

HBL IncomeFund

Quarterly Report
September 30, 2015
(Un-audited)

TABLE OF CONTENTS

HBL INCOME FUND	
Corporate Information	02
Fund Information	03
Statement of Assets and Liabilities	04
Income Statement	05
Statement of Comprehensive Income	06
Distribution Statement	07
Statement of Movement in Unit Holders' Fund	08
Cash Flow Statement	09
Notes to the Financial Information	10-18

CORPORATE INFORMATION

Management Company

HBL Asset Management Limited.

Board of Directors

Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Directors	Mr. Rehan N. Shaikh	(Executive Director)
	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Salim Amlani	(Non-Executive Director)
	Ms. Sima Kamil	(Non-Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

Audit Committee

Chairman	Mr. Salim Amlani	(Non-Executive Director)
Members	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)

Human Resource Committee

Chairperson	Ms. Sima Kamil	(Non-Executive Director)
Members	Ms. Sadia Khan	(Independent Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)

Risk Management Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Salim Amlani	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

KPMG Taseer Hadi & Co., Chartered Accountants,
Sheikh Sultan Trust Building No 02
Beaumont Road, Karachi-75530, Pakistan

Internal Auditors

A.F. Ferguson & Co., Chartered Accountants,
State Life Building No.1-C, I.I Chundrigar Road,
P.O.Box 4716, Karachi.

Trustee

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

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.

FUND INFORMATION

NAME OF FUND HBL Income Fund

FUND MANAGER Mr. Fahad Aziz

NAME OF AUDITORS

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

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

NAME OF BANKERS

NIB Bank Limited
Allied Bank Limited
Askari bank Limited
Faysal Bank Limited
Meezan Bank Limited
Bank AlFalah Limited
Bank Al Habib Limited
MCB Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Standard Chartered Bank (Pakistan) Limited
Soneri Bank Limited

HBL INCOME FUND
Condensed Interim Statement Of Assets And Liabilities
As At September 30, 2015

	Note	September 30, 2015 (Un-Audited) (Rupees in '000)	June 30, 2015 (Audited)
Assets			
Bank balances	4	584,550	1,099,072
Investments	5	4,887,837	2,674,837
Profit receivable	6	55,522	54,991
Advances, deposits, prepayments and other receivables	7	3,600	3,607
Total assets		5,531,509	3,832,507
Liabilities			
Payable to HBL Asset Management Limited - Management Company	8	6,174	5,895
Payable to Central Depository Company of Pakistan Limited - Trustee		427	342
Payable to Securities and Exchange Commission of Pakistan		724	2,496
Accrued expenses and other liabilities	9	45,962	447,493
Total liabilities		53,287	456,226
Net Assets		5,478,222	3,376,281
Unit holders' fund (as per statement attached)		5,478,222	3,376,281
		(Number of units)	
Number of units in issue		51,025,992	32,183,049
		(Rupees)	
Net assets value per unit		107.3614	104.9087

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

HBL INCOME FUND
Condensed Interim Income Statement (Un-Audited)
For the quarter ended September 30, 2015

	Note	Quarter ended September 30,	
		2015	2014
------(Rupees in '000)-----			
Income			
Profit on saving and term deposits		16,869	13,464
Mark-up return / income from investments		83,362	64,368
Capital gain / loss on sale of investments		36,478	(2,759)
		136,709	75,073
Reversal / (provision) against non-performing Term Finance Certificates and Sukuks	5.4	-	(3,466)
		136,709	71,607
Expenses			
Remuneration of HBL Asset Management Limited - Management Company		19,318	13,822
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,062	792
Annual fee to Securities and Exchange Commission of Pakistan		724	518
Settlement and bank charges		-	2
Auditors' remuneration		123	99
Other expenses		64	64
		21,291	15,297
Net income from operating activities		115,418	56,310
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		35,470	(4,447)
Provision for Workers' Welfare Fund	10	-	(1,040)
Net income for the period before taxation		150,888	50,823
Taxation	11	-	-
Net income for the period after taxation		150,888	50,823

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

HBL INCOME FUND**Condensed Interim Statement of Comprehensive Income (Un-Audited)***For the quarter ended September 30, 2015*

	<i>Note</i>	Quarter ended September 30,	
		2015	2014
		----- (Rupees in '000) -----	
Net income for the period		150,888	50,823
Other comprehensive income for the period			
<i>Items to be reclassified to income statement in subsequent periods</i>			
Net unrealised (diminution) / appreciation in the market value of securities classified as available for sale	5.3	<u>(17,375)</u>	<u>14,656</u>
Total comprehensive income for		<u>133,513</u>	<u>65,479</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

HBL INCOME FUND
Condensed Interim Distribution Statement (Un-Audited)
For the quarter ended September 30, 2015

	Quarter ended	
	2015	2014
	(Rupees in '000)	
Undistributed income brought forward - realised	70,558	11,287
Net income for the period	150,888	50,823
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund	3,680	(326)
Undistributed income carried forward - realised	225,126	61,784

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

HBL INCOME FUND**Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)***For the quarter ended September 30, 2015*

	Quarter ended September 30,	
	2015	2014
	(Rupees in '000)	
Net assets at beginning of the period	3,376,281	2,768,352
Issue of 22,463,861 units (2014: 2,852,603 units)	2,389,313	291,132
Redemption of 3,620,918 units (2014: 4,439,365 units)	(385,415)	(458,415)
	2,003,898	(167,283)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to income statement	(35,470)	4,447
Net income for the period	150,888	50,823
Net unrealised gain on re-measurement of investments classified as available for sale	(17,375)	14,656
Total Comprehensive income for the period	133,513	65,479
Net assets at end of the period	5,478,222	2,670,995

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

HBL INCOME FUND
Condensed Interim Cash Flow Statement (Un-Audited)
For the quarter ended September 30, 2015

	Quarter ended	
	September 30,	
<i>Note</i>	2015	2014
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period	150,888	50,823
Adjustments		
(Reversal) / Provision against non-performing Term Finance Certificates and Sukuks	5.4 -	3,466
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(35,470)	4,447
	115,418	58,736
(Increase) / Decrease in assets		
Investments - net	(2,230,375)	(163,248)
Income receivable	(531)	7,055
Advances, deposits, prepayments and other receivables	7	7
	(2,230,899)	(156,186)
Increase / (Decrease) in liabilities		
Payable to HBL Asset Management Limited - Management Company	279	205
Payable to Central Depository Company of Pakistan Limited - Trustee	85	(21)
Payable to Securities and Exchange Commission of Pakistan	(1,772)	(923)
Accrued expenses and other liabilities	(401,531)	2,993
	(402,939)	2,254
Net cash used in operating activities	(2,518,420)	(95,196)
CASH FLOW FROM FINANCING ACTIVITIES		
Amount received on issue of units	2,389,313	291,132
Payment against redemption of units	(385,415)	(458,415)
Net cash generated from / (used in) financing activities	2,003,898	(167,283)
Net decrease in cash and cash equivalents	(514,522)	(262,479)
Cash and cash equivalents at beginning of the period	1,099,072	659,789
Cash and cash equivalents at end of the period	4 584,550	397,310

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

HBL INCOME FUND

Notes to the Condensed Interim Financial Information (Un-Audited)

For the quarter ended September 30, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Income Fund (the Fund) was established under a Trust Deed, dated September 06, 2006, 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 July 25, 2006.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by 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 Lahore Stock Exchange. The units of the Fund were initially offered for public subscription at par from March 15, 2007 to March 17, 2007.

The principal activity of the Fund is to make investments in fixed income securities. Other avenues of investments include ready future arbitrage in listed securities and transactions under Continuous Funding System.

JCR-VIS Credit Rating Agency has assigned an asset manager rating of 'AM2-' to the Management Company and fund stability rating of A(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. STATEMENT OF COMPLIANCE

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2015.

4. BANK BALANCES

	Note	September 30, 2015	June 30, 2015
		(Rupees in '000)	
Current accounts		50	48,950
Savings accounts	4.1	<u>584,500</u>	<u>1,050,122</u>
		<u>584,550</u>	<u>1,099,072</u>

4.1 This represents bank account held in different banks. Mark-up rates on these accounts range between 4.50% - 6.70% June 30, 2015 : 5.69% - 8.22%) per annum.

5. INVESTMENTS

	Note	September 30, 2015	June 30, 2015
		(Rupees in '000)	
Available for sale			
- Term Finance Certificates and sukus - Unlisted	5.1.2	<u>310,943</u>	311,511
- Government Securities	5.2	<u>4,576,894</u>	<u>2,363,326</u>
		<u>4,887,837</u>	<u>2,674,837</u>

5.1 Available for sale investments

All Term Finance Certificates have a face value of Rs 5,000 each unless stated otherwise.

5.1.1 Term Finance Certificates - Listed

Name of the Investee Company	-----Number of certificates-----				Market value/ Carrying value* as at September 30, 2015	Market value as a percentage of	
	As at July 1, 2015	Purchases during the period	Sales / Matured during the period	As at September 30, 2015		Total Investments	Net Assets
(Rupees in '000)							
Financial Services							
Saudi Pak Leasing Company Limited - note 5.1.3	2,000	-	-	2,000	-	-	-
Fixed Line Telecommunication							
World Call Telecom Limited - note 5.1.4	23,750	-	-	23,750	-	-	-
	25,750	-	-	25,750	-	-	-
Cost of investments at September 30, 2015					53,317		

5.1.2 Term Finance Certificates and Sukuk bonds - Unlisted

Name of the Investee Company	-----Number of certificates-----				Market value/ Carrying value* as at September 30, 2015	Market value as a percentage of	
	As at July 1, 2015	Purchases during the period	Sales / Matured during the period	As at September 30, 2015		Total Investments	Net Assets
(Rupees in '000)							
Banks							
Bank Al Habib Limited	6,000	-	-	6,000	33,466	0.68%	0.61%
Standard Chartered Bank (Pakistan) Limited	8,000	-	-	8,000	40,160	0.82%	0.73%
	14,000	-	-	14,000	73,626	1.51%	1.34%
Power Generation							
WAPDA	19,000	-	-	19,000	86,209	1.76%	1.57%
Chemicals							
Engro Fertilizer Limited - Perpetual I	21,000	-	-	21,000	107,730	2.20%	1.97%
Engro Fertilizer Limited - Perpetual II	7,000	-	-	7,000	31,979	0.65%	0.58%
Agri-tech Limited - note 5.1.5	2,000	-	-	2,000	-	-	-
	30,000	-	-	30,000	139,709	2.86%	2.55%
Construction and Materials							
Maple Leaf Cement Factory Limited - Sukuk	7,000	-	-	7,000	11,401	0.23%	0.21%
Others							
New Allied Electronics Industries (Pvt) Limited - note 5.1.5	9,000	-	-	9,000	-	-	-
New Allied Electronics Industries (Pvt) Limited - Sukuk - note 5.1.5	9,000	-	-	9,000	-	-	-
	18,000	-	-	18,000	-	-	-
	80,000	-	-	80,000	310,945	6.36%	5.68%
Cost of investments at September 30, 2015					382,706		

* In case of debt securities against which a provision has been made, those are carried at amortised cost less provision. For non-performing securities, market valuation by MUFAP is not available.

5.1.3 Saudi Pak Leasing Company Limited defaulted towards payment falling due in September 2010. Accordingly, the exposure was classified as non-performing and provision was recognised in accordance with the SECP's provisioning guidelines.

Subsequently, on the request of the Issuer, TFC holders approved the restructuring of the facility by extending repayment period from 5 years to 9 years and by reducing mark-up rate to 6% for 24 months from restructuring date and 8% for next 24 months and thereafter fixing the mark-up rate at 1 month KIBOR. Further, half of the accrued mark-up is to be paid in cash and the balance is being deferred.

The Issuer defaulted again in the payment of principal and mark-up due on September 13, 2011. In accordance with the requirements of Circular No. 33 of 2012 dated October 24, 2012 issued by the Securities Exchange Commission of Pakistan (SECP), the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. A provision of Rs. 5.550 million equivalent to 100% of the amount outstanding has been made.

5.1.4 Worldcall Telecom Limited TFC's were classified by MUFAP as non-performing on November 8, 2012 after default of instalment due on October 7, 2012 (earlier default on April 7, 2012) for the second time. A restructuring agreement was signed on December 26, 2012. The restructuring included the extension of repayment period by 2 years, deferral of principal instalments till October 7, 2014 and payment of regular mark-up during the restructuring period. During the year, payment amounting to Rs. 3.09 million was received. In accordance with Circular No. 33 of 2012 dated October 24, 2012, a provision of Rs. 47.767 million equivalent to 100% of the amount outstanding has been made.

5.1.5 These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.

5.1.6 The Term Finance Certificates and Sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

5.1.7 Instalments amounting to Rs. 1,998 thousand have become due for payment of the following TFCs / sukuks and are reflected in note 7.

	September 30, 2015	June 30, 2015
	(Rupees in '000)	
Bank Al Habib Limited	-	6
Agriotech Limited	1,998	1,998
	1,998	2,004

5.1.8 Significant terms and conditions of Term Finance Certificates outstanding as at September 30, 2015 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Term Finance Certificates - Listed				
Saudi Pak Leasing Company Limited	2,775	6% Fixed Rate	13-Mar-08	13-Mar-17
World Call Telecom Limited	2,011	6 Month KIBOR + 1.60%	7-Oct-08	7-Oct-15

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Term Finance Certificates - Unlisted and Sukuks				
New Allied Electronics Industries (Pvt) Limited - Sukuk	4,905	6 Month KIBOR + 2.50%	15-May-07	15-May-11
Agriotech Limited	3,997	6 Month KIBOR + 1.75%	30-Nov-07	30-Nov-14
Maple Leaf Cement Factory Limited -Sukuk	2,146	3 Month KIBOR + 1.00%	3-Dec-07	3-Dec-18
New Allied Electronics Industries (Pvt) Limited	2,114	6 Month KIBOR + 2.20%	3-Dec-07	3-Dec-12
Engro Fertilizer Limited - Perpetual I	5,000	6 Month KIBOR + 1.70%	18-Mar-08	18-Mar-18
Engro Fertilizer Limited - Perpetual II	5,000	6 Month KIBOR + 1.25%	18-Mar-08	18-Mar-18
Bank Al Habib Limited	4,992	15% Fixed Rate	30-Jun-11	30-Jun-21
Standard Chartered Bank (Pakistan) Limited	5,000	6 Month KIBOR + 0.75%	29-Jun-12	29-Jun-22
WAPDA - Sukuk	4,643	6 Month KIBOR + 1%	14-Oct-13	14-Oct-21

5.2 Investment in government securities - Available for sale

Issue Date	Tenor	Face value				Market Value as at September 30, 2015	Market Value as a percentage of	
		As at July 1, 2015	Purchases during the period	Sales / Matured during the period	As at September 30, 2015		Total Investments	Net Assets
(Rupees in '000)								
Treasury bill								
October 30, 2014	1 year	-	500,000	-	500,000	497,513	10.18%	9.08%
December 26, 2014	1 year	-	100,000	-	100,000	98,523	2.02%	1.80%
January 8, 2015	1 year	555,000	-	555,000	-	-	-	-
January 22, 2015	1 year	100,000	-	100,000	-	-	-	-
March 5, 2015	1 year	400,000	-	150,000	250,000	243,309	4.98%	4.44%
March 19, 2015	1 year	100,000	-	-	100,000	97,084	1.99%	1.77%
May 14, 2015	6 months	250,000	-	250,000	-	-	-	-
June 29, 2015	2 months	-	500,000	500,000	-	-	-	-
July 9, 2015	3 months	-	250,000	-	250,000	250,000	5.11%	4.56%
July 23, 2015	3 months	-	200,000	-	200,000	199,501	4.08%	3.64%
July 23, 2015	1 year	-	500,000	-	500,000	474,969	9.72%	8.67%
August 6, 2015	3 months	-	250,000	-	250,000	248,756	5.09%	4.54%
August 6, 2015	1 year	-	500,000	-	500,000	473,844	9.69%	8.65%
September 3, 2015	1 year	-	500,000	-	500,000	471,565	9.65%	8.61%
September 17, 2015	6 months	-	250,000	-	250,000	242,719	4.97%	4.43%
		1,405,000	3,550,000	1,555,000	3,400,000	3,297,783	67.47%	60.20%
PIB								
July 18, 2013	3 years	400,000	100,000	250,000	250,000	277,125	5.67%	5.06%
July 18, 2013	5 years	-	250,000	250,000	-	-	-	-
July 17, 2014	3 years	485,000	-	485,000	-	-	-	-
July 17, 2014	5 years	-	100,000	100,000	-	-	-	-
July 17, 2014	10 years	-	100,000	100,000	-	-	-	-
March 26, 2015	3 years	-	470,000	250,000	220,000	228,537	4.68%	4.17%
March 26, 2015	5 years	70,000	720,000	50,000	740,000	773,449	15.82%	14.12%
March 26, 2015	10 years	-	35,000	35,000	-	-	-	-
		955,000	1,775,000	1,520,000	1,210,000	1,279,111	26.17%	23.35%
Grand total		2,360,000	5,325,000	3,075,000	4,610,000	4,576,894	93.64%	83.55%
Cost of investments at September 30, 2015						4,557,002		

Note
September 30,
2015
June 30,
2015
(Rupees in '000)

5.3 Net unrealised (diminution) / appreciation in fair value of investments classified as 'available for sale'

Market value of investments	5.1.1, 5.1.2 & 5.2	4,887,837	2,674,837
Less: Cost of investments	5.1.1, 5.1.2 & 5.2	(4,993,025)	(2,762,648)
		(105,188)	(87,811)
Provision against non-performing TFCs and sukuku		124,486	124,484
		19,298	36,673

	<i>Note</i>	September 30, 2015	June 30, 2015
(Rupees in '000)			
5.4 Movement in provision against investment			
Opening balance		126,484	122,682
Add: Charge for the period		-	6,896
Less: Reversals / write-offs		-	(3,094)
Net (reversal) / charge		-	3,802
Closing balance		126,484	126,484
Classified under investments		124,486	124,484
Classified under other receivables		1,998	1,998
		126,484	126,482
6. PROFIT RECEIVABLE			
Profit receivable on saving accounts and term deposits		4,874	658
Income accrued on Term Finance Certificates		7,144	7,688
Income accrued on Government Securities		43,504	46,645
		55,522	54,991
7. ADVANCE, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Security deposit with National Clearing Company of Pakistan Limited		3,500	3,500
Security deposit with Central Depository Company of Pakistan Limited		100	100
Receivable against investments of Term Finance Certificates and Sukuks		1,998	2,004
Others		-	1
		5,598	5,605
Less: Provision against overdue instalments of Term Finance Certificates and Sukuks	5.4	(1,998)	(1,998)
		3,600	3,607
8. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee	8.1	5,296	5,057
Sindh Sales Tax	8.2	878	838
		6,174	5,895

8.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of one and a half percent per annum for the current period.

The Sindh Government has levied Sindh Sales Tax at the rate of 14% (June 30, 2015 : 15%) on the remuneration of the Management Company through Sindh Sales Tax Act, 2011.

9. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	September 30, 2015	June 30, 2015
(Rupees in '000)			
Auditors' remuneration		502	315
Brokerage payable		409	510
Advance against units to be issued		-	900
Payable to HBL Money Market Fund against conversion		-	167,585
Payable to HBL Money Market Fund		-	218,000
Capital gain tax payable		648	4,128
Dividend payable to unit holders		-	456
Withholding tax payable		867	8,598
Payable to unit holders against redemption		1	6,613
Federal Excise Duty	9.1	15,228	12,078
Provision for Workers' Welfare Fund	10	28,170	28,170
Other payables		137	140
		45,962	447,493

- 9.1 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. During the period, the Honourable High Court Sindh in a Constitutional petition relating to levy of FED on Mutual Funds has granted a stay order for the recovery of FED. As a matter of abundant caution, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 16.381 million out of which Rs. 1.1534 million have been paid to the Management Company. Had the provision not been made, the Net Asset Value (NAV) per unit of the fund as at September 30, 2015 would have been higher by Rs. 0.3210 per unit.

10. PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971, (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

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

Furthermore, in 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, continued to provide for WWF amounting to Rs. 28.170 million upto June 30, 2015.

After the exclusion of the Mutual Funds from Federal Statute on Workers Welfare Fund, from 1st July 2015, the Fund has discontinued making the provision in this regard. Since the amendments in Federal Statute are applicable prospectively, therefore the provision amounting to Rs. 28.170 has not been reversed.

11. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2016 as reduced by capital gains (whether realised or unrealised) to its unit holders. Accordingly, no tax liability has been recorded in the current period.

12. EARNINGS PER UNIT (EPU)

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

13. 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.

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:

	Quarter ended	
	September 30,	
13.1 Transactions during the period	2015	2014
	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee	19,318	13,822
Habib Bank Limited - Sponsor		
Profit on bank deposits earned including TDRs	1,732	1,318
Profit received on bank deposits	1,377	669
Directors and Executives of the Management Company and their relatives		
Executives and their relatives		
Units issued : 20,661 units (2014: nil units)	2,208	-
Units redeemed : 2,796 units (2014: nil units)	300	-
Profit earned on units redeemed	43	-
Directors of connected persons		
Units redeemed : 190,219 units (2014: nil units)	-	20,000
Profit earned on units redeemed	-	45
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	1,062	792

	September 30, 2015	June 30, 2015
13.2 Amount outstanding as at period end	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee payable	5,296	5,057
Sindh Sales Tax payable	878	838
Habib Bank Limited - Sponsor		
Investment held in the Fund 12,769,902 units (June 30, 2015: 12,769,902 units)	1,370,995	1,339,674
Profit receivable on bank deposits including TDRs	355	-
Bank balances	268,677	124,151
Directors and Executives of the Management Company and their relatives		
Directors and their relatives		
Investment held in the Fund 37,900 units (June 30, 2015: 37,900 units)	4,069	3,976
Executive and their relatives		
Investment held in the Fund 18,008 units (June 30, 2015: 17,954 units)	1,934	1,884
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	427	342
Directors of connected persons		
Investment held in the Fund 240,208 units (June 30, 2015: 430,433 units)	25,789	45,156

14. DISCLOSURE UNDER CIRCULAR 16 OF 2010 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - CATEGORISATION OF OPEN END SCHEME

The Securities and Exchange Commission of Pakistan vide circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. HBL Asset Management Limited (Management Company) classified HBL Income Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at September 30, 2015, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than the investment grade.

Name of Non-Complaint Investment	Type of Investment	Value of Investment before Provision	Provision held (if any)	Value of Investment after Provision	% of Net Assets	% of Gross Assets
------(Rupees in '000)-----						
New Allied Electronics Industries (Private) Limited	TFC	19,025	19,025	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk	44,149	44,149	-	-	-
Agritech Limited	TFC	9,992	9,992	-	-	-
Saudi Pak Leasing Company Limited	TFC	5,550	5,550	-	-	-
Worldcall Telecom Limited	TFC	47,767	47,767	-	-	-

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 **30 October 2015**.

16. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

www.jamapunji.pk

**Jama
Punji**
سرمایہ کاری سمجھداری کے ساتھ



**Be aware, Be alert,
Be safe**
Learn about investing at
www.jamapunji.pk

Key features:

- 📄 Licensed Entities Verification
- 🕒 Scam meter*
- 🎮 Jamapunji games*
- 📊 Tax credit calculator*
- 🏢 Company Verification
- 📋 Insurance & Investment Checklist
- ❓ FAQs Answered
- 📈 Stock trading simulator (based on live feed from KSE)
- 📖 Knowledge center
- 👤 Risk profiler*
- 📊 Financial calculator
- 📧 Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 Jamapunji application for mobile device
- 📖 Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

jamapunji.pk [@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices

(021) 111-425-262 | www.hblasset.com

HBL Asset Management Limited



Head Office

24-C, Khayaban-e-Hafiz
Phase VI, D.H.A, Karachi
UAN: (92-21) 111-425-262
Fax: (92-21) 35290194

Lahore Office

102-103, Upper Mall,
Lahore
Tel: 042-36281610
Fax: 042-36281686

Islamabad Office

HBL Corporate Center,
HBL Building, Jinnah Avenue,
Islamabad
Tel: 051-2821183
Fax: 051-2822206