

HBL IncomeFund

Quarterly Report
March 31, 2015
(Un-audited)

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HBL INCOME FUND

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CORPORATE INFORMATION

Management Company

HBL Asset Management Limited.

Board of Directors

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

Audit Committee

Chairman	Mr. Salim Amlani	(Non-Executive Director)
Members	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. 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 March 31, 2015

	<i>Note</i>	March 31, 2015 (Un-Audited)	June 30, 2014 (Audited)
(Rupees in '000)			
Assets			
Bank balances	4	49,177	659,789
Investments	5	3,738,042	2,080,010
Accrued mark-up	6	101,496	57,678
Advances, deposits and other receivables	7	3,601	3,607
Total assets		3,892,316	2,801,084
Liabilities			
Payable to HBL Asset Management Limited - Management Company	8	5,726	4,001
Payable to Central Depository Company of Pakistan Limited - Trustee		350	263
Payable to Securities and Exchange Commission of Pakistan		1,687	1,441
Accrued expenses and other liabilities	9	38,761	27,027
Total liabilities		46,524	32,732
Net assets		3,845,792	2,768,352
Unit holders' fund (as per statement attached)		3,845,792	2,768,352
		(Number of units)	
Number of units in issue		34,595,610	27,317,798
		(Rupees)	
Net assets value per unit		111.1642	101.3388

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 Nine Months & quarter ended March 31, 2015

	Note	Nine months ended		Quarter ended	
		March 31,		March 31,	
		2015	2014	2014	2013
------(Rupees in '000)-----					
Income					
Mark-up on deposits with banks		34,935	19,788	13,150	6,675
Mark-up / return on investments		189,782	113,876	52,455	39,089
Capital gain on sale of investments - net		72,445	157	69,049	(223)
		297,162	133,821	134,654	45,541
(Provision) / reversal against non-performing Term Finance Certificates and Sukuk bonds	5.5	(6,895)	(501)	-	(2,280)
		290,267	133,320	134,654	43,261
Expenses					
Remuneration of HBL Asset Management Limited - Management Company		46,251	26,394	17,535	8,608
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,531	1,750	883	573
Annual fee to Securities and Exchange Commission of Pakistan		1,687	981	611	320
Settlement and bank charges		3	56	-	19
Auditors' remuneration		343	389	34	52
Other expenses		188	491	61	42
		51,003	30,061	19,124	9,614
Net income from operating activities		239,264	103,259	115,530	33,647
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		49,472	(719)	37,935	2,228
Provision for Workers' Welfare Fund	10	(5,744)	(1,979)	(3,095)	(652)
Net income for the period before taxation		282,992	100,561	150,370	35,223
Taxation	11	-	-	-	-
Net income for the period after taxation		282,992	100,561	150,370	35,223
Earnings per unit	12				

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 Nine Months & quarter ended March 31, 2015*

	Nine months ended March 31,		Quarter ended March 31,	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
Net income for the period	282,992	100,561	150,370	35,223
Other comprehensive income for the period				
<i>Items to be reclassified to income statement in subsequent periods:</i>				
Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale	43,520	13,954	(23,434)	15,470
Total comprehensive income for the period	<u>326,512</u>	<u>114,515</u>	<u>126,936</u>	<u>50,693</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 Nine Months & quarter ended March 31, 2015

	Nine months ended	
	March 31,	
	2015	2014
	(Rupees in '000)	
Undistributed income brought forward - realised	11,287	41,431
Net income for the period	282,992	100,561
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	1,049	(1,159)
Final distribution for the year ended June 30, 2014: Nil [(Year ended June 30, 2013: Rs. 2.00 per unit in the form of 377,274 bonus units) (Date of distribution: July 8, 2013)]	-	(37,958)
First interim distribution for the year ending June 30, 2015: Nil [(Year ended June 30, 2014: Rs.1.75 per unit in the form of 287,530 bonus units) (Date of distribution: October 30, 2013)]	-	(29,140)
Second interim distribution for the year ending June 30, 2015: Nil [(Year ended June 30, 2014: Rs.1.75 per unit in the form of 292,936 bonus units) (Date of distribution: February 14, 2014)]	-	(29,887)
Total distributions	-	(96,985)
Undistributed income carried forward - realised	295,328	43,848

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 Nine Months & quarter ended March 31, 2015**

	Nine months ended March 31,	
	2015	2014
	(Rupees in '000)	
Net assets at beginning of the period [Rs.101.3388 (June 30, 2013: Rs. 102.6114)]	2,768,352	1,947,464
Issue of 23,822,149 units (2014: 2,105,493 units)	2,562,560	216,871
Redemption of 16,544,337 units (2014: 5,277,531 units)	(1,762,160)	(536,435)
Issue of bonus units: Nil (2014: 957,740 bonus units)	-	96,985
	800,400	(222,579)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement-net	(49,472)	719
Net income for the period	282,992	100,561
Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale	43,520	13,954
Total comprehensive income for the period	326,512	114,515
Final distribution for the year ended June 30, 2014: Nil [(Year ended June 30, 2013: Rs. 2.00 per unit in the form of 377,274 bonus units) (Date of distribution: July 8, 2013)]	-	(37,958)
First interim distribution for the year ending June 30, 2015: Nil [(Year ended June 30, 2014: Rs.1.75 per unit in the form of 287,530 bonus units) (Date of distribution: October 30, 2013)]	-	(29,140)
Second interim distribution for the year ending June 30, 2015: Nil [(Year ended June 30, 2014: Rs.1.75 per unit in the form of 292,936 bonus units) (Date of distribution: February 14, 2014)]	-	(29,887)
Total distributions	-	(96,985)
Net assets at end of the period [Rs.111.1642 per unit (March 31, 2014: Rs. 103.9762 per unit)]	3,845,792	1,743,134

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 Nine Months & quarter ended March 31, 2015

	Note	Nine months ended	
		March 31,	
		2015	2014
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period		282,992	100,561
Adjustments			
Provision / (Reversal) against non-performing Term Finance Certificates and Sukuk bonds	5.5	6,895	501
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		(49,472)	719
		<u>240,415</u>	<u>101,781</u>
(Increase) / decrease in assets			
Investments - net		(1,621,407)	(123,120)
Accrued mark-up		(43,818)	(12,647)
Advances, deposits, and other receivables		6	(14)
		<u>(1,665,219)</u>	<u>(135,781)</u>
Increase / (decrease) in liabilities			
Payable to HBL Asset Management Limited - Management Company		1,725	(317)
Payable to Central Depository Company of Pakistan Limited - Trustee		87	(30)
Payable to Securities and Exchange Commission of Pakistan		246	(491)
Accrued expenses and other liabilities		11,734	4,351
		<u>13,792</u>	<u>3,513</u>
Net cash (used in) / generated from operating activities		<u>(1,411,012)</u>	<u>(30,487)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Amount received on issue of units		2,562,560	216,871
Payment against redemption of units		(1,762,160)	(536,435)
Net cash generated from / (used in) financing activities		<u>800,400</u>	<u>(319,564)</u>
Net (decrease) / increase in cash and cash equivalents		<u>(610,612)</u>	<u>(350,051)</u>
Cash and cash equivalents at beginning of the period		659,789	375,795
Cash and cash equivalents at end of the period	4	<u><u>49,177</u></u>	<u><u>25,744</u></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

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

For the Nine Months & quarter ended March 31, 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 (SECP) 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). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund for the year ended June 30, 2014.

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, 2014.

4. BANK BALANCES	Note	March 31, 2015	June 30, 2014
		(Rupees in '000)	
Current account		50	-
Savings accounts	4.1	49,127	309,789
Term Deposit Receipts (TDRs)	4.2	-	350,000
		<u>49,177</u>	<u>659,789</u>

5. INVESTMENTS	Note	March 31, 2015	June 30, 2014
(Rupees in '000)			
Available for sale			
- Term Finance Certificates - Listed	5.1.1	-	22,852
- Term Finance Certificates and Sukuk bonds - Unlisted	5.1.2	330,123	331,344
- Government Securities	5.2	3,407,919	1,525,814
		3,738,042	1,880,010
Loans and receivables			
- Placements		-	200,000
		3,738,042	2,080,010

5.1 Available for sale investments

All Term Finance Certificates and Sukuk bonds 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			As at March 31, 2015	Market value/ Carrying value* as at March 31, 2015	Market value as a percentage	
	As at July 1, 2014	Purchases during the period	Sales / Matured during the period			Total Investments	Net Assets
(Rupees in '000)							
Financial Services							
Saudi Pak Leasing Company Limited - (Note 5.1.3)	2,000	-	-	2,000	-	-	-
	2,000	-	-	2,000	-	-	-
Commercial Banks							
Faysal Bank Limited	12,758	-	12,758	-	-	-	-
	12,758	-	12,758	-	-	-	-
Fixed Line Telecommunication							
World Call Telecom Limited - (Note 5.1.4)	23,750	-	-	23,750	-	-	-
	23,750	-	-	23,750	-	-	-
	38,508	-	12,758	25,750	-	-	-
Cost of investments at March 31, 2015					56,412		

5.1.2 Term Finance Certificates and Sukuk bonds - Unlisted

Name of the Investee Company	Number of certificates				Market value/ Carrying value* as at March 31, 2015	Market value as a percentage of	
	As at July 1, 2014	Purchases during the period	Sales / Matured during the period	As at March 31, 2015		Total Investments	Net Assets
(Rupees in '000)							
Commercial Banks							
Bank Al Habib Limited	6,000	-	-	6,000	32,547	0.87%	0.85%
Standard Chartered Bank (Pakistan) Limited	8,000	-	-	8,000	39,877	1.07%	1.04%
	14,000	-	-	14,000	72,424	1.94%	1.89%
Chemicals							
Engro Fertilizer Limited - Perpetual I	21,000	-	-	21,000	104,481	2.80%	2.72%
Engro Fertilizer Limited - Perpetual II	7,000	-	-	7,000	33,423	0.89%	0.87%
Agritech Limited - (Note 5.1.5)	2,000	-	-	2,000	-	-	-
	30,000	-	-	30,000	137,904	3.69%	3.59%
Construction and Materials							
Maple Leaf Cement Factory Limited - Sukuk	7,000	-	-	7,000	23,246	0.62%	0.60%
	7,000	-	-	7,000	23,246	0.62%	0.60%
Multifutilities							
WAPDA Sukuk	19,000	-	-	19,000	96,549	2.58%	2.51%
	19,000	-	-	19,000	96,549	2.58%	2.51%
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	-	-	-
	88,000	-	-	88,000	330,123	8.83%	8.59%
Cost of investments at March 31, 2015					403,036		

* In case of debt securities against which a provision has been made, these are carried at amortised cost less provision. For non-performing securities market value / 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. Accordingly, the exposure has been fully provided.

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. The issuer defaulted again in payment of principal instalment due on October 7, 2014. In accordance with Circular No. 33 of 2012 dated October 24, 2012, the exposure has been fully provided.

- 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.

	March 31, 2015	June 30, 2014
	(Rupees in '000)	
Bank Al Habib Limited	-	6
Agritech Limited	1,998	1,998
	1,998	2,004

- 5.1.8** Significant terms and conditions of Term Finance Certificates Sukuk bonds outstanding as at March 31, 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	2,142	6 Month KIBOR + 1.60%	3-Dec-07	3-Dec-18
Term Finance Certificates and Sukuk bonds - Unlisted				
New Allied Electronics Industries (Pvt) Limited - Sukuk	4,905	6 Month KIBOR + 2.50%	15-May-07	15-May-11
Agritech Limited	3,997	6 Month KIBOR + 1.75%	30-Nov-07	30-Nov-14
Maple Leaf Cement Factory Limited -Sukuk	3,044	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	5,000	6 Month KIBOR + 1%	14-Oct-13	14-Oct-21

5.2 Investment in Government Securities - Available for sale

Issue Date	Tenor	Face value			As at March 31, 2015	Market Value as at March 31, 2015	Market Value as a percentage of	
		As at July 1, 2014	Purchases during the period	Sales / Matured during the period			Total	Net Assets
------(Rupees in '000)-----								
Treasury bill								
March 20, 2014	6 months	210,000	-	210,000	-	-	-	-
March 20, 2014	1 year	-	275,000	275,000	-	-	-	-
April 17, 2014	3 months	12,000	215,000	227,000	-	-	-	-
April 17, 2014	6 months	150,000	-	150,000	-	-	-	-
May 15, 2014	3 months	250,000	-	250,000	-	-	-	-

5.2 Investment in Government Securities - Available for sale

Issue Date	Tenor	Face value			Market Value as at March 31, 2015	Market Value as a percentage of	
		As at July 1, 2014	Purchases during the period	Sales / Matures during the period		Total	Net Assets
(Rupees in '000)							
May 15, 2014	6 months	100,000	-	100,000	-	-	-
June 12, 2014	3 months	-	20,000	20,000	-	-	-
June 26, 2014	3 months	-	15,000	15,000	-	-	-
July 24, 2014	3 months	-	565,000	565,000	-	-	-
August 7, 2014	3 months	-	400,000	400,000	-	-	-
August 21, 2014	6 months	-	97,000	97,000	-	-	-
September 4, 2014	3 months	-	80,000	80,000	-	-	-
September 30, 2014	3 months	-	200,000	200,000	-	-	-
October 2, 2014	3 months	-	100,000	100,000	-	-	-
October 30, 2014	3 months	-	400,000	400,000	-	-	-
November 13, 2014	6 months	-	400,000	400,000	-	-	-
November 27, 2014	3 months	-	500,000	500,000	-	-	-
November 28, 2014	3 months	-	100,000	100,000	-	-	-
January 8, 2015	6 months	-	250,000	250,000	-	-	-
January 8, 2015	1 year	-	555,000	-	555,000	13.99%	13.60%
January 22, 2015	6 months	-	500,000	500,000	-	-	-
January 22, 2015	1 year	-	250,000	150,000	100,000	93.967	2.51%
February 6, 2015	6 months	-	100,000	100,000	-	-	-
February 19, 2015	3 months	-	250,000	-	250,000	247.623	6.62%
March 5, 2015	1 year	-	400,000	-	400,000	372.682	9.97%
March 19, 2015	1 year	-	100,000	-	100,000	92.902	2.49%
March 19, 2015	3 months	-	700,000	-	700,000	689.180	18.44%
		722,000	6,472,000	5,089,000	2,105,000	2,019,354	54.02%
							52.51%
Pakistan Investment Bonds							
July 19, 2012	10 years	160,000	-	160,000	-	-	-
July 18, 2013	3 years	675,000	625,000	1,050,000	250,000	259,874	6.95%
July 17, 2014	3 years	-	750,000	350,000	400,000	425,920	11.39%
July 17, 2014	5 years	-	470,000	35,000	435,000	480,371	12.85%
July 17, 2014	10 years	-	548,000	418,000	130,000	150,761	4.03%
March 26, 2015	5 years	-	35,000	-	35,000	35,878	0.96%
March 26, 2015	10 years	-	35,000	-	35,000	35,761	0.96%
		835,000	2,463,000	2,013,000	1,285,000	1,388,565	0.37
							0.36
Grand total		1,557,000	8,935,000	7,102,000	3,390,000	3,407,919	91.17%
							88.61%

Cost of investments at March 31, 2015

3,364,392

5.3 Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale

Note

March 31, 2015

June 30, 2014

(Rupees in '000)

Market value of investments	5.1.1, 5.1.2 & 5.2	3,738,042	1,880,010
Cost of investments	5.1.1, 5.1.2 & 5.2	3,823,840	2,002,433
Provision against non-performing TFCs and Sukuk bonds		(127,579)	(120,684)
		3,696,261	1,881,749
		<u>41,781</u>	<u>(1,739)</u>

5.4 Movement in provision against investments

Opening balance	122,682	147,746
Add: Charge for the period	6,895	13,563
Less: Reversals / write-offs	-	38,627
Net (reversal) / charge	6,895	(25,064)
Closing balance	129,577	122,682
Classified under investments	127,579	120,684
Classified under other receivables	1,998	1,998
	129,577	122,682

6. ACCRUED MARK-UP

Mark-up accrued on savings accounts	18,971	2,312
Mark-up accrued on term deposit receipts	-	590
Mark-up / return accrued on Term Finance Certificates and Sukuk bonds	31,668	9,723
Mark-up / return accrued on Government Securities	50,857	42,694
Mark-up accrued on placements	-	2,359
	101,496	57,678

7. ADVANCE, DEPOSITS, 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 Sukuk bonds	1,998	2,004
Receivable against sale of government securities	-	-
Others	1	1
	5,599	5,605
Less: Provision against overdue instalments of Term Finance Certificates and Sukuk bonds	(1,998)	(1,998)
	3,601	3,607

**8. PAYABLE TO HBL ASSET MANAGEMENT
LIMITED - MANAGEMENT COMPANY**

	<i>Note</i>	March 31, 2015	June 30, 2014
		(Rupees in '000)	
Management fee	8.1	4,886	3,374
Sindh Sales Tax	8.2	840	627
		5,726	4,001

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 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 one and a half percent per annum of the average net assets for the current period.

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

9. ACCRUED EXPENSES AND OTHER LIABILITIES	<i>Note</i>	March 31, 2015	June 30, 2014
(Rupees in '000)			
Auditors' remuneration		286	300
Brokerage payable		405	29
Payable to unit holders against redemption of units		1	1
Federal Excise Duty payable	9.1	9,662	4,090
Provision for Workers' Welfare Fund	10	28,262	22,518
Advance against units to be issued		-	-
Other payables		145	89
		<u>38,761</u>	<u>27,027</u>

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. The matter has been taken up collectively by Mutual Funds Association of Pakistan, where various options are being considered. On September 09, 2013, the Honourable High Court of Sindh in a Constitutional petition relating to levy of FED on Mutual Funds has granted a stay order for the recovery of FED. As a matter of abundant caution, without prejudice to the above, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 10.815 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 March 31, 2015 would have been higher by Rs. 0.2793 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, has decided to continue to maintain the provision for WWF amounting to Rs. 28.262 million (including Rs. 5.744 million for the current period). Had the provision not been made, the Net Asset Value (NAV) per unit of the fund as at March 31, 2015 would have been higher by Rs. 0.8169 per unit.

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. Provided that for the purpose of determining distribution of at least 90% of the accounting income, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending June 30, 2015 as reduced by capital gains (whether realised or unrealised) to its unit holders.

The tax department has issued show cause notice to the Fund for tax year 2008. In the notice, the tax department has alleged that the return filed by the Fund in respect of above tax year is found erroneous in so far as prejudicial to the interest of the revenue and requires amendment under section 122 (5A) of the Income Tax Ordinance, 2001. They have further stated that as the Fund has distributed income in the form of bonus shares which has not resulted in increase in capital, therefore such distribution / payment tantamount to dividend as per section 2 (29) of the Ordinance and the Fund has not made withholding under section 150 of the Ordinance, therefore does not qualify for exemption in terms of Clause (99) of Part I of the Second Schedule to the Ordinance.

The Fund has filed a reply to show cause notice stating that the assessment cannot be reopened as a period of five years has already lapsed. The contention that bonus units do not result in increase in the capital is not correct and the distribution was in accordance with Clause 99 Part I of the Second Schedule. The Clause 99 of Part I of the Second Schedule has only been amended vide Finance Act 2014 and therefore is applicable for tax year 2015.

The Fund considers that application of amended Clause 99 to tax year 2008 is void and is confident that the proceedings would be dropped.

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, directors of the connected persons and persons having 10 % or more beneficial ownership of the units of the Fund.

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

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

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

13.1 Transactions during the period	Nine months ended	
	March 31,	
	2015	2014
	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee	46,251	26,394
Issue of 1,390,061 units (2013: Nil units)	150,000	-
Issue of bonus units: Nil (2014: 56,154 bonus units)	-	5,689
Redemption of 1,140,867 units (2014: 1,049,216 units)	123,050	106,522
Profit earned on units redeemed	13,050	6,522
Habib Bank Limited - Sponsor		
Issue of bonus units: Nil (2014: 584,042 bonus units)	-	59,164
Bank charges paid	36	33
Mark-up earned during the period	3,813	2,402
Mark-up received during the period	3,880	2,057
Jubilee General Insurance Company - Associated company		
Issue of 2,876,564 units (2014: 979,663 units)	300,000	-
Redemption of 2,025,970 units (2013: 980,033 units)	213,809	-
Profit earned on units redeemed	11,632	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	2,531	1,750
Central Depository system charges	4	3
Directors of connected persons		
Issue of bonus units: Nil (2014: 56,160 bonus units)	-	3,281
Redemption of units: 277,807 (2014: 2,967 units)	30,549	300
Profit earned on units redeemed	1,186	2
Executives and their relatives		
Issue of 86,665 units (2014: Nil units)	9,282	-
Issue of bonus units: Nil (2013: 197 bonus units)	-	20
Redemption of 48,725 units (2014: Nil units)	5,235	-
Profit earned on units redeemed	384	-
HBL Asset Management Limited - Management Company		
Investment held by the management company in the Fund: 1,390,061 units (June 30, 2014: 1,140,867 units)	154,525	115,614
Management fee	4,886	3,374
Sindh Sales Tax	840	627
Habib Bank Limited - Sponsor		
Investment held by HBL in the Fund: 11,758,098 units (June 30, 2014: 11,758,098 units)	1,307,080	1,191,552
Bank balances with HBL	30,027	68,263
Mark-up receivable on deposits with bank	121	188
Jubilee General Insurance Company - Associated company		
Investment held by Jubilee Insurance Company in the Fund: 2,876,564 units (June 30, 2014: 2,025,970 units)	319,771	205,309

13.2 Balances outstanding as at year end	March 31, 2015 (Rupees in '000)	June 30, 2014
Directors and Executives of the Management Company and their relatives		
Directors and their relatives		
Investment held in the Fund: 35,175 units (June 30, 2014: 58,293 units)	3,910	5,907
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	350	263
Security deposit	100	100
Directors of connected persons		
Investment held in the Fund: 121,681 units (June 30, 2014 : 1,995,412)	13,527	202,213
Persons holding 10% or more units - other than above		
Investments held in the Fund : Nil units (June 30, 2014: 3,078,955 units)	-	312,018

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 March 31, 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	50,862	50,862	-	-	-

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 April 28, 2015.

16. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

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