November 30, 2017.

**26. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio for the year ended June 30, 2018 is 0.4%, 0.57% and 0.38% (2017: 0.06%, 0.06% and 0.05%) which includes 0.15%, 0.18% and 0.14% (2017: 0.01%,0.01% and 0.01%) representing government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively.

**27. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 31, 2018 by the Board of Directors of the Management Company.

**28. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**29. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

---

**Director**



















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# HBL

## ASSET MANAGEMENT LTD.

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