

HBL

ASSET MANAGEMENT LTD.

ايسيت مينجمنت لميٲٲ

HBL Islamic Money Market Fund

PICIC Islamic Income Fund HBL Islamic Stock Fund

HBL Islamic Asset Allocation Fund

PICIC Islamic Stock Fund

Half Year Report
December 31, 2016
(Un-Audited)

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REVIEW REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2016

The Board of Directors of HBL Asset Management Limited, the Management Company of following Shariah Compliant Funds is pleased to submit herewith its Directors Review Report together with the unaudited condensed Interim Financial Statements for the three months ended December 31, 2016:

- HBL Islamic Money Market Fund
- HBL Islamic Asset Allocation Fund
- HBL Islamic Stock Fund
- PICIC Islamic Income Fund
- PICIC Islamic Stock Fund

MARKET REVIEW

ECONOMIC & MONEY MARKET REVIEW

Following the Accommodating monetary policy that was observed in FY16, the State Bank of Pakistan took a more cautious approach in the half-year ended December 2016. The policy rate was kept unchanged at 5.75% in view of increased risk of higher inflation in the upcoming quarters and a deteriorating current account deficit. Brent Crude oil prices were stagnant during 1QFY17, but rose by 16% in 2QFY17 due to the OPEC deal which was struck in late-November, thus pushing up the market's inflation expectations. CPI inflation clocked in at 3.88% for the half, compared to 2.08% in the same period last year, further stocking inflationary fears in the market. On the external front, the current account deficit for the half came in at 2.0% of GDP vs. 1.1% last year. The deterioration in the current account balance could be attributed to falling exports, increasing imports of machinery and waning foreign remittances, particularly from the Middle East. However, the country's foreign exchange reserves and USDPKR rate have been cushioned from the negative effects of the current account balance by the issuance of a USD 1.0 billion international Sukuk, which was floated in October 2016 at a profit rate of 5.50% p.a. Challenges on the external accounts side are likely to linger, however, with adequate support from strategic regional economies, the Pakistani economy looks set to overcome these. With GDP growth expected to accelerate to 5.0% this year, inflation likely to remain comfortably in single-digits, and pro-growth policy action in the run-up to general elections next year, Pakistan's economic outlook is positive.

The last GoP Ijara Sukuk auction was held in March 2016, and since then there has been no auction conducted, largely due to the lack of a suitable asset to back the issue. As a result, of this dearth of Shariah compliant investments, yields on the Ijara Sukuks continue to be unappealing to investors. The yield curve has steepened during the period as secondary market yields on 3, 5 and 1-year PIBs have increased by 64, 86 and 93 bps respectively. Meanwhile, yields on the 3, 6 and 12-month T-Bills rose by 9, 15 and 15 bps respectively. The SBP raised PKR 646 billion through PIBs compared to the cumulative target of PKR 500 billion and maturities of PKR 1.72 trillion. All PIB auctions held during 2QFY17 were scrapped. The large maturity of PIBs resulted in a net retirement of PKR 478 billion of government borrowing from commercial banks in 1HFY17 while government borrowing from the SBP crossed the PKR 1.0 trillion mark during the period vs. a net retirement of PKR 436 billion in the same period last year. Through T-Bills, the SBP raised PKR 2.81 trillion compared to the cumulative target of PKR 2.66 trillion and maturities of PKR 2.22 trillion. Market sentiment has shifted slightly since the close of the previous year, mainly due to below-expected CPI data for the month of December and the release of the previous MPC meeting minutes which showed a close split between those members voting for status-quo and those voting for a cut in the policy rate. Going forward, it seems that the SBP is likely to continue its status-quo stance on monetary policy for longer than the market had expected, which will keep the market divided as to the timing of the first change in the policy rate.

STOCK MARKET REVIEW

Driven by strong inflow of domestic liquidity and rising oil prices, the KMI30 Index surged by 23.6% in 1HFY17. Cumulatively, the KMI30 Index posted a gain of 47.1% for the full-year 2016, breaking its previous all-time highs. Mutual funds emerged as the largest net buyers of USD 307 million, followed by NBFCS (USD 102 million) and companies (USD 61 million). This strong buying by local institutional investors was sufficient to absorb the steady selling of foreign investors, who offloaded USD 298 million of Pakistani equities. The rally was driven mainly by the cement and E&P sectors. Cement stocks surged higher on the back of strong volumetric growth in cement dispatches combined with news of new investment projects being undertaken by industry leaders. The E&P sector was in the green due to the rise in international oil prices. On the other hand, selected scrips in the electricity sector was the main drag on the KMI30 Index's performance. Furthermore, average daily trading volume in KMI30 Index shares posted a sizable improvement of 51% H/H to 79.8 million shares. M&A and IPO activity also remained robust in the period, particularly in the food & personal care, cement and automobile parts sectors. Going forward, we expect the market to continue its upward trajectory, given that Pakistan is still trading at a sizable discount to its Emerging Market peers in terms of P/E multiples and dividend yield. These attractive valuations should act as a catalyst for inflows from foreign investors, adding to the anticipated inflow from passive Emerging Market Index funds. The recent acquisition of a 40% stake in the PSX by Chinese investors should also pave the way for the introduction of new products and greater visibility of the Pakistani market on the global stage. Over the longer term, the gathering momentum of the China-Pakistan Economic Corridor (CPEC) projects are likely to stimulate investment-led GDP growth which bodes well for Pakistan's equity market as well.

FUND'S PERFORMANCE

HBL ISLAMIC MONEY MARKET FUND

The total income and net income of the Fund was Rs. 15.97 million and Rs. 15.29 million respectively during the period ended December 31, 2016. The Net Asset Value (NAV) of the Fund Rs. 102.7370 per unit at December 31, 2016; there by giving an annualized return of 4.19%. During the same year the benchmark returns (3 months average deposit rates of three (3) AA rated Islamic Banks or Islamic windows of Conventional Banks as selected by MUFAP) was 3.85%. The size of the Fund increased by Rs. 2.28 billion as at December 31, 2016.

REVIEW REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2016

HBL ISLAMIC ASSET ALLOCATION FUND

The total income and net income of the Fund was Rs. 75.86 million and Rs. 58.76 million respectively during the period ended December 31, 2016. The Net Asset Value (NAV) of the Fund Rs. 111.0812 per unit at December 31, 2016; there by giving a return of 8.33%. During the same year the benchmark returns (Weighted average daily return of KMI 30 Index 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) was 7.65%. The size of the Fund decreased by Rs. 2.29 billion as at December 31, 2016.

HBL ISLAMIC STOCK FUND

The total income and net income of the Fund was Rs. 112.08 million and Rs. 108.01 million respectively during the period ended December 31, 2016. The Net Asset Value (NAV) of the Fund Rs. 160.3593 per unit at December 31, 2016; there by giving a return of 25.27%. During the same year the benchmark returns (KMI 30 Index) was 23.63%. The size of the Fund increased by Rs. 1.96 billion as at December 31, 2016.

PICIC ISLAMIC INCOME FUND

The total income and net income of the Fund was Rs. 9.69 million and Rs. 9.23 million respectively during the period ended December 31, 2016. The Net Asset Value (NAV) of the Fund Rs. 103.0148 per unit at December 31, 2016; there by giving an annualized return of 4.48%. During the same year the benchmark returns (Avg. of 6M profit rate of 3 Islamic Banks or Islamic Windows of Conventional Banks rated "A" and above) was 4.08%. The size of the Fund increased by Rs. 1.91 billion as at December 31, 2016.

PICIC ISLAMIC STOCK FUND

The total income and net income of the Fund was Rs.109.77 million and Rs. 97.82 million respectively during the period ended December 31, 2016. The Net Asset Value (NAV) of the Fund Rs. 132.9773 per unit at December 31, 2016; there by giving a return of 24.89%. During the same year the benchmark returns (KMI 30 Index) was 23.63%. The size of the Fund increased by Rs. 1.419 billion as at December 31, 2016.

RATING UPDATE

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned asset manager rating at "AM2" to the Management Company. The stability ratings for HBL Islamic Money Market Fund "AA (f)" and PICIC Islamic Income Fund "A(f)" respectively.

ACKNOWLEDGEMENT

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

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

Karachi
Date: February 24, 2017

For and on behalf of the Board
Farid Ahmed Khan
Chief Executive Officer

HBL

Islamic Money Market Fund

FUND AND CORPORATE INFORMATION

Management Company HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

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

Risk Management Committee

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

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

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

Internal Auditors

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

Trustee

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

Bankers

Bank Al-Habib Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
National Bank of Pakistan

Legal Advisors

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

Website

www.hblasset.com

Head Office

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

Registered Office

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

TRUSTEE REPORT TO THE UNIT HOLDERS HBL ISLAMIC MONEY MARKET FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of **HBL 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 six months period ended December 31, 2016 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, February 28, 2017

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of asset and liabilities of **HBL Islamic Money Market Fund** ("the Fund") as at December 31, 2016, and the related condensed interim income statement and statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds, condensed interim cash flow statement and notes to the accounts for the half year ended December 31, 2016 (here-in-after referred to as the "condensed interim financial information"). HBL Asset Management Limited ("Management Company") is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement and statement of comprehensive income for the quarter ended December 31, 2016, have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the half year ended December 31, 2016, is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The condensed interim financial information for the half year ended December 31, 2015 and financial statements for the year ended June 30, 2016, were reviewed and audited respectively by another firm of chartered accountants who, through their review report dated February 09, 2016 and audit report dated August 26, 2016, expressed an unqualified conclusion and opinion respectively thereon.

Chartered Accountants

Engagement Partner:
Naresh Kumar

Date: February 24, 2017
Place: Karachi

HBL ISLAMIC MONEY MARKET FUND
Condensed Interim Statement of Assets and Liabilities
As at December 31, 2016

		(Un-Audited) December 31, 2016 (Rupees in '000)	(Audited) June 30, 2016
Assets			
Bank balances	4	743,464	514,268
Accrued mark-up		2,559	2,157
Advances, prepayment and other receivables		198	2,114
Total assets		746,221	518,539
Liabilities			
Payable to Management Company	5	687	511
Payable to Trustee		82	71
Payable to the Securities and Exchange Commission of Pakistan		203	352
Accrued expenses and other liabilities	6	10,081	10,864
Total liabilities		11,053	11,798
Net assets		735,168	506,741
Unit holders' fund (as per statement attached)		735,168	506,741
(Number of units)			
Number of units in issue		7,155,817	5,036,525
(Rupees)			
Net assets value per unit		102.7370	100.6132

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Condensed Interim Income Statement and Statement of
Comprehensive Income (Un-Audited)
For the half year and quarter ended December 31, 2016

	Half year ended December 31,		Quarter Ended December 31,	
	2016	2015	2016	2015
Note	(Rupees in '000)			
Income				
Mark-up on deposits with banks	15,974	14,896	8,338	7,285
Expenses				
Remuneration of Management Company	3,055	3,105	1,572	1,551
Remuneration of Trustee	458	398	234	198
Annual fee of the Securities and Exchange Commission of Pakistan	203	176	105	88
Allocation of expenses related to registrar services, accounting, operation and valuation services	7 270	47	130	47
Auditors' remuneration	178	192	87	104
Settlement and bank charges	20	19	12	12
Amortisation of preliminary expenses and floatation costs	-	116	-	59
Other expenses	471	129	401	51
	4,655	4,182	2,541	2,110
Net income from operating activities	11,319	10,714	5,797	5,175
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	3,973	(162)	3,399	(150)
Provision for Workers' Welfare Fund / Sindh Workers' Welfare Fund	6.2 -	-	-	-
Net income for the period before taxation	15,292	10,552	9,196	5,025
Taxation	8 -	-	-	-
Net income for the period after taxation	15,292	10,552	9,196	5,025
Other comprehensive income for the period				
Items that may be reclassified subsequently to income statement	-	-	-	-
Total comprehensive income for the period	15,292	10,552	9,196	5,025

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Condensed Interim Distribution Statement (Un-Audited)
For the half year ended December 31, 2016

	Half year ended December 31,	
	2016	2015
	(Rupees in '000)	
Undistributed income brought forward - realised	3,176	1,815
Net income for the period	15,292	10,552
Element of income and capital gains included in the prices of units issued less those in units redeemed - amount representing income that form part of unit holders' fund	1,300	9
Undistributed income carried forward - realised	<u>19,768</u>	<u>12,376</u>

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)
For the half year ended December 31, 2016

	Half year ended December 31,	
	2016	2015
	(Rupees in '000)	
Net assets at beginning of the period	506,741	457,348
Issue of 2,935,182 units (2015: 409,071 units)	300,411	41,341
Redemption of 815,890 units (2015: 430,683 units)	(83,303)	(43,666)
	217,108	(2,325)
Element of (income) / loss and capital (gains) / loss included in prices of units issued less those in units redeemed		
- Transferred to income statement and statement of comprehensive income	(3,973)	162
- Transferred to distribution statement	(1,300)	(9)
Total comprehensive income for the period	(5,273)	153
Net Income for the period	15,292	10,552
Net element of income and capital gain included in prices of units issued less those in units redeemed - transferred to distribution statement	1,300	9
Net assets at end of the period	735,168	465,737
Net asset value per unit at the beginning of the period	100.6132	100.4237
Net asset value per unit at the end of the period	102.7370	102.7533

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Condensed Interim Cash Flow Statement (Un-Audited)
For the half year ended December 31, 2016

	Half year ended December 31,	
	2016	2015
(Rupees in '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	15,292	10,552
Adjustments		
Amortisation of preliminary expenses and floatation costs	-	116
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(3,973)	162
	11,319	10,830
(Increase) / decrease in assets		
Accrued mark-up	(402)	(85)
Advances, prepayment and other receivables	1,916	147
	1,514	62
Increase / (decrease) in liabilities		
Payable to Management Company	176	66
Payable to Trustee	11	17
Payable to the Securities and Exchange Commission of Pakistan	(149)	(182)
Accrued expenses and other liabilities	(783)	(2,692)
	(745)	(2,791)
Net cash generated from operating activities	12,088	8,101
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units	300,411	41,341
Payment against redemption of units	(83,303)	(43,666)
Net cash generated from / (used in) financing activities	217,108	(2,325)
Net increase in cash and cash equivalents	229,196	5,776
Cash and cash equivalents at beginning of the period	514,268	464,049
Cash and cash equivalents at end of the period	743,464	469,825

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Notes to the Condensed Interim Financial Information (Un-Audited)
For the half year ended December 31, 2016

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 authorized by the Securities and Exchange Commission of Pakistan (the SECP) as a unit trust scheme on December 10, 2010.

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

The Fund is an open ended mutual fund and 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 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 trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS-34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2016.

2.1.3 In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2016.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except that certain financial assets are stated at fair value.

2.3 Functional and presentation currency This condensed interim financial information is presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN

3.1 The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2016, except for the following:

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statement i.e. income statement and statement of comprehensive income separately, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period from operations and items of other comprehensive income). The Fund, with effect from July 01, 2016, has changed its policy with regard to preparation of statement of comprehensive income and opted to prepare one single performance statement i.e. "income statement and statement of comprehensive income" showing both income or loss for the period from operations and items of other comprehensive income in it. This change has no impact on the items of income or loss or other comprehensive income recognized in prior year/ period except that items of other comprehensive income previously presented under 'other comprehensive income' in separate statement of comprehensive income are now presented within 'income statement and statement of comprehensive income' under 'other comprehensive income'.

3.2 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2016, except for the following:

"From July 1, 2016, the Fund has revised its methodology for computation of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed."

The revised methodology, in the opinion of management, reflects a more appropriate method for recognition of element and moreover is in conformity with the general industry practice. The new methodology is being consistently implemented across all funds managed by the Management Company. Management has treated the revision in methodology as change in accounting estimate. Had there been no change in estimate, the net profit for the period would have been lower by Rs. 196,534 .

3.4 Certain amendments to approved accounting standards have been published and are mandatory for the Funds' accounting period beginning on or after July 01, 2016. None of these amendments are expected to have a significant effect on this condensed interim financial information.

3.5 The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2016.

	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
	(Rupees in '000)	
Note		
4. BANK BALANCES		
Savings accounts	4.1 <u>743,464</u>	<u>514,268</u>

- 4.1 This represents bank accounts held with different banks. Mark up rates on these accounts ranges between 3.00% - 5.50% (June 2016: 3.00% - 6.50% per annum) per annum.

	Note	(Un-Audited) December 31, 2016 (Rupees in '000)	(Audited) June 30, 2016
5. PAYABLE TO MANAGEMENT COMPANY			
Management Fee	5.1	485	406
Sindh Sales Tax	5.2	63	65
Allocation of expenses related to registrar services, accounting, operation and valuation services	7	139	40
		687	511

- 5.1 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 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% per annum for the current year (June 2016: 1% per annum).

- 5.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2016: 14 %) on the remuneration of the Management Company through Finance Act, 2015 effective from July 1, 2016

	Note	(Un-Audited) December 31, 2016 (Rupees in '000)	(Audited) June 30, 2016
6. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		506	307
Federal Excise Duty	6.1	2,185	2,185
Advance against units to be issued		3,017	310
Payable to HBL Islamic Stock Fund against conversion of units		-	3,364
Payable to unit holders against redemption		1,247	988
Withholding tax payable		-	743
Provision for Workers' Welfare Fund	6.2	1,616	2,802
Provision for Sindh Workers' Welfare Fund	6.2	1,186	-
Other payable		324	165
		10,081	10,864

- 6.1 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 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 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.

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 the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company with effect from June 13, 2013 aggregating to Rs. 2.185 million. Had the provision not being made, the Net Asset Value per unit as at December 31, 2016 would have been higher by Rs. 0.3053 (June 30, 2016: Rs. 0.4338) per unit.

6.2 WORKERS' WELFARE FUND (WWF) AND SINDH WORKERS' WELFARE FUND (SWWF)

As disclosed in the annual audited financial of the Fund for the year ended June 30, 2016, the Fund had maintained provision of the Workers' Welfare Fund (WWF), which had been recognized till June 30, 2015, as the decision in the High Court of Sindh was pending with regard to applicability of WWF on Collective Investment Schemes (CISs), although the High Court of Sindh, in other case, had provided the judgement considering levy of WWF lawful whereas the Lahore High Court had provided different conclusion.

However, in the current period, 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 (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 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:

- As an abundant caution, 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 excess 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 of Rs. 1.61 million should be carried forward till the matter is cleared.

Subsequent to the period end December 31, 2016, in the wake of the above developments i.e. decision of the SCP and communications took place with regard to SWWF, the MUFAP also, on behalf of Asset Management Companies (AMCs) and Collective Investment Schemes (CISs), obtained legal opinion on December 05, 2016 and called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members the following, 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 Commission (SECP) through its letter dated January 12, 2017, which was also endorsed by the SECP through its letter dated February 1, 2017.

Considering the recommendation of the MUFAP, the Management Company on January 12, 2017, reversed the excess provision of WWF of Rs.1.62 million. Had the excess provision been reversed as of December 31, 2016, the NAV per unit of the Fund would have been higher by Rs. 0.2258.

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

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 up to 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 percent of the average annual net assets, being lower amount, to the Fund during the period.

8. 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 realized or unrealized is distributed amongst the unit holders in cash. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders.

The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2017 as reduced by capital gains (whether realized or unrealized) to its unit holders in the form of cash.

9. 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 half year ended December 31, 2016 is 0.87% which includes 0.11% representing government levy and SECP fees.

10. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties comprise 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 agreed / contracted rates. Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively

Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

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

	Un-audited Half year ended December 31,	
	2016	2015
	(Rupees in '000)	
10.1 Transactions during the period		
HBL Asset Management Limited - Management Company		
Management fee inclusive of sales tax and others	3,055	3,105
Allocation of expenses related to registrar services, accounting, operation and valuation services	270	47
Habib Bank Limited - Sponsor		
Mark-up earned during the period	214	1,157
Bank charges paid	-	6
Executives of the Management Company		
Issue of 9,738 units (2015: 14,668 units)	1,000	1,500
Redemption of 9,857 units (2015: 4,909 units)	1,012	501
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	458	398
	(Un-Audited)	(Audited)
	December 31,	June 30,
	2016	2016
10.2 Amounts outstanding as at period end		
(Rupees in '000)		
HBL Asset Management Limited - Management Company		
Management fee	485	406
Sindh Sales Tax	63	65
Allocation of expenses related to registrar services, accounting, operation and valuation services	139	40
Habib Bank Limited - Sponsor		
Investment held in the Fund by the sponsor: 3,684,164 units (June 30, 2016: 3,684,164 units)	378,500	370,676
Bank balances held with the sponsor	120,307	25,768
Profit receivable on bank deposits from sponsor	34	28
Executives of the Management Company		
Investment held in the Fund: Nil units (June 30, 2016: 119 units)	-	12
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	82	71

11. 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 i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

December 31, 2016 (Un-Audited)							
Carrying amount				Fair Value			
Loans and receivables	Other financial liabilities	Total		Level 1	Level 2	Level 3	Total
			(Rupees in '000)				
On-balance sheet financial instruments							
Financial assets not measured at fair value							
	11.1						
Bank balances		743,464	-	743,464	-	-	-
Accrued mark-up		2,559	-	2,559	-	-	-
		746,023	-	746,023	-	-	-
Financial liabilities not measured at fair value							
	11.1						
Payable to the Management Company		-	687	687	-	-	-
Payable to Trustee		-	82	82	-	-	-
Payable to the Securities and Exchange Commission of Pakistan		-	203	203	-	-	-
Accrued expenses and other liabilities		-	5,094	5,094	-	-	-
Unit holders' fund		-	735,168	735,168	-	-	-
		-	741,234	741,234	-	-	-

		June 30, 2016 (Audited)						
		Carrying amount			Fair Value			
		Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)						
On-balance sheet financial instruments	Note							
Financial assets not measured at fair value	11.1							
Bank balances		514,268	-	514,268	-	-	-	-
Accrued mark-up		2,157	-	2,157	-	-	-	-
Advances, Prepayments and other receivables		2,059	-	2,059	-	-	-	-
		<u>518,484</u>	<u>-</u>	<u>518,484</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value	11.1							
Payable to the Management Company		-	511	511	-	-	-	-
Payable to Trustee		-	71	71	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan		-	352	352	-	-	-	-
Accrued expenses and other liabilities		-	5,877	5,877	-	-	-	-
Unit holders' fund		-	506,741	506,741	-	-	-	-
		<u>-</u>	<u>513,552</u>	<u>513,552</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

11.1 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.

12. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **February 24, 2017**.

13. GENERAL

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

13.2 This condensed interim financial information is unaudited and has been reviewed by the auditors. Further, the figures of the condensed interim income statement and statement of comprehensive income for the quarter ended December 31, 2016 have not been reviewed.

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

Chief Executive

Director

HBL
Islamic Asset Allocation Fund

FUND AND CORPORATE INFORMATION

Management Company HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

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

Risk Management Committee

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

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

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

Internal Auditors

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

Trustee

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

Bankers

Bank Al-Habib Limited
Habib Bank Limited
Dubai Islamic Bank
Bank Isalmi Pakistan Limited

Legal Advisors

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

Website

www.hblasset.com

Head Office

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

Registered Office

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

TRUSTEE REPORT TO THE UNIT HOLDERS HBL ASSET ALLOCATION FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of **HBL 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 six months period ended December 31, 2016 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, February 28, 2017

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of asset and liabilities of **HBL Islamic Asset Allocation Fund** ("the Fund") as at December 31, 2016, and the related condensed interim income statement and statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds, condensed interim cash flow statement and notes to the accounts for the half year ended December 31, 2016 (here-in-after referred to as the "condensed interim financial information"). HBL Asset Management Limited ("Management Company") is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement and statement of comprehensive income for the quarter ended December 31, 2016, have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the half year ended December 31, 2016, is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The financial statements for the period from January 11, 2016 to June 30, 2016, were audited by another firm of chartered accountants who, through their audit report dated August 26, 2016, expressed an unqualified opinion thereon.

Chartered Accountants

Engagement Partner:

Naresh Kumar

Date: February 24, 2017

Place: Karachi

HBL Islamic Asset Allocation Fund
Condensed Interim Statement of Assets and Liabilities
As at December 31, 2016

		(Un-Audited) December 31, 2016	(Audited) June 30, 2016
	Note	(Rupees in '000)	
Assets			
Bank balances	4	439,789	608,618
Investments	5	549,794	732,752
Dividend receivable and accrued mark-up		7,255	9,911
Preliminary expenses and floatation costs		866	974
Advances, deposits and other receivables	6	167,600	9,518
Total assets		1,165,304	1,361,773
Liabilities			
Payable to Management Company	7	5,529	6,522
Payable to Trustee		246	218
Payable to the Securities and Exchange Commission of Pakistan		455	377
Accrued expenses and other liabilities	8	37,848	4,766
Total liabilities		44,078	11,883
Net assets		1,121,226	1,349,890
Unit holders' fund (as per statement attached)		1,121,226	1,349,890
(Number of units)			
Number of units in issue		10,093,744	13,164,371
(Rupees)			
Net assets value per unit		111.0812	102.5411

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Asset Allocation Fund
Condensed Interim Income Statement and Statement of Comprehensive Income (Un-Audited)
For the half year and quarter ended December 31, 2016

	Half year ended December 31, 2016	Quarter ended December 31, 2016
Note	----- (Rupees in '000) -----	
Income		
Mark-up / return on investments	9,482	2,957
Mark-up on deposits with banks	9,652	7,971
Dividend income	7,001	5,535
Capital gain on sale of investments - net	49,725	21,569
	75,860	38,032
Expenses		
Remuneration to Management Company	9,072	4,659
Remuneration of Trustee	1,158	214
Annual fee of the Securities and Exchange Commission of Pakistan	455	222
Allocation of expenses related to registrar services, accounting, operation and valuation services	616	343
Auditors' remuneration	240	69
Amortization of preliminary expenses and floatation costs	108	54
Other expenses	530	519
	12,179	6,080
Net income from operating activities	63,681	31,952
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net	(3,237)	1,971
Provision for Sindh Workers' Welfare Fund	(1,683)	(1,683)
Net income for the period before taxation	58,761	32,240
Taxation	-	-
Net income for the period after taxation	58,761	32,240
Other comprehensive income for the period		
Items that may be reclassified to income statement in subsequent periods		
Net unrealized appreciation on remeasurement of investments classified as available for sale	27,435	27,883
Total comprehensive income for the period	86,196	60,123

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Asset Allocation Fund
Condensed Interim Distribution Statement (Un-Audited)
For the half year ended December 31, 2016

	Half year ended December 31, 2016 (Rupees in '000)
Undistributed income brought forward - realized	10,329
Net income for the period	58,761
Element of loss and capital losses included in the prices of units issued less those in units redeemed - amount representing income that form part of unit holders' fund	(7,803)
Undistributed income carried forward - realized	61,287

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Asset Allocation Fund
Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)
For the half year ended December 31, 2016

	Half year ended December 31, 2016 (Rupees in '000)
Net assets at beginning of the period	1,349,890
Issue of 3,974,634 units	418,714
Redemption of 7,045,261 units	(736,810)
	<u>(318,096)</u>
Element of loss and capital losses included in prices of units issued less those in units redeemed	
- transferred to income statement and statement of comprehensive income	3,237
- transferred to distribution statement	7,803
	11,040
Net income for the period	58,761
Net unrealized appreciation on remeasurement of investments classified as available for sale	27,434
Total comprehensive income for the period	86,195
Net element of loss and capital losses included in prices of units issued less those in units redeemed - transferred to distribution statement	(7,803)
Net assets at end of the period	<u>1,121,226</u>
Net asset value per unit at the beginning of the period	<u>102.5411</u>
Net asset value per unit at the end of the period	<u>111.0812</u>

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Asset Allocation Fund
Condensed Interim Cash Flow Statement (Un-Audited)
For the half year ended December 31, 2016

	Note	Half year ended December 31, 2016 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period		58,761
Adjustments for non cash items:		
Amortization of preliminary expenses and floatation costs		108
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		3,237
		<u>62,106</u>
(Increase) / decrease in assets		
Investments - net		210,392
Dividend receivable and accrued mark-up		2,656
Advances, deposits and other receivables		(158,082)
		<u>54,966</u>
(Decrease) / increase in liabilities		
Payable to Management Company		(993)
Payable to Trustee		28
Payable to the Securities and Exchange Commission of Pakistan		78
Accrued expenses and other liabilities		33,082
		<u>32,195</u>
Net cash generated from operating activities		<u>149,267</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units		418,714
Payment against redemption of units		(736,810)
Net cash used in financing activities		<u>(318,096)</u>
Net decrease in cash and cash equivalents		<u>(168,829)</u>
Cash and cash equivalents at beginning of the period		<u>608,618</u>
Cash and cash equivalents at end of the period	4	<u>439,789</u>

The annexed notes 1 to 15 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Asset Allocation Fund
Notes to the Condensed Interim Financial Information (Un-Audited)
For the half year ended December 31, 2016

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 authorized 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 Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan.

The Fund is an open ended mutual fund and 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 Limited.

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' 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

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS 34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the period ended June 30, 2016.

2.1.3 In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2016.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except that certain financial assets are stated at fair value.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN

- 3.1 The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Fund for the period, ended June 30, 2016, except for the following:

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statement i.e. income statement and statement of comprehensive income separately, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period from operations and items of other comprehensive income). The Fund, with effect from July 01, 2016, has changed its policy with regard to preparation of statement of comprehensive income and opted to prepare one single performance statement i.e. "income statement and statement of comprehensive income" showing both income or loss from operations and items of other comprehensive income in it.

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

- 3.2 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.
- 3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the period ended June 30, 2016, except for the following:

From July 1, 2016, the Fund has revised its methodology for computation of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed.

The revised methodology, in the opinion of management, reflects a more appropriate method for recognition of element and moreover is in conformity with the general industry practice. The new methodology is being consistently implemented across all funds managed by the Management Company. Management has treated the revision in methodology as change in accounting estimate. Had there been no change in estimate, the net profit for the period would have been higher by Rs. 65,260 (net of SWWF).

- 3.4 Certain amendments to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 01, 2016. None of these amendments are expected to have a significant effect on this condensed interim financial information.
- 3.5 The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Fund for the period ended June 30, 2016.
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		(Un-Audited) December 31, 2016	(Audited) June 30, 2016
		(Rupees in '000)	
4. BANK BALANCES	Note		
Balances with banks in:			
PLS saving deposit accounts	4.1	439,789	606,968
Current account		-	1,650
		<u>439,789</u>	<u>608,618</u>

4.1 Mark-up on these accounts ranges between 4.00% - 6.7% per annum (June 30, 2016: 3.91% - 6.31% per annum).

		(Un-Audited) December 31, 2016	(Audited) June 30, 2016
		(Rupees in '000)	
5. INVESTMENTS	Note		
Available for sale			
- Listed equity securities	5.1	332,822	257,946
- Unlisted equity securities	5.2	642	642
- Government of Pakistan - Ijarah sukuk	5.3	216,330	394,164
- Privately placed sukuk certificates	5.4	-	80,000
		<u>549,794</u>	<u>732,752</u>

5.1 Listed equity securities - Available for sale

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

Name of the Investee Company	Number of Shares				As at December 31, 2016	Market value as at December 31, 2016	Market value as percentage of		Par value as a percentage of issued capital of the investee company
	As at July 01, 2016	Purchases during the period	Bonus / Rights issue	Sales during the period			total investments	net assets	
(Rupees in '000)									
Pharma and Bio Tech									
GlaxoSmithKline (Pakistan) Limited	49,400	-	-	49,400	-	-	-	-	-
The Searle Company Limited (Note 5.1.2)	19,900	17,600	32	19,700	17,832	11,656	2.12%	1.04%	0.01%
	<u>69,300</u>	<u>17,600</u>	<u>32</u>	<u>69,100</u>	<u>17,832</u>	<u>11,656</u>	<u>2.12%</u>	<u>1.04%</u>	
Engineering									
Mughal Iron and Steel Industries Limited	268,000	-	-	268,000	-	-	-	-	-
Amreli Steels Limited	250,500	285,000	-	425,000	110,500	7,358	1.34%	0.66%	0.04%
Crescent Steel and Allied Products Limited	123,500	94,000	-	159,200	58,300	8,989	1.63%	0.80%	0.08%
	<u>642,000</u>	<u>379,000</u>	<u>-</u>	<u>852,200</u>	<u>168,800</u>	<u>16,347</u>	<u>2.97%</u>	<u>1.46%</u>	
Industrial Transport									
Pakistan National Shipping Corporation Limited	28,000	-	-	28,000	-	-	-	-	-
Household Goods									
Pak Electron Limited	135,000	81,000	-	216,000	-	-	-	-	-

Name of the Investee Company	Number of Shares				As at December 31, 2016	Market value as at December 31, 2016 (Rupees in '000)	Market value as percentage of		Par value as a percentage of issued capital of the investee company
	As at July 01, 2016	Purchases during the period	Bonus / Rights issue	Sales during the period			total investments	net assets	
Personal Goods									
Nishat Mills Limited	-	246,800	-	157,000	89,800	13,674	2.49%	1.22%	0.03%
Construction and Materials									
D.G.Khan Cement Company Limited	46,300	119,000	-	86,300	79,000	17,517	3.19%	1.56%	0.02%
Lucky Cement Limited	38,100	18,600	-	14,850	41,850	36,253	6.59%	3.23%	0.01%
Pioneer Cement Limited	93,500	60,000	-	153,500	-	-	-	-	-
Kohat Cement Limited	25,100	-	-	25,100	-	-	-	-	-
Cherat Cement Company Limited	95,000	65,000	-	160,000	-	-	-	-	-
Fauji Cement Company Limited	147,500	938,000	-	864,500	221,000	9,963	1.81%	0.89%	0.02%
Maple Leaf Cement Factory Limited	95,000	-	-	95,000	-	-	-	-	-
	540,500	1,200,600	-	1,399,250	341,850	63,733	11.59%	5.68%	
Electricity									
Hub Power Co. Limited	119,500	342,500	-	204,500	257,500	31,796	5.78%	2.84%	0.02%
K-Electric Limited (paid up share of Rs 3.5 each)	1,740,000	270,000	-	2,010,000	-	-	-	-	-
Kot Addu Power Limited	-	353,500	-	198,000	155,500	12,253	2.23%	1.09%	0.02%
	1,859,500	966,000	-	2,412,500	413,000	44,049	8.01%	3.93%	
Paper and Board									
Packages Limited	-	39,800	-	26,550	13,250	11,263	2.05%	1.00%	0.01%
Glass and Ceramics									
Tariq Glass Industries Limited	-	212,000	-	212,000	-	-	-	-	-
Automobile Assemblers									
Honda Atlas Cars (Pakistan) Limited	15,500	25,500	-	33,600	7,400	4,948	0.90%	0.44%	0.01%
Pak Suzuki Motor Company Limited	4,000	20,000	-	13,200	10,800	6,618	1.20%	0.59%	0.01%
Milat Tractors Limited	-	29,200	-	23,300	5,900	5,337	0.97%	0.48%	0.01%
The General Tyre and Rubber Company of Pakistan Limited	-	50,100	-	29,400	20,700	5,766	1.05%	0.51%	0.03%
	19,500	124,800	-	99,500	44,800	22,669	4.12%	2.02%	
Oil and Gas									
Pakistan Oilfields Limited	25,000	80,400	-	73,200	32,200	17,215	3.13%	1.54%	0.01%
Pakistan Petroleum Limited	110,400	217,000	-	196,400	131,000	24,652	4.48%	2.20%	0.01%
Mari Petroleum Company Limited	14,500	14,700	-	14,500	14,700	20,211	3.68%	1.80%	0.01%
Sui North Gas Pipelines Limited	-	150,000	-	65,500	84,500	6,893	1.25%	0.61%	0.01%
Hascol Petroleum Limited	-	8,400	-	-	8,400	2,835	0.52%	0.25%	0.01%
Sui Southern Gas Company Limited	-	481,000	-	481,000	-	-	-	-	-
Attock Petroleum Limited	-	8,000	-	-	8,000	5,477	1.00%	0.49%	0.01%
	149,900	959,500	-	830,600	278,800	77,283	14.06%	6.89%	
Refinery									
Attock Refinery Limited	-	12,500	-	-	12,500	5,316	0.97%	0.47%	0.01%

Name of the Investee Company	Number of Shares				As at December 31, 2016	Market value as at December 31, 2016 (Rupees in '000)	Market value as percentage of		Par value as a percentage of issued capital of the investee company
	As at July 01, 2016	Purchases during the period	Bonus / Rights issue	Sales during the period			total investments	net assets	
Food Producers									
Engro Foods Limited	40,000	90,900	-	130,900	-	-	-	-	-
Chemical									
ICI Pakistan Limited	-	28,300	-	28,300	-	-	-	-	-
Akzo Nobel Pakistan Limited	-	38,000	-	38,000	-	-	-	-	-
	-	66,300	-	66,300	-	-	-	-	-
Fertilizer									
Engro Corporation Limited	72,000	113,200	-	86,200	99,000	31,293	5.69%	2.79%	0.02%
Engro Fertilizers Limited	-	206,500	-	82,000	124,500	8,464	1.54%	0.75%	0.01%
Dawood Hercules Corporation Limited	-	121,500	-	20,000	101,500	14,649	2.66%	1.31%	0.02%
	72,000	441,200	-	188,200	325,000	54,406	9.89%	4.85%	
Leather and Tanneries									
Service Industries Limited	-	15,500	-	7,200	8,300	12,426	2.26%	1.11%	0.07%
Total	3,555,700	4,853,500	32	6,695,300	1,713,932	332,822	60.53%	29.67%	
Cost of investments at December 31, 2016						291,934			

5.1.1 Investments include shares having market value aggregating to Rs. 37.04 million that have been pledged with National Clearing Company of Pakistan Limited for of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

5.1.2 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 fair market value of Rs. 8,499 at December 31, 2016 (June 30, 2016: Rs. 6,538) 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.

5.2 Unlisted equity securities - Available for sale

Shares of unlisted companies

Name of the Investee Company	Note	Number of shares			Carrying value as at December 31, 2016	Carrying value as a percentage of	
		As at July 01, 2016	Purchase during the period	Sales during the period		Total Investments	Net Assets
(Rupees in '000)							
Pharma and Bio Tech							
GlaxoSmithKline Consumer Healthcare Pakistan Limited	5.2.1	10,350	-	-	10,350	642	0.12%
		10,350	-	-	10,350	642	0.12%
		10,350	-	-	10,350	642	0.12%
Cost of investments at December 31, 2016					-		

5.2.1 This represents shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited, a subsidiary of GlaxoSmithKline plc, which were received due to demerger of GlaxoSmithKline Pakistan Limited on April 01, 2016. These are stated at break up value of Rs. 62 per share as trading in shares has not yet commenced. The Company has submitted its listing application with the Pakistan Stock Exchange Limited which is currently pending.

5.3 Government of Pakistan - Ijarah sukuk

Issue Date	Tenure	Face Value			Market Value as at December 31, 2016	Market value as a percentage of	
		As at July 01, 2016	Purchases during the period	Sales during the period		Total Investments	Net Assets
(Rupees in '000)							
February 15, 2016	3 Year	279,500	279,500	349,500	209,500	216,330	39.35%
March 29, 2016	3 Year	110,000	-	110,000	-	-	-
		389,500	279,500	459,500	209,500	216,330	39.35%
Cost of investments at December 31, 2016					213,364		

5.3.1 These Ijarah sukuk carry mark-up at the rate of 6.10% and 5.59% per annum (June 30, 2016: 6.10% and 5.59% per annum) respectively.

5.4 Privately placed sukuk certificates

Issue Date	Tenure	Number of certificates			Carrying value as at December 31, 2016	Carrying value as a percentage of	
		As at July 01, 2016	Purchases during the period	Matured during the period		Total Investments	Net Assets
(Rupees in '000)							
May 25, 2016	6 Months	16,000	-	16,000	-	-	-
Cost of investments at December 31, 2016					-		

		(Un-Audited) December 31, 2016 (Rupees in '000)	(Audited) June 30, 2016
5.5 Net unrealized appreciation on re-measurement of investments classified as available for sale			
Market value of investments	5.1, 5.2, 5.3 & 5.4	549,794	732,752
Less: Cost of investments		(505,298)	(715,691)
		<u>44,496</u>	<u>17,061</u>
		(Un-Audited) December 31, 2016 (Rupees in '000)	(Audited) June 30, 2016
6. ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Security deposit with National Clearing Company of Pakistan Limited		2,500	7,500
Security deposit with Central Depository Company of Pakistan Limited		100	100
Advance against Initial Public Offer (IPO) of Sukuks	6.1	165,000	-
Receivable against sale of shares		-	1,514
Prepaid expenses		-	15
Tax receivable on mark-up on bank deposits		-	389
		<u>167,600</u>	<u>9,518</u>
6.1 This represent advance paid to subscribe Sukuk Certificates of Fatima Fertilizer Company Limited.			
		(Un-Audited) December 31, 2016 (Rupees in '000)	(Audited) June 30, 2016
7. PAYABLE TO THE MANAGEMENT COMPANY			
Management fee	7.1	1,428	1,631
Sindh Sales Tax	7.2	186	267
Sales load payable		3,653	848
Allocation of expenses related to registrar services, accounting, operation and valuation services		262	101
Security deposit with National Clearing Company of Pakistan Limited		-	2,500
Security deposit with Central Depository Company of Pakistan Limited		-	100
Preliminary expenses and flotation costs		-	1,075
		<u>5,529</u>	<u>6,522</u>

- 7.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of 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 period.
- 7.2 The Sindh Government had levied General Sales Tax at the rate of 13% (June 30, 2016 : 14%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

	Note	(Un-Audited)	(Audited)
		December 31, 2016	June 30, 2016
(Rupees in '000)			
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		570	319
Charity payable	8.1	143	42
Federal Excise Duty	8.2	1,063	1,063
Withholding tax payable		-	1,649
Payable against conversion of units		8,925	999
Advance received against sale of units		23,955	-
Payable to brokers		619	648
Provision for Sindh Workers' Welfare Fund	8.3	1,683	-
Other payable		890	46
		37,848	4,766

- 8.1 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.
- 8.2 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 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.

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, as a matter of abundant caution, 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 being made, the Net Asset Value per unit as at December 31, 2016 would have been higher by Rs. 0.105 (June 30, 2016 : Rs. 0.081)

8.3 PROVISION FOR SINDH WORKERS' WELFARE FUND

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 at period end decided that as an abundant caution, provision for SWWF should be recognized from date of establishment of the Fund i.e. January 11, 2016 to December 31, 2016, and therefore recorded an amount of Rs. 1.683 million. 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.

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

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 period.

10. 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 realized or unrealized is distributed amongst the unit holders in cash. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gain / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2017 as reduced by capital gains (whether realized and unrealized) to unit holders in the form of cash.

11. 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 half year ended December 31, 2016 is 1.31% which includes 0.31% representing government levy, Sindh Worker's Welfare Fund and SECP fee.

12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties comprise 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 agreed /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 during the period and balances with them at period end, if not disclosed elsewhere in the condensed interim financial information are as follows:

12.1 Transactions during the period	(Un-Audited) Half year ended December 31, 2016 (Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee inclusive of sales tax and others	9,072	
Allocation of expenses related to registrar services, accounting, operation and valuation services	616	
Habib Bank Limited - Sponsor		
Bank charges paid	1,500	
Mark-up earned during the period	1,056	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	1,158	
12.2 Amounts outstanding as at period end	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management Fee	1,428	1,631
Sindh Sales Tax	186	267
Allocation of expenses related to registrar services, accounting, operation and valuation services	262	101
Sale load payable	3,653	848
Preliminary expenses and flotation costs	-	1,075
Habib Bank Limited - Sponsor		
Investment held in the Fund : 1,007,846 units (June 2016: 1,007,846 units)	111,953	103,346
Bank balances	22,289	12,923
Mark-up receivable on deposits with banks	82	99
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	218	191
Sindh Sales Tax	28	27
Security deposit	100	100
Executives of Management Company		
Investment held in the Fund : Nil units (June 2016: 101 units)	-	10
Associates		
Payable to HBL Islamic Money Market Fund against conversion of units	-	999
Payable to HBL Income Fund	8,925	-

13. 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.

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

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

December 31, 2016 (Un-Audited)								
Note	Carrying amount				Fair Value			
	Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)								
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
	332,822	-	-	332,822	332,822	-	-	332,822
- Listed equity securities	216,330	-	-	216,330	-	216,330	-	216,330
- Government of Pakistan - Ijarah sukuk								
	549,152	-	-	549,152	332,822	216,330	-	549,152
Financial assets not measured at fair value								
13.1								
Bank balances	-	439,789	-	439,789	-	-	-	-
Investments								
- Unlisted equity securities	642	-	-	642	-	-	-	-
Dividend receivable and accrued markup	-	7,255	-	7,255	-	-	-	-
Advances, deposits and other receivables	-	167,600	-	167,600	-	-	-	-
	642	614,644	-	615,286	-	-	-	-

December 31, 2016 (Un-Audited)								
Note	Carrying amount				Fair Value			
	Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)								
Financial liabilities not measured at fair value	13.1							
Payable to the Management Company	-	-	5,529	5,529	-	-	-	-
Payable to Trustee	-	-	246	246	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	-	455	455	-	-	-	-
Accrued expenses and other liabilities	-	-	35,102	35,102	-	-	-	-
Unit holders' fund	-	-	1,121,226	1,121,226	-	-	-	-
			1,162,558	1,162,558				
June 30, 2016 (Audited)								
Note	Carrying amount				Fair Value			
	Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)								
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments								
- Listed equity securities	257,946	-	-	257,946	257,946	-	-	257,946
- Government of Pakistan - Ijarah sukuk	394,164	-	-	394,164	-	394,164	-	394,164
	652,110			652,110	257,946	394,164		652,110
Financial assets not measured at fair value								
Bank balances	-	608,618	-	608,618	-	-	-	-
Investments								
- Unlisted equity securities	642	-	-	642	-	-	-	-
- Privately placed sukuk certificates	80,000	-	-	80,000	-	-	-	-
Accrued mark-up	-	9,911	-	9,911	-	-	-	-
Advances, deposits and other receivables	-	9,503	-	9,503	-	-	-	-
	80,642	628,032		708,674				
Financial liabilities not measured at fair value	13.1							
Payable to the Management Company	-	-	6,522	6,522	-	-	-	-
Payable to Trustee	-	-	218	218	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	-	377	377	-	-	-	-
Accrued expenses and other liabilities	-	-	3,703	3,703	-	-	-	-
Unit holders' fund	-	-	1,349,890	1,349,890	-	-	-	-
			1,360,710	1,360,710				

13.1 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.

14. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim financial information was authorized for issue by the Board of Directors of the Management Company on **February 24, 2017**.

15. GENERAL

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

15.2 As the Fund initiated its operations from January 11, 2016, therefore, there are no comparatives in condensed interim income statement and statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement.

15.3 This condensed interim financial information is unaudited and has been reviewed by the auditors. Further, the figures of the condensed interim income statement and statement of comprehensive income for the quarter ended December 31, 2016 have not been reviewed.

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

Chief Executive

Director

HBL

Islamic Stock Fund

FUND AND CORPORATE INFORMATION

Management Company HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

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

Risk Management Committee

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

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

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

Internal Auditors

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

Trustee

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

Bankers

Habib Bank Limited
National Bank of Pakistan
Bank Islami Pakistan Limited
Dubai Islamic Bank Limited

Legal Advisors

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

Website

www.hblasset.com

Head Office

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

Registered Office

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

TRUSTEE REPORT TO THE UNIT HOLDERS HBL ISLAMIC STOCK FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of **HBL 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 six months period ended December 31, 2016 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, February 28, 2017

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of asset and liabilities of **HBL Islamic Stock Fund** ("the Fund") as at December 31, 2016, and the related condensed interim income statement and statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds, condensed interim cash flow statement and notes to the accounts for the half year ended December 31, 2016 (here-in-after referred to as the "condensed interim financial information"). HBL Asset Management Limited ("Management Company") is responsible for the preparation and presentation of this condensed interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement and statement of comprehensive income for the quarter ended December 31, 2016, have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the half year ended December 31, 2016, is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The condensed interim financial information for the half year ended December 31, 2015 and financial statements for the year ended June 30, 2016, were reviewed and audited respectively by another firm of chartered accountants who, through their review report dated February 09, 2016 and audit report dated August 26, 2016, expressed an unqualified conclusion and opinion respectively thereon.

Chartered Accountants

Engagement Partner:
Naresh Kumar

Date: February 24, 2017
Place: Karachi

HBL Islamic Stock Fund
Condensed Interim Statement of Assets and Liabilities
As at December 31, 2016

	Note	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
(Rupees in '000)			
Assets			
Bank balances	4	133,320	48,402
Investments	5	919,467	770,779
Dividend receivable and accrued mark-up		2,959	1,781
Advances, deposits, prepayments and other receivables		2,628	6,431
Total assets		1,058,374	827,393
Liabilities			
Payable to Management Company	6	2,123	1,642
Payable to Trustee		169	151
Payable to the Securities and Exchange Commission of Pakistan		405	733
Accrued expenses and other liabilities	7	74,963	40,233
Total liabilities		77,660	42,759
Net assets		980,714	784,634
Unit holders' fund (as per statement attached)		980,714	784,634
(Number of units)			
Number of units in issue		6,115,730	6,129,438
(Rupees)			
Net assets value per unit		160.3593	128.0108

The annexed notes 1 to 14 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Stock Fund
Condensed Interim Income Statement and
Statement of Comprehensive Income (Un-Audited)
For the half year and quarter ended December 31, 2016

	Half year ended		Quarter ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Note	----- (Rupees in '000) -----			
Income				
Dividend income	22,460	17,344	14,453	8,441
Mark-up on deposits with banks	1,569	1,725	818	736
Capital gain on sale of investments - net	88,047	38,627	40,136	20,908
	112,076	57,696	55,407	30,085
Impairment loss on investments classified as available for sale	-	(9,619)	-	(5,299)
Expenses				
Remuneration of Management Company	9,637	10,514	4,818	5,147
Remuneration of Trustee	964	902	478	440
Annual fee to Securities and Exchange Commission of Pakistan	405	378	202	185
Allocation of expenses related to registrar services, accounting, operation and valuation services	8	426	74	209
Securities transaction costs	178	34	178	17
Auditors' remuneration	173	191	85	103
Settlement and bank charges	84	13	81	8
Amortisation of preliminary expenses and floatation costs	-	115	-	57
Other expenses	752	465	695	393
	12,619	12,686	6,746	6,424
	99,457	35,391	48,661	18,362
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	8,551	372	9,168	(105)
Provision of Workers' Welfare Fund / Sindh Workers' Welfare Fund	7.2	-	-	-
Net income for the period before taxation	108,008	35,763	57,829	18,257
Taxation	9	-	-	-
Net income for the period after taxation	108,008	35,763	57,829	18,257
Other comprehensive income for the period				
Items that will be reclassified subsequently to income statement				
Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale	89,826	(84,521)	96,061	(11,043)
	197,834	(48,758)	153,890	7,214

The annexed notes 1 to 14 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Stock Fund
Condensed Interim Distribution Statement (Un-Audited)
For the half year ended December 31, 2016

	Half year ended December 31,	
	2016	2015
	(Rupees in '000)	
Undistributed income brought forward - realised	116,929	80,140
Net income for the period	108,008	35,763
Element of (loss) / income and capital (losses) / gains included in the price of units issued less those in units redeemed - amount representing income / (loss) that form part of the unit holders' fund	(384)	1,026
Undistributed income carried forward - realised	224,553	116,929

The annexed notes 1 to 14 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Stock Fund
Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)
For the half year ended December 31, 2016

	Half year ended December 31,	
	2016	2015
	(Rupees in '000)	
Net assets at beginning of the period	784,634	783,608
Issue of 2,755,561 units (2015: 2,123,007 units)	397,867	108,437
Redemption of 2,769,269 units (2015: 2,102,708 units)	(391,070)	(78,877)
	6,797	29,560
Element of income capital gains included in prices of units issued less those in units redeemed - transferred to income statement		
- transferred to income statement and statement of comprehensive income	(8,551)	(372)
- transferred to distribution statement	384	(1,026)
	(8,167)	(1,398)
Net income for the period	108,008	35,763
Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale	89,826	(84,521)
Total comprehensive income for the period	197,834	(48,758)
Net element of (loss) / income and capital (loss) / gain included in price of units issued less those in units redeemed - transferred to the distribution statement	(384)	1,026
Net assets at end of the period	980,714	764,038
Net Assets value per unit at the beginning of the period	128.0108	128.2681
Net Assets value per unit at the end of the period	160.3593	120.4024

The annexed notes 1 to 14 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Stock Fund
Condensed Interim Cash Flow Statement (Un-Audited)
For the half year ended December 31, 2016

	Half year ended December 31,	
	2016	2015
(Rupees in '000)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	108,008	35,763
Adjustments		
Amortisation of preliminary expenses and floatation costs	-	115
Element of income and capital gains included in prices of units issued less those in units redeemed - net	(8,551)	(372)
(Increase) / decrease in assets	99,457	35,506
Investments - net	(58,862)	(75,482)
Dividend receivable and accrued mark-up	(1,178)	(491)
Advances, deposits, prepayments and other receivables	3,803	47
	(56,237)	(75,926)
Increase / (decrease) in liabilities		
Payable to Management Company	481	(2,543)
Payable to Trustee	18	8
Payable to Securities and Exchange Commission of Pakistan	(328)	(390)
Accrued expenses and other liabilities	34,730	4,999
	34,901	2,074
Net cash generated from / (used in) operating activities	78,121	(38,346)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issue of units	397,867	108,437
Payment against redemption of units	(391,070)	(78,877)
Net cash generated from financing activities	6,797	29,560
Net increase / (decrease) in cash and cash equivalents	84,918	(8,786)
Cash and cash equivalents at beginning of the period	48,402	75,742
Cash and cash equivalents at end of the period	133,320	66,956

The annexed notes 1 to 14 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Stock Fund
Notes to the Condensed Interim Financial Information (Un-Audited)
For the half year ended December 31, 2016

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 as a unit trust scheme on December 10, 2010.

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

The Fund is an open-ended mutual fund and 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 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 Agency has assigned management quality rating of 'AM2' 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

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS-34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2016.

2.1.3 In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2016.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except that certain financial assets are stated at fair value.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN

- 3.1 The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Fund for the year, ended June 30, 2016 except for the following:

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statement 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 from operations and items of other comprehensive income). The Fund, with effect from July 01, 2016, has changed its policy with regard to preparation of statement of comprehensive income and opted to prepare one single performance statement i.e. "income statement and statement of comprehensive income" showing both income or loss for the period from operations and items of other comprehensive income in it.

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

- 3.2 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2016 except for the following :

"From July 1, 2016, the Fund has revised its methodology for computation of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those redeemed."

"The revised methodology, in the opinion of management, reflects a more appropriate method for recognition of element and moreover is in conformity with the general industry practice. The new methodology is being consistently implemented across all funds managed by the Management Company. Management has treated the revision in methodology as change in accounting estimate. Had there been no change in estimate, the net profit for the period would have been lower by Rs. 7.28 million."

- 3.4 Certain amendments to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 01, 2016. None of these amendments are expected to have a significant effect on this condensed interim financial information.
- 3.5 The financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2016.

	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
	(Rupees in '000)	
4. BANK BALANCES		
Savings accounts	<u>133,320</u>	<u>48,402</u>

4.1 The balance in savings accounts carry expected profit which ranges from 3.75% to 6.30% (June 30, 2016: 4% to 6.50%) per annum.

	Note	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
		(Rupees in '000)	
5. INVESTMENTS			
Available for sale			
- Listed equity securities	5.1	918,185	769,497
- Unlisted equity securities	5.2	1,282	1,282
		<u>919,467</u>	<u>770,779</u>

5.1 Listed equity securities - Available for sale

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

Name of the Investee Company	Number of shares				As at December 31, 2016	Market value as at December 31, 2016	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2016	Purchases during the period	Bonus / Rights issue	Sales during the period			Total Investments	Net Assets	
(Rupees in '000)									
Personal Goods									
Nishat Mills Limited	117,500	230,200	-	136,000	211,700	32,235	3.51%	3.29%	0.06%
Construction and Material									
D.G. Khan Cement Company Limited	265,200	141,600	-	172,900	233,900	51,863	5.64%	5.29%	0.05%
Kohat Cement Limited	102,100	33,000	-	135,100	-	-	-	-	-
Lucky Cement Limited	113,000	58,400	-	61,000	110,400	95,635	10.40%	9.75%	0.03%
Maple Leaf Cement Factory Limited	217,000	65,000	-	50,000	232,000	29,599	3.22%	3.02%	0.04%
Pioneer Cement Limited	147,000	82,400	-	135,700	93,700	13,313	1.45%	1.36%	0.04%
Cherat Cement Company Limited	122,500	-	-	-	122,500	21,320	2.32%	2.17%	0.07%
Fauji Cement Limited	-	450,000	-	-	450,000	20,286	2.21%	2.07%	0.14%
	966,800	830,400	-	554,700	1,242,500	232,016	25.24%	23.66%	
Leather and tanneries									
Service Industries Limited	-	22,200	-	12,850	9,350	13,998	1.52%	1.43%	0.08%
Glass and ceramics									
Tariq Glass Limited	-	171,000	-	171,000	-	-	-	-	-

Name of the Investee Company	Number of shares				Market value		Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2016	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2016	as at December 31, 2016	Total Investments	Net Assets	
(Rupees in '000)									
Electricity									
K-Electric Limited (paid up share of Rs. 3.5 each)	2,900,000	-	-	2,900,000	-	-	-	-	-
The Hub Power Company Limited	639,400	307,200	-	264,400	682,200	84,238	9.16%	8.59%	0.06%
Kot Addu Power Company Limited	221,500	299,500	-	132,500	388,500	30,614	3.33%	3.12%	0.04%
	<u>3,760,900</u>	<u>606,700</u>	<u>-</u>	<u>3,296,900</u>	<u>1,070,700</u>	<u>114,852</u>	<u>12.49%</u>	<u>11.71%</u>	
Oil and Gas									
Mari Petroleum Company Limited	21,200	10,650	-	3,600	28,250	38,841	4.22%	3.96%	0.03%
Pakistan Oilfields Limited	100,200	43,400	-	45,700	97,900	52,339	5.69%	5.34%	0.04%
Pakistan Petroleum Limited	372,100	239,900	-	234,400	377,600	71,057	7.73%	7.25%	0.02%
Attock Petroleum Limited	37,750	20,400	-	39,050	19,100	13,076	0.01	0.01	0.02%
	<u>531,250</u>	<u>314,350</u>	<u>-</u>	<u>322,750</u>	<u>522,850</u>	<u>175,313</u>	<u>19.06%</u>	<u>17.88%</u>	
Fertilizers									
Fauji Fertilizer Bin Qasim Limited	287,000	-	-	287,000	-	-	-	-	-
Engro Corporation Limited	215,600	118,200	-	88,300	245,500	77,600	8.44%	7.91%	0.05%
Engro Fertilizer Limited	-	480,500	-	-	480,500	32,664	3.55%	3.33%	0.04%
	<u>502,600</u>	<u>598,700</u>	<u>-</u>	<u>375,300</u>	<u>726,000</u>	<u>110,264</u>	<u>11.99%</u>	<u>11.24%</u>	
Chemicals									
Dawood Hercules Corporation Limited	-	374,200	-	59,500	314,700	45,421	4.94%	4.63%	0.01%
Food and personal care products									
Engro Foods Limited	-	187,900	-	187,900	-	-	-	-	-
Paper and board									
Packages Limited	49,800	13,100	-	15,850	47,050	39,995	4.35%	4.08%	0.05%
Cable and electrical goods									
Pak Elektron Limited	275,500	96,000	-	239,000	132,500	9,445	1.03%	0.96%	0.03%
Pharma and Bio Tech									
Searle Company Limited (5.1.2)	54,890	17,700	866	48,700	24,756	16,185	1.76%	1.65%	0.02%
GlaxoSmithKline Pakistan Limited	68,900	21,400	-	41,900	48,400	11,292	1.23%	1.15%	0.02%
	<u>123,790</u>	<u>39,100</u>	<u>866</u>	<u>90,600</u>	<u>73,156</u>	<u>27,477</u>	<u>2.99%</u>	<u>2.80%</u>	
Automobile Assembler									
Pak Suzuki Motor Company Limited	41,200	21,000	-	41,200	21,000	12,869	1.40%	1.31%	0.03%
Honda Atlas Cars (Pakistan) Limited	-	40,100	-	18,300	21,800	14,576	1.59%	1.49%	0.02%
Millat Tractors Limited	-	39,100	-	25,300	13,800	12,484	1.36%	1.27%	0.03%
	<u>41,200</u>	<u>100,200</u>	<u>-</u>	<u>84,800</u>	<u>56,600</u>	<u>39,929</u>	<u>4.35%</u>	<u>4.07%</u>	
Automobile parts and Accessories									
General Tyre and Rubber Company Limited	100,900	67,800	-	131,400	37,300	10,389	1.13%	1.06%	0.06%
Oil and Gas Marketing Companies									
Hascol Petroleum Limited	-	26,700	-	-	26,700	9,012	0.98%	0.92%	0.02%
Sui Northern Gas Pipelines Limited	-	457,500	-	278,000	179,500	14,642	1.59%	1.49%	0.03%
	<u>-</u>	<u>484,200</u>	<u>-</u>	<u>278,000</u>	<u>206,200</u>	<u>23,654</u>	<u>2.57%</u>	<u>2.41%</u>	
Sugar and Allied Industries									
Faran Sugar Mills Limited	-	40,900	-	-	40,900	6,739	0.73%	0.69%	0.16%
Refinery									
Attock Refinery Limited	-	36,200	-	-	36,200	15,396	1.67%	1.57%	0.04%
Engineering									
Amreli Steels Limited	515,500	-	-	368,000	147,500	9,822	1.07%	1.00%	0.05%
Crescent Steel and Allied Products Limited	314,500	-	-	241,600	72,900	11,240	1.21%	1.15%	0.09%
Mughal Iron and Steel Limited	455,000	-	-	455,000	-	-	-	-	-
	<u>1,285,000</u>	<u>-</u>	<u>-</u>	<u>1,064,600</u>	<u>220,400</u>	<u>21,062</u>	<u>2.28%</u>	<u>2.15%</u>	
	<u>7,755,240</u>	<u>4,213,150</u>	<u>866</u>	<u>7,021,150</u>	<u>4,948,106</u>	<u>918,185</u>	<u>99.85%</u>	<u>93.62%</u>	
Cost of investments at December 31, 2016	<u>769,509</u>								

5.1.1 Investments include shares having market value aggregating to Rs. 63.45 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP

5.1.2 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. 257,593 at December 31, 2016 (June 30, 2016: Rs. 166,207) 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.

5.2 Unlisted equity securities - Available for sale

Shares of unlisted companies

Name of the Investee Company	Number of shares				As at December 31, 2016	Carrying value as at December 31, 2016	Carrying value as a percentage	
	As at July 1, 2016	Purchases during the period	Bonus / Rights issue	Sales during the period			Total Investments	Net Assets
----- (Rupees in '000) -----								
Pharma and Bio Tech								
GlaxoSmithKline Consumer Healthcare Pakistan Limited (Note 5.2.1)	20,670	-	-	-	20,670	1,282	0.14%	0.13%
Cost of investments at December 31, 2016						-		

5.2.1 This represents shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited (the Company), a subsidiary of GlaxoSmithKline Plc, which were received due to demerger of GlaxoSmithKline Pakistan Limited on April 01, 2016. These are stated at break up value of 62 rupee per share as trading in shares has not yet commenced. The Company has submitted its listing application with Pakistan Stock Exchange Limited which is currently pending.

5.3 Net unrealised appreciation on remeasurement of investments classified as available for sale	Note	(Un-Audited)	(Audited)
		December 31, 2016	June 30, 2016
Market value / carrying value of investments	5.1 & 5.2	919,467	770,779
Less : Cost of investments less impairment	5.1 & 5.2	768,894	710,032
		150,573	60,747

	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
Note	(Rupees in '000)	
5.3.1 Movement in impairment against investments		
Opening balance	10,525	-
Add: Charge for the period / year	-	16,494
Less: Reversals made during the period / year	(9,910)	(5,969)
Net charge	(9,910)	10,525
Closing balance	615	10,525
6. PAYABLE TO MANAGEMENT COMPANY		
Management fee	6.1 1,499	1,288
Sindh Sales Tax	6.2 195	210
Sales load payable	216	80
Allocation of expenses related to registrar services, accounting, operation and valuation services	8 213	64
	2,123	1,642

6.1 Under the revised Non-Banking Finance Companies and Notified Entities Regulations 2008, notified on November 25, 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding two percent of average annual net assets. The Management Company has charged its remuneration at the rate of two percent per annum.

6.2 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 period, SST at the rate of 13 percent effective from July 1, 2016 (June 30, 2016: 14 percent) was charged on the remuneration of Management Company and sales load.

	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
Note	(Rupees in '000)	
7. ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration payable	461	278
Charity payable	2,694	2,373
Federal Excise Duty	7.1 6,793	6,793
Zakat payable	26	-
Withholding tax payable	-	149
Capital gain tax payable	621	-
Payable to HBL Income Fund against conversion of units	-	1,927
Shariah Advisory Fee payable	125	-

		(Un-Audited) December 31, 2016	(Audited) June 30, 2016
	Note	(Rupees in '000)	
Other payables		11	129
Payable to brokers		921	525
Payable against purchase of shares		55,037	19,785
Provision for Federal Workers' Welfare Fund	7.2	4,281	8,274
Provision for Sindh Workers' Welfare Fund	7.2	3,993	-
		74,963	40,233

7.1 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 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 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.

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, as a matter of abundant caution, has made a provision on FED on remuneration of Pension Fund Manager with effect from June 13, 2013 aggregating to Rs. 6.79 million. Had the provision not being made, the Net Asset Value per unit as at December 31, 2016 would have been higher by Rs. 1.11 (June 30, 2016: Rs. 1.10) .

7.2 WORKERS' WELFARE FUND (WWF) AND SINDH WORKERS' WELFARE FUND (SWWF)

As disclosed in the annual audited financial of the Fund for the year ended June 30, 2016, the Fund had maintained provision of the Workers' Welfare Fund (WWF), which had been recognized till June 30, 2015, as the decision in the High Court of Sindh was pending with regard to applicability of WWF on Collective Investment Schemes (CISs), although the High Court of Sindh, in other case, had provided the judgement considering levy of WWF lawful whereas the Lahore High Court had provided different conclusion.

However, in the current period, 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 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:

- As an abundant caution, 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 excess 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 of Rs. 4.28 million should be carried forward till the matter is cleared.

Subsequent to the period end December 31, 2016, in the wake of the above developments i.e. decision of the SCP and communications took place with regard to SWWF, the MUFAP also, on behalf of Asset Management Companies (AMCs) and Collective Investment Schemes (CISs), obtained legal opinion on December 05, 2016 and called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members the following, 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 Commission (SECP) through its letter dated January 12, 2017, which was also endorsed by the SECP through its letter dated February 1, 2017.

Considering the recommendation of the MUFAP, the Management Company on January 12, 2017, reversed the excess provision of WWF of Rs. 4.28 million. Had the excess provision been reversed as of December 31, 2016, as an adjusting event, the NAV per unit of the Fund would have been higher by Rs. 0.70.

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

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

The expenses represent the allocation of expenses relating to registrar services, accounting, operation and valuation services at 0.1% of average net annual assets of the Fund during the period July 01, 2016 to December 31, 2016. "

9. 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 realized or unrealized is distributed amongst the unit holders in cash. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute at

least 90 percent of the Fund's accounting income for the year ending June 30, 2017 as reduced by capital gains (whether realized or unrealized) to its unit holders in the form of cash.

10. 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 half year ended December 31, 2016 is 1.49%, which includes 0.20% representing government levy, Worker's Welfare Fund and SECP fee.

11. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties 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 agreed / contracted rates and terms determined in accordance with market rates, and the Trust Deed respectively.

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

Details of the transactions with connected persons during the period / year and balances with them at period/year end, if not disclosed elsewhere in this condensed interim financial information are as follows:

	(Un-Audited)	
	For the Half Year ended	
	December 31,	
	2016	2015
	(Rupees in '000)	
11.1 Transactions during the period		
HBL Asset Management Limited - Management Company		
Management fee inclusive of sales tax and others	9,637	10,514
Allocation of expenses related to registrar services, accounting, operation and valuation services	426	74
Habib Bank Limited - Sponsor		
Bank charges paid	9	8
Mark-up earned during the year	359	351
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	964	902
Central Depository services charges	66	72
Executive of the Management Company and their relatives		
Executives and their relatives		
Redemption 5,517 units (December 31, 2015 : Nil)	850	-

	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
	(Rupees in '000)	
11.2 Amounts outstanding as at period end		
HBL Asset Management Limited - Management Company		
Management fee	1,499	1,288
Sindh Sales Tax	195	210
Sales load payable	216	80
Allocation of expenses related to registrar services, accounting, operation and valuation services	213	64
Habib Bank Limited - Sponsor		
Investment held in the Fund by sponsor: 5,089,354 units (June 30, 2016: 5,089,354 units)	816,125	651,492
Bank balances with sponsor	103,324	3,053
Mark-up receivable on deposits with banks	24	20
HBL Money Market Fund - Associate		
Receivable against conversion of units	-	400
HBL Income Fund - Associate		
Payable against conversion of units	-	1,927
HBL Islamic Money Market Fund		
Receivable against conversion of units	-	3,364
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	150	129
Sindh Sales Tax	19	22
Security deposit	100	100
Executives of the Management Company		
Investment held in the Fund : 10,549 units (June 30, 2016: 16,067 units)	1,693	2,057
Directors of connected persons		
Investment held in the Fund : 71,885 units (June 30, 2016: 71,885)	11,582	9,202

12. 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.

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

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

		December 31, 2016							
		Carrying amount			Fair Value				
Note	Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
(Rupees in '000)									
Financial assets measured at fair value									
Investments									
	- Listed equity securities	918,185	-	-	918,185	918,185	-	-	918,185
Financial assets not measured at fair value									
12.1									
Investments									
	- Unlisted equity securities	1,282	-	-	1,282	-	-	-	-
	Bank balances	-	133,320	-	133,320	-	-	-	-
	Dividend receivable and accrued mark-up	-	2,959	-	2,959	-	-	-	-
	Advances, deposits and other receivables	-	2,600	-	2,600	-	-	-	-
		1,282	138,879	-	140,161	-	-	-	-

	December 31, 2016							
	Carrying amount				Fair Value			
	Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)							
Financial liabilities not measured at fair value								
Payable to the Management Company	-	-	2,123	2,123	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	169	169	-	-	-	-
Accrued expenses and other liabilities	-	-	61,195	61,195	-	-	-	-
Units holders' fund	-	-	980,714	980,714	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	-	405	405	-	-	-	-
	-	-	1,044,201	1,044,201	-	-	-	-

	June 30, 2016							
	Carrying amount				Fair Value			
	Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)							
Investments								
- Listed equity securities	769,497	-	-	769,497	769,497	-	-	769,497
	769,497	-	-	769,497	769,497	-	-	769,497
Financial assets not measured at fair value								
Investments								
- Unlisted equity securities	1,282	-	-	1,282	-	-	-	-
Bank balances	-	48,402	-	48,402	-	-	-	-
Dividend receivable and accrued mark-up	-	1,781	-	1,781	-	-	-	-
Advances, deposits and other receivables	-	6,364	-	6,364	-	-	-	-
	1,282	56,547	-	57,829	-	-	-	-
Financial liabilities not measured at fair value								
Payable to the Management Company	-	-	1,642	1,642	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	151	151	-	-	-	-
Accrued expenses and other liabilities	-	-	25,166	25,166	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	-	733	25,166	-	-	-	-
Units holders' fund	-	-	784,634	784,634	-	-	-	-
	-	-	812,326	836,759	-	-	-	-

12.1 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.

13. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **February 24, 2017**.

14. GENERAL

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

14.2 This condensed interim financial information is unaudited and has been reviewed by the auditors. Further, the figures presented in condensed interim statement of income and other comprehensive income for the quarter ended December 31, 2016 have not been reviewed.

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

Chief Executive

Director

PICIC

Islamic Income Fund

FUND AND CORPORATE INFORMATION

Management Company HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

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

Risk Management Committee

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

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

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

Internal Auditors

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

Trustee

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

Bankers

Al Baraka Bank Limited
Bank Islamic Pakistan Limited
Burj Bank Limited
Dubai Islamic Limited
HBL Bank Limited
Soneri Bank Limited
UBL Bank Limited

Legal Advisors

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

Website

www.hblasset.com

Head Office

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

Registered Office

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

TRUSTEE REPORT TO THE UNIT HOLDERS PICIC ISLAMIC INCOME FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of **PICIC 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 six months period ended December 31, 2016 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, February 28, 2017

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **PICIC Islamic Income Fund** (the Fund) as at December 31, 2016, and the related condensed interim income statement and other comprehensive income, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and notes to the accounts for the half year ended December 31, 2016 (here-in-after referred to as the 'interim financial information'). HBL Asset Management Limited (the Management Company) is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement and other comprehensive income for the quarter ended December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The interim financial information of the Fund for the half year ended December 31, 2015 and the annual financial statements of the Fund for the year ended June 30, 2016 were reviewed and audited respectively by another firm of Chartered Accountants whose report dated February 10, 2016 and August 26, 2016 expressed an unqualified conclusion and opinion thereon respectively.

Chartered Accountants

Engagement Partner

Naresh Kumar

Date: February 24, 2017

Place: Karachi

PICIC ISLAMIC INCOME FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2016

	December 31, 2016 (Un-Audited)	June 30, 2016 (Audited)
Note	(Rupees in '000)	
Assets		
Bank balances	4	287,214
Investments	5	68,485
Profit receivable		3,562
Advance against initial public offering	6	60,000
Preliminary expenses and floatation costs		1,962
Deposits and prepayments		207
Total assets		421,430
Liabilities		
Payable to Management Company	7	829
Payable to Central Depository Company of Pakistan Limited - Trustee		69
Payable to the Securities and Exchange Commission of Pakistan		118
Dividend payable		-
Accrued expenses and other liabilities	8	2,456
Total liabilities		3,472
Net assets		417,958
Unit holders' fund (as per statement attached)		417,958
(Number of units)		
Number of units in issue		4,057,264
(Rupees)		
Net assets value per unit		103.0148

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

**PICIC ISLAMIC INCOME FUND
CONDENSED INTERIM INCOME STATEMENT AND
OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
Note	------(Rupees in '000)-----			
Income				
Capital gain on sale of investments - net	-	4	-	4
Income from sukuku	1,218	2,752	549	1,199
Profit on bank deposits	8,040	8,918	4,496	3,433
	9,258	11,674	5,045	4,636
Unrealised appreciation / (diminution) on re-measurement of investments at 'fair value through profit or loss - held for trading' - net	428	43	380	(239)
	9,686	11,717	5,425	4,397
Expenses				
Remuneration of Management Company	1,143	1,728	660	723
Remuneration of Central Depository Company of Pakistan Limited - Trustee	303	365	173	159
Annual fee to the Securities and Exchange Commission of Pakistan	118	141	68	61
Allocation of expenses related to registrar services, accounting, operation and valuation services	167	-	90	-
Amortisation of preliminary expenses and floatation costs	412	412	206	206
Securities transaction costs	10	1	10	-
Auditors' remuneration	126	117	48	48
Settlement and bank charges	13	15	8	6
Other expenses	298	357	141	226
	2,590	3,136	1,404	1,429
Net income from operating activities	7,096	8,581	4,021	2,968
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	2,277	(1,838)	1,743	(396)
(Provision for) / Reversal of Workers' Welfare Fund / Sindh Workers' Welfare Fund	(145)	-	(145)	83
Net income for the period before taxation	9,228	6,743	5,619	2,655
Taxation	-	-	-	-
Net income for the period after taxation	9,228	6,743	5,619	2,655
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	9,228	6,743	5,619	2,655

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

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

Chief Executive

Director

PICIC ISLAMIC INCOME FUND
CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2016

	Half year ended	
	December 31,	
	2016	2015
	(Rupees in '000)	
Undistributed Income brought forward comprising of:		
Realised income / (loss)	1,146	(505)
Unrealised income	522	1,887
	1,668	1,382
Net income for the period	9,228	6,743
Element of income / (loss) and capital gains / (losses) included in the price of units issued less those in units redeemed - transferred to Distribution Statement - net	1,335	(218)
Undistributed Income carried forward	12,231	7,907
Undistributed Income carried forward comprising of:		
Realised income	11,803	7,864
Unrealised income	428	43
	12,231	7,907

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC INCOME FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN
UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2016

	Half year ended	
	December 31,	
	2016	2015
	(Rupees in '000)	
Net assets at beginning of the period	226,967	359,343
Issue of 3,133,564 units (2015: 3,287,816 units)	319,684	332,897
Redemption of 1,329,290 units (2015: 3,852,781 units)	(135,644)	(391,450)
	184,040	(58,553)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- transferred to the Income Statement and Other Comprehensive Income	(2,277)	1,838
- transferred to the Distribution Statement	(1,335)	218
	(3,612)	2,056
Total comprehensive income for the period	9,228	6,743
Element of loss / (income) and losses / capital (gains) included in prices of units issued less those in units redeemed - transferred to the Distribution Statement	1,335	(218)
Net assets at end of the period	417,958	309,371
Net assets value per unit at the beginning of the period	100.7401	100.3861
Net assets value per unit at the end of the period	103.0148	102.6230

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC INCOME FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2016

	Half year ended	
	December 31,	
Note	2016	2015
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	9,228	6,743
Adjustments		
Income from sukuks	(1,218)	(2,752)
Profit on bank deposits	(8,040)	(8,918)
Amortisation of preliminary expenses and floatation cost	412	412
(Provision for) / Reversal of Workers' Welfare Fund / Sindh	145	-
Unrealised appreciation on re-measurement of investments at fair value through profit or loss - held for trading' - net	(428)	(43)
Element of (income) / loss included in prices of units issued less those in units redeemed - net	(2,277)	1,838
	<u>(2,178)</u>	<u>(2,720)</u>
(Increase) / decrease in assets		
Investments - net	(29,714)	81,019
Advance against initial public offering	(60,000)	-
Deposits and prepayments	74	87
	<u>(89,640)</u>	<u>81,106</u>
Increase / (decrease) in liabilities		
Payable to Management Company	574	(42)
Payable to Central Depository Company of Pakistan Limited - Trustee	22	(1)
Payable to the Securities and Exchange Commission of Pakistan	(142)	(259)
Accrued expenses and other liabilities	(9,318)	(210)
	<u>(8,864)</u>	<u>(512)</u>
Cash (used in) / generated from operations	(100,682)	77,874
Income received from sukuk	760	3,291
Profit received on bank deposits	7,629	9,100
	<u>8,389</u>	<u>12,391</u>
Net cash (used in) / generated from operating activities	(92,293)	90,265
CASH FLOW FROM FINANCING ACTIVITIES		
Amount received on issue of units	319,684	332,897
Payment against redemption of units	(135,644)	(391,450)
Dividend paid	(2,040)	(5,581)
	<u>182,000</u>	<u>(64,134)</u>
Net cash generated from / (used in) financing activities	182,000	(64,134)
Net increase in cash and cash equivalents	89,707	26,131
Cash and cash equivalents at beginning of the period	197,507	240,500
Cash and cash equivalents at end of the period	4 <u>287,214</u>	<u>266,631</u>

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC INCOME FUND
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

The PICIC Islamic Income Fund (the 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.

During the period, the Securities and Exchange Commission of Pakistan (SECP) approved merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited, a wholly owned subsidiary of Habib Bank Limited. Consequently, HBL Asset Management Limited became Management Company of the Fund effective from September 1, 2016.

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

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 Management Company is a wholly owned subsidiary of NIB Bank Limited (the Bank). The Bank is pursuing a transaction for divestment of its equity stake in the Management Company.

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.

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 and a stability rating of 'A+(f)' to the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS - 34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2016.

2.1.3 In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare

that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2016.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except that certain financial assets are stated at fair value.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN

- 3.1 The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Fund for the year, ended June 30, 2016.
- 3.2 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2016.
- 3.4 Certain amendments to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 01, 2016. None of these amendments are expected to have a significant effect on this condensed interim financial information.
- 3.5 The Fund's financial risk management objectives and policies are consistent with that disclosed in this condensed interim financial information for the period ended December 31, 2016.

		December 31, 2016 (Un-Audited)	June 30, 2016 (Audited)
	Note	(Rupees in '000)	
4. BANK BALANCES			
In savings accounts	4.1	<u><u>287,214</u></u>	<u><u>197,507</u></u>

- 4.1 Mark-up rates on these accounts range between 5.80% - 6.10% per annum (June 30, 2016: 1.00% - 6.25% per annum).

		December 31, 2016 (Un-Audited)	June 30, 2016 (Audited)
	Note	(Rupees in '000)	
5. INVESTMENTS			
Fair value through profit or loss - held-for-trading			
- Corporate sukuk certificates	5.1	<u>68,485</u>	<u>38,344</u>

5.1 Corporate sukuk certificates - held-for-trading

	Note	Number of Certificates			Market Value			
		As at July 1, 2016	Purchases during the period	Sales / Matured during the period	As at December 31, 2016	As at December 31, 2016	As percentage of total investment	As percentage of net assets
					(Rupees in '000)			
Engro Fertilizer Sukuk	5.1.1	8,000	-	-	8,000	37,240	54.38	8.91
Meezan Bank Sukuk	5.1.2	-	30	-	30	31,245	45.62	7.48
		<u>8,000</u>	<u>30</u>	<u>-</u>	<u>8,030</u>	<u>68,485</u>	<u>100.00</u>	<u>16.39</u>
Carrying Value as at December 31, 2016					<u><u>68,057</u></u>			

5.1.1 This represents 8,000 certificates of Engro Fertilizer Limited sukuk having redeemed face value of Rs. 4,500/- each. These sukuk carry semi annual coupon at 6 months KIBOR plus 1.75%, having a tenor of 5 years and will mature on July 09, 2019.

5.1.2 This represents 30 certificates of Meezan Bank Limited sukuk having face value of Rs. 1,000,000/- each. These sukuk carry semi annual coupon at 6 months KIBOR plus 0.5%, having a tenor of 10 years and will mature on September 22, 2026.

6. ADVANCE AGAINST INITIAL PUBLIC OFFERING

This represents advances amounted to Rs. 60 million (June 30, 2016: Nil) paid in relation to initial public offering of sukuk certificates to be issued by Fatima Fertilizer Limited.

		December 31, 2016 (Un-Audited)	June 30, 2016 (Audited)
	Note	(Rupees in '000)	
7. PAYABLE TO MANAGEMENT COMPANY			
Management fee	7.1	261	155
Sindh Sales Tax	7.2	34	22
Sales load payable		500	54
Allocation of expenses related to registrar services, accounting, operation and valuation services	9	34	24
		<u>829</u>	<u>255</u>

- 7.1 As per the offering document of the fund, the Management Company shall charge 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 as may be issued by the Commission from time to time. The fee is payable monthly in arrears. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.
- 7.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2016: 14 %) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

		December 31, 2016 (Un-Audited)	June 30, 2016 (Audited)
	Note	(Rupees in '000)	
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Payable on redemption of units		-	7,576
Federal excise duty		1,344	1,344
Provision for Workers' Welfare Fund	8.1	-	333
Provision for Sindh Workers' Welfare Fund	10	478	-
Payable to brokers	10	10	-
Withholding tax payable		373	2,068
Auditors' remuneration		96	115
Printing charges		140	175
Others		15	19
		2,456	11,630

- 8.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the fund manager 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 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.

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, Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 1.344 million.

Had the provision not being made, the NAV per unit as at December 31, 2016 would have been higher by Rs. 0.33 (June 30, 2016: Rs. 0.60) per unit.

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

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% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged actual shariah advisory fee and aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the period.

10. WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

As disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2016, the Fund had maintained provision of the Workers' Welfare Fund (WWF), which had been recognized till June 30, 2015, as the decision in the High Court of Sindh was pending with regard to applicability of WWF on Collective Investment Schemes (CISs), although the High Court of Sindh, in other case, had provided the judgement considering levy of WWF lawful whereas the Lahore High Court had provided a different conclusion.

However, in the current period, the Supreme Court of Pakistan (SCP) passed a judgement 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 judgement, 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:

- As an abundant caution, 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 excess provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company recognized additional provision of Rs. 145,096 as of December 31, 2016 to meet shortfall in provision required for SWWF net of provision already made for WWF.

Subsequent to the period ended December 31, 2016, in the wake of the above developments i.e. decision of the SCP and communications took place with regard to SWWF, the MUFAP also, on behalf of Asset Management Companies (AMCs) and Collective Investment Schemes (CISs), obtained legal opinion on December 05, 2016 and called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members the following, 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.

The Management Company considered the recommendations of the MUFAP and assessed that there is no impact which should have been recognized in this interim financial information.

11. TAXATION

The income of the Fund is exempt from tax under clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed among its unit holders in cash. The Fund has not recorded a tax liability in respect of income relating to the current period as the Management Company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90 percent of net accounting income other than capital gains / losses to unit holders. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

12. 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.

As mentioned in note 1, PICIC Asset Management Company Limited merged with and into HBL Asset Management Limited, therefore PICIC Asset Management Company Limited remained related party till August 31, 2016.

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

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

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

12.1 Transactions during the period	Half year ended	
	December 31,	
	2016	2015
	(Rupees in '000)	
HBL Asset Management Limited - Management Company **		
Remuneration of Management Company	736	-
Sindh Sales Tax on remuneration of Management Company	95	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	125	-
Sales load paid	284	-
Redemption of 248,136 units (2015: Nil units)	25,400	-
PICIC Asset Management Limited - Management Company		
Remuneration of Management Company	275	1,307

	Half year ended December 31,	
	2016	2015
	(Rupees in '000)	
Sindh Sales Tax on remuneration of Management Company	36	183
Federal Excise Duty (FED) on remuneration of Management company	-	238
Allocation of expenses related to registrar services, accounting, operation and valuation services	42	-
Sales load paid	273	688
Habib Bank Limited - Sponsor **		
Bank charges paid	2	-
Profit on bank deposits earned	13	-
Profit on bank deposits received	13	-
Executives of the Management Company		
Issue of 15,702 units (2015: Nil units)	1,585	-
Redemption of 7,980 units (2015: 7,228 units)	810	728
Connected persons holding 10% or more units		
Siddiq Leather Works (Private) Limited *		
Issue of Nil units (2015: 492,077 units)	-	50,000
Redemption of Nil units (2015: 840,803 units)	-	85,000
Darul Aloom Jamea Naimia *		
Issue of Nil units (2015: 329,876 units)	-	33,128
Arshad Mahmud *		
Issue of Nil units (2015: 385,184 units)	-	40,000
Hamdard Laboratories (Waqf) Pakistan **		
Issue of 1,345,205 units (2015: Nil units)	137,548	-
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration	303	365
Central Depository Service charges	3	3

	December 31, 2016 (Un-Audited)	June 30, 2016 (Audited)
	(Rupees in '000)	
12.2 Balances outstanding as at period / year end		
HBL Asset Management Limited - Management Company **		
Remuneration of the Management Company	261	-
Sindh Sales Tax on remuneration of the Management Company	34	-
Sales load payable	500	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	34	-
PICIC Asset Management Limited - Management Company *		
Investment held in the Fund : Nil units (June 30, 2016: 248,136 units)	-	24,997
Remuneration of the Management Company	-	155
Sindh Sales Tax on remuneration of the Management Company	-	22
Sales load payable	-	54
Allocation of expenses related to registrar services, accounting, operation and valuation services	-	371
Habib Bank Limited - Sponsor		
Bank balances	1,082	139
Executives of the Management Company		
Investment held in the Fund : 53,964 units (June 30, 2016: 46,242 units)	5,559	4,658
Connected persons holding 10% or more units		
Fatima Fertilizer Company Limited Management Staff Provident Fund *		
Investment held in the Fund: Nil units (2016: 377,077 units)	-	37,987
Darul Aloom Jamea Naimia *		
Investment held in the Fund: Nil units (2016: 329,876 units)	-	33,232
Dividend payable	-	1,113
Hamdard Laboratories (WAQF) Pakistan		
Investment held in the Fund: 1,691,976 units (2016: 346,771 units)	174,299	34,934
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	69	47
Security deposit	100	100

* Current year transactions / balances of these parties have not been disclosed as they did not remain related parties during the period.

**Comparative transactions / balances of these parties have not been disclosed as these parties were not related parties in last period.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

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

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

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

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

		December 31, 2016							
		Carrying amount				Fair Value			
		Fair value through profit or loss - held for trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)							
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
- Corporate sukuk certificates		68,485	-	-	68,485	-	68,485	-	68,485
		<u>68,485</u>	<u>-</u>	<u>-</u>	<u>68,485</u>	<u>-</u>	<u>68,485</u>	<u>-</u>	<u>68,485</u>
Financial assets not measured at fair value									
13.1									
Bank balances		-	287,214	-	287,214	-	-	-	-
Advance against initial public offering		-	60,000	-	60,000	-	-	-	-
Profit receivable		-	3,562	-	3,562	-	-	-	-
Deposits		-	100	-	100	-	-	-	-
		<u>-</u>	<u>350,876</u>	<u>-</u>	<u>350,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
13.1									
Payable to Management Company		-	-	829	829	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	69	69	-	-	-	-
Accrued expenses and other liabilities		-	-	257	257	-	-	-	-
		<u>-</u>	<u>-</u>	<u>1,155</u>	<u>1,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

		June 30, 2016							
		Carrying amount			Fair Value				
	Note	Fair value through profit or loss - held-for-trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
- Corporate sukuk certificates									
		38,344	-	-	38,344	-	38,344	-	38,344
		<u>38,344</u>	<u>-</u>	<u>-</u>	<u>38,344</u>	<u>-</u>	<u>38,344</u>	<u>-</u>	<u>38,344</u>
Financial assets not measured at fair value									
	13.1								
Bank balances									
		-	197,507	-	197,507	-	-	-	-
Profit receivable									
		-	2,694	-	2,694	-	-	-	-
Deposits									
		-	100	-	100	-	-	-	-
		<u>-</u>	<u>200,301</u>	<u>-</u>	<u>200,301</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Financial liabilities not measured at fair value									
	13.1								
Payable to Management Company									
		-	-	255	255	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee									
		-	-	47	47	-	-	-	-
Dividend Payable									
		-	-	2,040	2,040	-	-	-	-
Accrued expenses and other liabilities									
		-	-	300	300	-	-	-	-
		<u>-</u>	<u>-</u>	<u>2,642</u>	<u>2,642</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

13.1 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.

14. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan (SECP), the total expense ratio of the Fund for the half year ended December 31, 2016 is 0.87% (YTD) which includes 0.14% representing government levy, Sindh Worker's Welfare Fund and SECP fee.

15. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **February 24, 2017**.

16. GENERAL

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

16.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

16.3 This condensed interim financial information is unaudited and has been reviewed by the auditors. Further, the figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2016 have not been reviewed.

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

Chief Executive

Director

PICIC

Islamic Stock Fund

FUND AND CORPORATE INFORMATION

Management Company HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

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

Risk Management Committee

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

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

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

Internal Auditors

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

Trustee

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

Bankers

AlBaraka Bank Limited
Bank Islamic Pakistan Limited
Burj Bank Limited
NIB Bank Limited

Legal Advisors

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

Website

www.hblasset.com

Head Office

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

Registered Office

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

TRUSTEE REPORT TO THE UNIT HOLDERS PICIC ISLAMIC STOCK FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of **PICIC 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 six months period ended December 31, 2016 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, February 28, 2017

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **PICIC Islamic Stock Fund** (the Fund) as at December 31, 2016, and the related condensed interim income statement and other comprehensive income, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and notes to the accounts for the half year ended December 31, 2016 (here-in-after referred to as the 'interim financial information'). HBL Asset Management Limited (the Management Company) is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement and other comprehensive income for the quarter ended December 31, 2016 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matter

The interim financial information of the Fund for the half year ended December 31, 2015 and the annual financial statements of the Fund for the year ended June 30, 2016 were reviewed and audited respectively by another firm of Chartered Accountants whose report dated February 10, 2016 and August 26, 2016 expressed an unqualified conclusion and opinion thereon respectively.

Chartered Accountants

Engagement Partner
Naresh Kumar

Date: February 24, 2017
Place: Karachi

PICIC ISLAMIC STOCK FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2016

		December 31, 2016 (Un-audited)	June 30, 2016 (Audited)
	Note	(Rupees in '000)	
Assets			
Bank balances	4	14,153	111,376
Investments	5	485,724	263,994
Dividend and profit receivable		1,633	549
Deposits and prepayments		2,653	2,632
Preliminary and floatation costs		487	589
Total assets		504,650	379,140
Liabilities			
Payable to Management Company	6	1,295	777
Payable to Central Depository Company of Pakistan Limited - Trustee		93	72
Payable to the Securities and Exchange Commission of Pakistan		220	377
Payable against purchase of investments		1,699	13,060
Accrued expenses and other liabilities	7	10,560	14,300
Unclaimed dividend		-	1,630
Total liabilities		13,867	30,216
Net assets		490,783	348,924
Unit holders' fund (as per statement attached)		490,783	348,924
(Number of units)			
Number of units in issue		3,690,728	3,277,092
(Rupees)			
Net assets value per unit		132.9773	106.4738

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

**PICIC ISLAMIC STOCK FUND
CONDENSED INTERIM INCOME STATEMENT AND
OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

	Note	Half year ended December 31,		Quarter ended December 31,	
		2016	2015	2016	2015
------(Rupees in '000)-----					
Income					
Capital gain / (loss) on sale of investments - net		40,990	6,907	26,302	(199)
Dividend income		10,453	8,144	7,066	4,511
Profit on bank deposits		1,531	2,628	403	1,459
		52,974	17,679	33,771	5,771
Unrealised appreciation / (diminution) on re-measurement of investments at "fair value through profit or loss - held-for-trading" - net		56,795	(5,076)	45,798	(3,307)
		109,769	12,603	79,569	2,464
Expenses					
Remuneration of Management Company		5,209	7,821	2,737	4,413
Remuneration of Central Depository Company of Pakistan Limited - Trustee		521	472	274	254
Annual fee to the Securities and Exchange Commission of Pakistan		220	187	116	105
Allocation of expenses related to registrar services, accounting, operation and valuation services	10	230	-	84	-
Securities transaction costs		2,154	590	1,390	392
Amortization of preliminary and floatation costs		102	102	51	51
Auditors' remuneration		127	117	48	47
Settlement and bank charges		228	158	117	2
Other expenses		226	348	68	224
		9,017	9,795	4,885	5,488
Net income / (loss) from operating activities		100,752	2,808	74,684	(3,024)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net		(367)	10,556	10,924	(75)
Provision for Sindh Workers' Welfare Fund	9	(2,568)	-	(2,568)	329
Net income / (loss) for the period before taxation		97,817	13,364	83,040	(2,770)
Taxation	11	-	-	-	-
Net income / (loss) for the period after taxation		97,817	13,364	83,040	(2,770)
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		97,817	13,364	83,040	(2,770)

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC STOCK FUND
CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Half year ended December 31,	
	2016	2015
	(Rupees in '000)	
Undistributed income brought forward comprising of:		
Realised income	18,253	5,078
Unrealised income	2,962	27,326
	21,215	32,404
Net income for the period	97,817	13,364
Element of income and capital gains included in the price of units issued less those in units redeemed - transferred to Distribution Statement	2,678	20,671
Undistributed income carried forward	121,710	66,439
Undistributed income carried forward comprising of:		
Realised income	64,915	71,515
Unrealised income	56,795	(5,076)
	121,710	66,439

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC STOCK FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN
UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Half year ended December 31,	
	2016	2015
	(Rupees in '000)	
Net assets at beginning of the period	348,924	229,128
Issue of units 2,144,394 (2015: 1,140,436 units)	258,177	255,738
Redemption of units 1,730,758 (2015: 7,395,809 units)	(214,502)	(99,015)
	43,675	156,723
Element of income and capital gains included in prices of units issued less those in units redeemed		
- transferred to the income statement and other comprehensive income	367	10,556
- transferred to the Distribution Statement	2,678	(20,671)
	3,045	(31,227)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to the Distribution Statement	(2,678)	20,671
Net income for the period	97,817	13,364
Net assets at end of the period	490,783	388,659
Net assets value per unit at the beginning of the period	106.4738	116.4726
Net assets value per unit at the end of the period	132.9773	120.6187

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC STOCK FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Half year ended	
	December 31,	
Note	2016	2015
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	97,817	13,364
Adjustments		
Dividend income	(10,453)	(8,144)
Profit from bank deposits	(1,531)	(2,628)
Amortisation of preliminary and flotation costs	102	102
Unrealised diminution / (appreciation) on remeasurement of investments at fair value through profit or loss - held-for-trading - net	(56,795)	5,076
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	367	(10,556)
Provision for Sindh Workers' Welfare Fund	2,568	-
	32,075	(2,786)
(Increase) / decrease in assets		
Investments - net	(164,935)	(194,511)
Receivable against sale of investments	-	10,849
Deposits and prepayments	(21)	(126)
	(164,956)	(183,788)
Increase / (decrease) in liabilities		
Payable to Management Company	518	417
Payable to Central Depository Company of Pakistan Limited - Trustee	21	24
Payable to the Securities and Exchange Commission of Pakistan	(157)	(2)
Payable against purchase of investment	(11,361)	-
Accrued expenses and other liabilities	(6,308)	54,870
	(17,287)	55,309
Cash used in operations	(150,168)	(131,265)
Dividend received	9,236	7,516
Profit received on bank deposit	1,664	2,594
Net cash used in operating activities	10,900	10,110
	(139,268)	(121,155)
CASH FLOW FROM FINANCING ACTIVITIES		
Amount received on issue of units	258,177	255,738
Payment against redemption of units	(214,502)	(99,015)
Dividend paid	(1,630)	(15,135)
Net cash generated from financing activities	42,045	141,588
Net (decrease) / increase in cash and cash equivalents	(97,223)	20,433
Cash and cash equivalents at beginning of the period	111,376	14,152
Cash and cash equivalents at end of the period	14,153	34,585

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

PICIC ISLAMIC STOCK FUND
NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

The PICIC Islamic Stock Fund ("the 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/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) 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."

During the period, the Securities and Exchange Commission of Pakistan approved merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited, a wholly owned subsidiary of Habib Bank Limited. Consequently, HBL Asset Management Limited became Management Company of the Fund effective from September 1, 2016.

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

The objective of 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

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS - 34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2016.

2.1.3 In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2016.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except that certain

financial assets are stated at fair value.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING JUDGEMENT AND CHANGES THEREIN

- 3.1 The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Fund for the year, ended June 30, 2016.
- 3.2 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2016.
- 3.4 Certain amendments to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 01, 2016. None of these amendments are expected to have a significant effect on this condensed interim financial information.
- 3.5 The Fund's financial risk management objectives and policies are consistent with that disclosed in this condensed interim financial information for the period ended December 31, 2016.

	December 31, 2016 (Un-Audited)	June 30, 2016 Audited
Note	(Rupees in '000)	
4 BANK BALANCES		
Balances with Banks in:		
Current accounts	4,471	2,270
PLS deposit accounts under mark-up arrangements	4.1 9,682	109,106
	<u>14,153</u>	<u>111,376</u>
4.1	Mark-up rates on these accounts range between 5.60% to 6.10% p.a (June 30, 2016: 4.00% - 6.50% p.a).	
	December 31, 2016 (Un-Audited)	June 30, 2016 Audited
Note	(Rupees in '000)	
5 INVESTMENTS		
Financial assets 'at fair value through profit or loss' held for trading		
- Listed equity securities	5.1 484,850	263,120
- Unlisted equity securities	5.2 874	874
	<u>485,724</u>	<u>263,994</u>

5.1 Financial assets 'at fair value through profit or loss' - held for trading - 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			Par value as a percentage of issued capital of the investee company	
	As at July 1, 2016	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2016	As at December 31, 2016	As a percentage of total Investments		As a percentage of net Assets
TEXTILE COMPOSITE									
Nishat Mills Limited	10,000	318,600	-	213,900	114,700	17,465	3.60%	3.56%	0.03%
CEMENT									
Bestway Cement Limited	-	3,500	-	3,500	-	-	-	-	-
Cherat Cement Company Limited	99,500	65,000	-	164,500	-	-	-	-	-
D.G Khan Cement Company Limited	-	156,500	-	39,000	117,500	26,053	5.36%	5.31%	0.03%
Dewan Cement Limited	-	135,000	-	135,000	-	-	-	-	-
Fauji Cement Company Limited	125,000	448,000	-	244,500	328,500	14,809	3.05%	3.02%	0.02%
Fecto Cement Limited	-	36,500	-	36,500	-	-	-	-	-
Lucky Cement Limited	22,000	64,650	-	23,850	62,800	54,401	11.20%	11.08%	0.02%
Maple Leaf Cement Factory Limited	-	167,500	-	50,000	117,500	14,991	3.09%	3.05%	0.02%
Pioneer Cement Limited	127,500	40,500	-	113,000	55,000	7,815	1.61%	1.58%	0.02%
Power Cement Limited	-	200,000	-	200,000	-	-	-	-	-
						118,069	24.31%	24.04%	
POWER GENERATION & DISTRIBUTION									
The Hub Power Company Limited	-	332,500	-	25,000	307,500	37,970	7.82%	7.74%	0.03%
K-Electric Limited	578,000	2,112,500	-	2,690,500	-	-	-	-	-
Kot Addu Power Company Limited	300,000	36,500	-	116,500	220,000	17,336	3.57%	3.53%	0.02%
						55,306	11.39%	11.27%	
ENGINEERING									
Amreli Steels Limited	324,500	27,000	-	351,500	-	-	-	-	-
Crescent Steel and Allied Products Limited	17,500	133,500	-	151,000	-	-	-	-	-
Mughal Iron and Steel Inds Limited	228,500	50,000	-	278,500	-	-	-	-	-
						-	-	-	-
AUTOMOBILE ASSEMBLER									
Millat Tractors Limited	-	10,000	-	2,500	7,500	6,785	1.40%	1.38%	0.02%
Pak Suzuki Motor Company Limited	20,800	25,000	-	24,800	21,000	12,869	2.65%	2.62%	0.03%
						19,654	4.05%	4.00%	
CABLE & ELECTRICAL GOODS									
Pak Elektron Limited	148,500	322,000	-	373,000	97,500	6,950	1.43%	1.42%	0.02%
TRANSPORT									
Pakistan International Bulk Terminal Limited	-	255,000	-	255,000	-	-	0.00%	0.00%	0.00%

Name of the Investee Company	Number of shares				Market value				Par value as a percentage of issued capital of the investee company
	As at July 1, 2016	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2016	As at December 31, 2016	As a percentage of total Investments	As a percentage of net Assets	
PHARMACEUTICALS									
Abbott Laboratories (Pak) Limited	13,000	-	-	3,000	10,000	9,571	1.97%	1.95%	0.01%
GlaxoSmithKline Pakistan Limited	47,000	50,500	-	67,500	30,000	6,999	1.44%	1.43%	0.01%
The Searle Company Limited	7,000	42,500	-	33,500	16,000	10,461	2.15%	2.13%	0.01%
						27,031	5.56%	5.51%	
PAPER & BOARD									
Century Paper and Board Mills Limited	-	125,000	-	125,000	-	-	-	-	-
Packages Limited	-	12,500	-	-	12,500	10,626	2.19%	2.17%	0.01%
						10,626	2.19%	2.17%	
GLASS & CERAMICS									
Ghani Global Glass Limited	-	200,000	-	200,000	-	-	-	-	-
Tariq Glass Industries Limited	-	59,500	-	59,500	-	-	-	-	-
						-	-	-	-
MISCELLANEOUS									
Synthetic Products Enterprises Limited	-	100,500	-	100,500	-	-	-	-	-
OIL & GAS EXPLORATION COMPANIES									
Mari Petroleum Company Limited	120	10,850	-	-	10,970	15,083	3.11%	3.07%	0.01%
Oil and Gas Development Company Limited	30,100	115,500	-	20,000	125,600	20,768	4.28%	4.23%	0.00%
Pakistan Oilfields Limited	13,000	82,000	-	43,400	51,600	27,586	5.68%	5.62%	0.02%
Pakistan Petroleum Limited	1,500	142,000	-	-	143,500	27,004	5.57%	5.50%	0.01%
						90,441	18.64%	18.42%	
OIL & GAS MARKETING COMPANIES									
Attock Petroleum Limited	46,050	-	-	32,500	13,550	9,277	1.91%	1.89%	0.02%
Hascoi Petroleum Limited	-	29,600	-	29,600	-	-	-	-	-
Hi-Tech Lubricants Limited	-	79,000	-	79,000	-	-	-	-	-
Pakistan State Oil Company Limited	54,000	44,500	-	76,000	22,500	9,770	2.01%	1.99%	0.01%
Sui Northern Gas Pipeline Limited	-	235,000	-	122,500	112,500	9,177	1.89%	1.87%	0.02%
						28,224	5.81%	5.75%	
REFINERY									
Attock Refinery Limited	-	17,000	-	17,000	-	-	-	-	-
Byco Petroleum Pakistan Limited	-	180,000	-	180,000	-	-	-	-	-
National Refinery Limited	-	8,000	-	-	-	4,569	0.94%	0.93%	0.01%
						4,569	0.94%	0.93%	

Name of the Investee Company	Number of shares				Market value			Par value as a percentage of issued capital of the investee company	
	As at July 1, 2016	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2016	As at December 31, 2016	As a percentage of total Investments		As a percentage of net Assets
COMMERCIAL BANKS									
Meezan Bank Limited	171,000	80,000	-	171,000	80,000	5,449	1.12%	1.11%	0.01%
FERTILIZER									
Dawood Hercules Corporation Limited	-	149,300	-	10,900	138,400	19,975	4.11%	4.07%	0.03%
Engro Corporation Limited	30,500	129,800	-	37,500	122,800	38,816	7.99%	7.91%	0.02%
Engro Fertilizers Limited	214,000	100,000	-	132,500	181,500	12,338	2.54%	2.51%	0.01%
Fatima Fertilizer Company Limited	25,000	22,500	-	47,500	-	-	-	-	-
Fauji Fertilizer Co Limited	44,000	284,500	-	328,500	-	-	-	-	-
						<u>71,129</u>	<u>14.64%</u>	<u>14.49%</u>	
CHEMICAL									
Akzo Nobel Pakistan Limited	-	24,000	-	500	23,500	5,499	1.13%	1.12%	0.05%
ICI Pakistan Limited	-	12,500	-	12,500	-	-	-	-	-
Lotte Chemical Pakistan Limited	150,000	750,000	-	150,000	750,000	6,240	1.27%	1.27%	0.05%
						<u>11,739</u>	<u>2.40%</u>	<u>2.39%</u>	
AUTOMOBILE PARTS & ACCESSORIES									
General Tyre and Rubber Co of Pakistan Limited	-	36,000	-	36,000	-	-	-	-	-
Thal Limited	-	18,500	-	8,000	10,500	5,340	1.10%	1.09%	0.01%
						<u>5,340</u>	<u>1.10%</u>	<u>1.09%</u>	
TECHNOLOGY & COMMUNICATION									
Avanceon Limited	-	287,000	-	287,000	-	-	-	-	-
Pakistan Telecommunication Co Limited	-	39,000	-	39,000	-	-	-	-	-
Systems Limited (5.1.2)	440,000	31,000	-	319,000	152,000	12,859	2.65%	2.62%	0.14%
						<u>12,859</u>	<u>2.65%</u>	<u>2.62%</u>	
Total December 31, 2016						484,850	99.82%	98.77%	
Carrying value as at December 31, 2016						263,994			

5.1.1 Investments include shares having market value aggregating to Rs. 41,447 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP.

5.1.2 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. 0.46 million at December 31, 2016 (June 30, 2016: Rs. 0.298 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.

5.2 Unlisted equity securities

Name of the Investee Company	Number of shares				Carrying value			
	As at July 1, 2016	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2016	As at December 31, 2016	As a percentage of total Investments	As a percentage of net Assets
PHARMACEUTICALS								
GlaxoSmithKline Consumer Healthcare Pakistan	14,100	-	-	-	14,100	874	0.18%	0.18%
Cost of investments as at December 31, 2016						874		

5.2.1 This represents shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited, a subsidiary of GlaxoSmithKline Plc, which were received due to demerger of GlaxoSmithKline Pakistan Limited on April 01, 2016. These are stated at Rs. 62/- per share as trading in shares has not yet commenced. The Company has submitted its listing application with the Pakistan Stock Exchange Limited which is currently pending.

	Note	December 31, 2016 (Un-Audited)	June 30, 2016 Audited
6 PAYABLE TO MANAGEMENT COMPANY			
Management fee	6.1	822	628
Sindh Sales Tax	6.2	105	88
Sales load payable		327	30
Allocation of expenses related to registrar services, accounting, operation and valuation services	10	41	31
		1,295	777

6.1 As per the offering document of the fund, the Management Company of the Fund is entitled to a remuneration of an amount of 2.00% of average annual net assets. The Management Company has charged its remuneration at the rate of 2.00% per annum (June 30, 2016: 2.00% per annum) of the average net assets for the current period subject to the guidelines as may be issued by the Commission from time to time. The fee is payable monthly in arrears. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.

6.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 % (June 30 2016: 14%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

	Note	December 31, 2016 (Un-Audited) (Rupees in '000)	June 30, 2016 Audited
7 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Federal Excise Duty	8	3,268	3,268
Payable for redemption of units		-	3,536
Provision for Workers' Welfare Fund	9		1,000
Provision for Sindh Workers' Welfare Fund	9	3,568	-
Auditors' remuneration		96	115
Payable to brokers		338	386
Withholding tax payable		73	3,716
Others		3,217	2,279
		10,560	14,300

8 PROVISION FOR FEDERAL EXCISE DUTY

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 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.

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 the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from January 13, 2013 to June 30, 2016 aggregating to Rs. 3.268 million.

Had the provision not been made, NAV per unit of the Fund as at December 31, 2016 would have been higher by Rs. 0.89 per unit (June 30, 2016: 1.00 per unit).

9 PROVISION FOR WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

As disclosed in the annual audited financial of the Fund for the year ended June 30, 2016, the Fund had maintained provision of the Workers' Welfare Fund (WWF), which had been recognized till June 30, 2015, as the decision in the High Court of Sindh was pending with regard to applicability of WWF on Collective Investment Schemes (CISs), although the High Court of Sindh, in other case, had provided the judgement considering levy of WWF lawful whereas the Lahore High Court had provided different conclusion.

However, in the current period, 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:

- As an abundant caution, 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 excess provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company recognized additional provision of Rs. 2.568 million as of December 31, 2016 to meet shortfall in provision required for SWWF net of provision already made for WWF.

Subsequent to the period end December 31, 2016, in the wake of the above developments i.e. decision of the SCP and communications took place with regard to SWWF, the MUFAP also, on behalf of Asset Management Companies (AMCs) and Collective Investment Schemes (CISs), obtained legal opinion on December 05, 2016 and called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members the following, 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.

The Management Company considered the recommendations of the MUFAP and assessed that there is no impact which should have been recognized in this interim financial information.

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

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 the aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the period.

11 TAXATION

The income of the Fund is exempt from tax under clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed among its unit holders in cash. The Fund has not recorded a tax liability in respect of income relating to the current period as the Management Company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90 percent of net accounting income other than capital gains/loss to unit holders. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

12 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.

As mentioned in note 1, PICIC Asset Management Company Limited merged with and into HBL Asset Management Limited, therefore PICIC Asset Management Company Limited remained related party till August 31, 2016.

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

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

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

	Half year ended December 31,	
	2016	2015
	(Rupees in '000)	
12.1 Transactions during the period		
HBL Asset Management Limited - Management Company *		
Remuneration of the Management Company	3,209	-
Sindh Sales Tax on remuneration of the Management Company	417	-
Sales load paid	230	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	153	-
Executives of the Management Company		
Issue of 4,130 units (2015: 5,220 units)	460	633
Redemption of Nil units (2015: 4,574 units)	-	569
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration	521	472
Central Depository Service charges	61	20
PICIC Asset Management Company Limited		
Remuneration of the Management Company	1,401	5,914
Sindh Sales Tax on remuneration of the Management Company	182	828
Sales load paid	61	486
Federal Excise Duty (FED) on remuneration of the Management Company	-	1,079
Allocation of expenses related to registrar services, accounting, operation and valuation services	77	-
	Half year ended December 31,	
	2016	2015
	(Rupees in '000)	
Connected person due to holding of more than 10%		
NIB Bank Limited		
Issuance of units 1,654,154 units (2015: Nil units)	200,000	-
Redemption of 890,924 units (2015: Nil units)	116,731	-

Siddiq Leather Works (Private) Limited		
Issue of Nil units (2015: 530,567 units)	-	64,908
12.2 Transactions involving shares of connected persons:		
Packages Limited - common directorship		
Purchase of 12,500 shares (2015: Nil shares)	8,818	-
	December 31, 2016	June 30, 2016
	(Rupees in '000)	
	(Un-Audited)	Audited
12.3 Balances outstanding as at period / year end		
HBL Asset Management Limited - Management Company **		
Remuneration of the Management Company	822	-
Sindh Sales Tax on remuneration of the Management Company	105	-
Sales load payable	327	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	41	-
Investment in Fund 2,108,446 units (June 30, 2016: Nil units)	280,375	-
NIB Bank Limited		
Investment held in the Fund 763,230 units (June 30, 2016 Nil units)	101,492	-
Balance in current account	4,471	2,271
Executives of the Management Company		
Investment held in the Fund : 5,111 units (June 30, 2016: 10,569 units)	680	1,125
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	93	453
Security deposit	100	100
PICIC Asset Management Company Limited *		
Investment in Fund Nil units (June 30, 2016: 2,108,446 units)	-	224,494
Remuneration of the Management Company	-	628
Sindh Sales Tax on remuneration of the Management Company	-	88
Sales load payable	-	30
Allocation of expenses related to registrar services, accounting, operation and valuation services	-	31
	December 31, 2016	June 30, 2016
	(Rupees in '000)	
Hamdard Laboratories (Waqf) Pakistan- connected person due to holding of 10% or more		
Investment in the Fund Nil units (June 30, 2016: 487,040 units)	-	51,857
Shares held in associated undertakings		
Packages Limited *		
Shares held: 12,500 ordinary shares	10,626	-

*Current year transactions / balances of these parties have not been disclosed as they did not remain related parties during the period.

**Comparative transactions / balances of these parties have not been disclosed as these parties were not related parties in last period

13 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level3).

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

		December 31, 2016							
		Carrying amount			Fair Value				
Note	Fair value through profit or loss - held-for-trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total	
(Rupees in '000)									
On-balance sheet financial instruments									
	Financial assets measured at fair value	13.1							
	Investments								
	- Listed equity securities	484,850	-	-	484,850	484,850	-	-	484,850
		484,850	-	-	484,850	484,850	-	-	484,850

								December 31, 2016			
		Carrying amount			Fair Value						
Note	Fair value through profit or loss - held-for-trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total			
								(Rupees in '000)			
Financial assets not measured at fair value				13.1	-						
	Bank balances	-	14,153	-	14,153	-	-	-			
	Investments										
	- Un-Listed equity securities	874	-	-	874	-	-	-			
	Dividend and profit receivable	-	1,633	-	1,633	-	-	-			
	Deposits	-	2,600	-	2,600	-	-	-			
		874	18,386	-	19,260	-	-	-			
Financial liabilities not measured at fair value				13.1	-						
	Payable to Management Company	-	-	1,295	1,295	-	-	-			
	Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	93	93	-	-	-			
	Payable against purchase of investments	-	-	1,699	1,699	-	-	-			
	Accrued expenses and other liabilities	-	-	3,651	3,651	-	-	-			
		-	-	6,738	6,738	-	-	-			
								June 30, 2016			
		Carrying amount			Fair Value						
Note	Fair value through profit or loss - held-for-trading	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total			
								(Rupees in '000)			
On-balance sheet financial instruments											
Financial assets measured at fair value				13.1							
	Investments										
	- Listed equity securities	263,120	-	-	263,120	263,120	-	-			
		263,120	-	-	263,120	263,120	-	-			
Financial assets not measured at fair value				13.1	-						
	Bank balances	-	111,376	-	111,376	-	-	-			
	Investments										
	-Unlisted Equity Securities	874	-	-	874	-	-	-			
	Dividend and profit receivable	-	549	-	549	-	-	-			
	Deposits	-	2,600	-	2,600	-	-	-			
		874	114,525	-	115,399	-	-	-			
Financial liabilities not measured at fair value				13.1	-						
	Payable to Management Company	-	-	777	777	-	-	-			
	Payable to Trustee	-	-	72	72	-	-	-			
	Accrued expenses and other liabilities	-	-	2,780	2,780	-	-	-			
		-	-	3,629	3,629	-	-	-			

13.1 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.

14 TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan (SECP), the total expense ratio of the Fund for the half year ended December 31, 2016 is 2.53% which includes 0.83% representing government levy, Sindh Worker's Welfare Fund and SECP fee.

15 DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **February 24, 2017**.

16. GENERAL

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

16.2 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

16.3 This condensed interim financial information is unaudited and has been reviewed by the auditors. Further, the figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2016 have not been reviewed.

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

Chief Executive

Director

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