HBL ASSET MANAGEMENT LTD.
ایسیٹ مینجمنٹ لمیٹڈ

AMC Rating : AM2+ by JCR-VIS

# Annual Report 2018-19

MOVING TOWARDS
EXCELLENCE

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# OUR VISION

Enabling people to advance with confidence and success.

# OUR MISSION

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

## Our Corporate Values

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

## Progressiveness

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

## Meritocracy

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

## Excellence

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

## Customer Focus

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

## Integrity

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

**Board of Directors (Composition as of June 30, 2019)**

| | | |
|---|---|---|
| Directors | | |
| | Mr. Farid Ahmed Khan | (Chief Executive Officer) |
| | Ms. Ava Ardeshir Cowasjee | (Independent Director) |
| | Mr. Shahid Ghaffar | (Independent Director) |
| | Mr. Rizwan Haider | (Non-Executive Director) |
| | Mr. Shabbir Hussain Hashmi | (Independent Director) |
| | Mr. Aamir Hasan Irshad | (Non-Executive Director) |
| | Mr. Rayomond H. Kotwal | (Non-Executive Director) |

**Audit Committee**

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

**Human Resource Committee**

| | | |
|---|---|---|
| Members | Mr. Shabbir Hussain Hashmi | (Independent Director) |
| | Mr. Rayomond H. Kotwal | (Non-Executive Director) |

**Risk Management Committee**

| | | |
|---|---|---|
| Chairman | Mr. Shahid Ghaffar | (Independent Director) |
| Members | Mr. Rizwan Haider | (Non-Executive Director) |
| | Mr. Aamir Hasan Irshad | (Non-Executive Director) |
| | Mr. Farid Ahmed Khan | (Chief Executive Officer) |

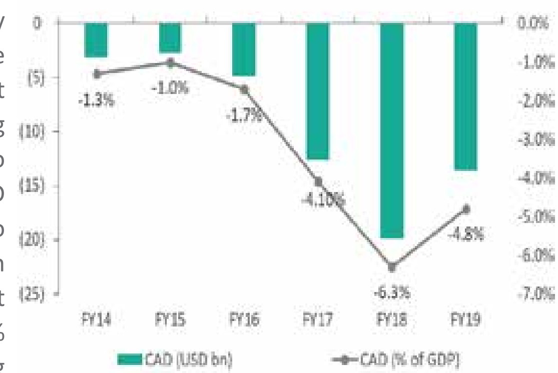
| | |
|---|---|
| **Company Secretary & Chief Financial Officer** | Mr. Noman Qurban |
| **AMC Rating** | AM2+ (Positive Outlook) |
| **Legal Advisors** | Mandviwalla & Zafar, Advocates and Legal Consultants, Mandviwalla Chambers, C-15, Block-2, Clifton, Karachi. |
| **Website** | www.hblasset.com |
| **Head Office & Registered Office** | 7th Floor, Emerald Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi. |

The Board of Directors of HBL Asset Management Limited is pleased to present its report together with Financial Statements of HBL Income Fund, HBL Government Securities Fund, HBL Money Market Fund, HBL Cash Fund, HBL Stock Fund, HBL Equity Fund, HBL Energy Fund, HBL Multi Asset Fund, HBL Financial Planning Fund, HBL Growth Fund and HBL Investment Fund (the Funds) for the year ended June 30, 2019.

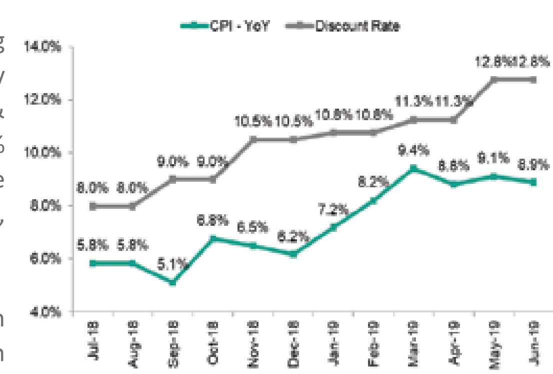
Economic Review – FY19

Pakistan's economy shifted its gears in FY19 towards slowdown and consolidation. Twin deficits, increasing inflationary pressures, currency depreciation and depleting FX reserves remained key challenges for the country. More importantly, Government closed a staff level agreement with International Monetary Fund (IMF) towards the end of the fiscal year for an economic stabilization package. Due to persistent macroeconomic issues, policy makers pursued measures (monetary tightening and currency depreciation) to contain aggregate demand and address external account pressures. Though some improvement was witnessed on external account front, fiscal deficit ballooned to over 8% of GDP. We expect that in addition to monetary tightening, Government would also focus on curtailing fiscal deficit in FY20 by aggressive taxation measures.

During FY19, PKR depreciated by 31% and REER declined to 103 (levels last seen in FY10-12). Central bank also pursued monetary tightening by raising benchmark interest rates by 575bps during this period. These drastic changes led to some respite in trade data (PBS) showed export decline of -2.2% in FY19 compared to decline in import by 7.3%, dragging FY19 trade deficit down by 11.3% to USD 28.2bn. Remittances also showed an encouraging trend - an uptick of 10% in FY19 clocking at USD 21.8bn. These factors led the Current Account Deficit (CAD) for FY19 to decrease by 31.7% to USD 13.6bn (4.8% of GDP) compared to USD 19.9bn (6.3% of GDP) during same period last year. However, these stringent measures also led to an overall slowdown in domestic economy with 3.5% decline in LSM during 11MFY19 compared to increase of 5.7% during 11MFY18. Despite slowdown in CAD, foreign exchange reserves maintained negative trend and dropped to USD 14.5bn while SBP reserves depleted to USD 7.3bn (less than 2 months of import cover).

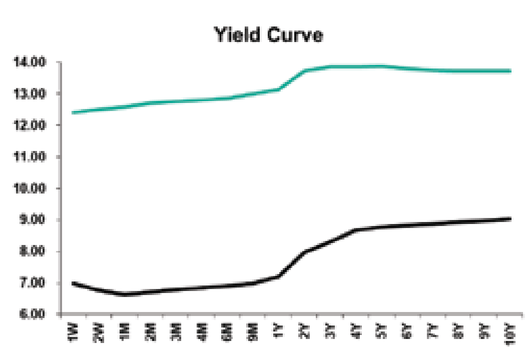



Average headline CPI inflation was 7.3% in FY19, compared to 3.9% during the same period last year on account of higher average oil prices, currency depreciation and increase in energy prices. Core inflation (non-food & non-energy) continued to remain on the higher side averaging 8.0% compared to 5.2% during same period last year. We expect headline inflation to remain higher owing to expectation of hike in energy tariffs, currency depreciation and budgetary measures.




Moving ahead, we foresee tough economic conditions to persist with sluggish GDP growth and inflationary pressures. Focus would remain on government compliance with IMF policy directives largely on fiscal side and its implementation of budgetary commitments.

Money Market Review




SBP continued monetary tightening in FY19 to control the rising current account deficit and anchor increasing inflationary pressures.
Yields across all the tenors increased by 469-601 bps during FY19 due to cumulative increase of 575 bps in SBP policy rate in FY19. Secondary market yields of 3, 5 and 10-year PIBs increased by 556, 511 and 469 bps respectively while yields of 3, 6 and 12 month T-Bills increased in tandem by 597, 595 and 593 bps respectively during FY19. Government further

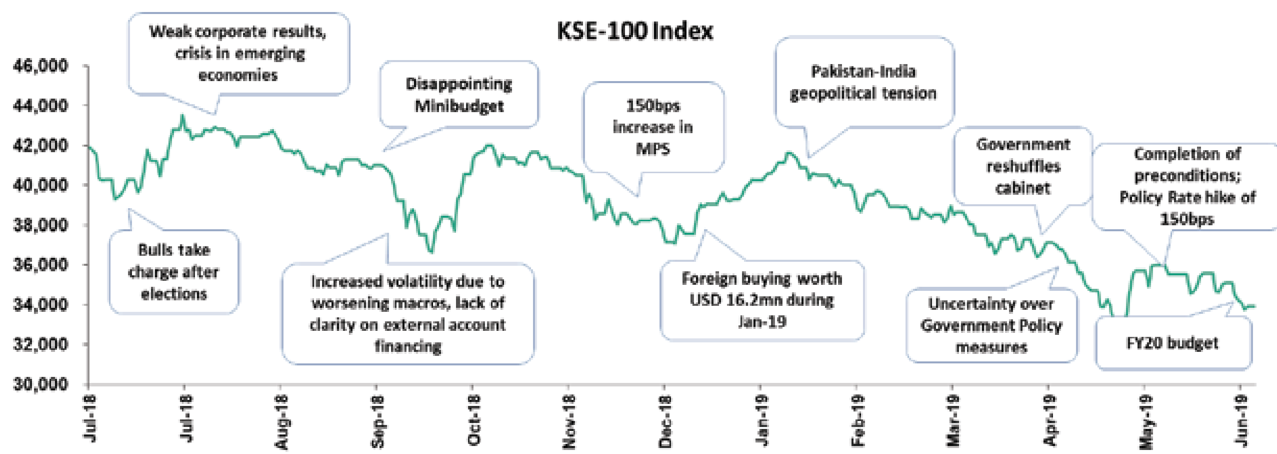
raised PKR 674bn through the PIBs auction during FY19 against a target of PKR 950bn as market participants demanded higher spreads over discount rate keeping in view steep monetary tightening during the year. Latest cut-off yields stood at 13.69%, 13.80% and 13.70% for the 3-year, 5-year and 10-year PIBs, respectively.

During FY19, Government largely managed its borrowing requirements through domestic sources, with an ever-rising reliance from central bank. Government retired PKR 893bn from scheduled banks compared to retirement of PKR 210bn during same period last year. Meanwhile, Government borrowing from SBP increased by PKR 2,596bn during the period against borrowing of PKR 1,469bn during same period last year. Going forward, we expect that Government borrowing will shift from SBP to Commercial banks under IMF program. It is important to note that IMF staff level report suggests that incremental borrowing requirements have to be met via commercial banks as borrowing from SBP will remain limited to avoid indirect inflationary pressures.

In the monetary policy meeting held in May-19, SBP increased the policy rate by a further 150bps to 12.25%. With this move, SBP has taken real interest rates (now 390 bps) well above the historic average (10 year average at 230 bps). However, we highlight that expected increase in energy tariffs pose risk to inflation estimates and may trigger further monetary tightening. Low participation in long bonds gives a clear hint that market players see further upside in interest rates. Geo-political factors like tensions in Persian gulf and its impact on oil prices as well as deterioration in relations with India have further complicated the economic outlook.

Stock Market Review

Equity market remained under pressure throughout the year owing to weak macroeconomic environment and massive adjustment in currency and interest rates. Lack of clarity on the economic and political front weakened the investors'




sentiment leading to flows towards risk free avenues like National Savings schemes, fixed income funds and even foreign exchange. Investors were also spooked by the FY20 Budget which envisions massive increase in tax revenue, fiscal consolidation and abolishment of subsidies.

The benchmark KSE-100 index recorded 8,009 points decline (-19%) during FY19 to close at 33,902 level. Major decline in the index was contributed by Oil & Gas (Exploration & Production), Cement and Banking sector stocks which caused cumulative attrition of 3,356pts due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive returns during the year. On the flows side, foreigners were net sellers during the FY19 and sold shares worth USD356mn, compared to net selling of USD290mn during FY18. However, it is important to note that foreign selling was skewed towards 1HFY19 as foreigners were net buyers in 2HFY19.

Moving ahead, Pakistan equities are expected to remain range bound due to tough macroeconomic environment. However, index heavyweights (Banks E&Ps, and Power) would remain in limelight as results of macroeconomic changes over the last 18 months (50% PKR depreciation and 750 bps cumulative interest rate hike) would start to reflect in earnings in FY20. Thus, we will maintain our portfolio focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

FUND'S PERFORMANCE AND PAYOUTS

HBL Income Fund

The total income and net income of the Fund was Rs. 203.34 million and Rs. 160.36 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs. 106.1134 per unit as on June 30, 2019 as compared to Rs. 111.2890 per unit as on June 30, 2018, after incorporating dividend of Rs. 14.50 (Rs. 5.50 for the year ended June 30, 2018 & Rs. 9.00 for the year ended June 30, 2019) per unit, thereby giving an annualized return of 8.82%. During the year the benchmark (6 Month KIBOR) return was 10.21%. The size of Fund was Rs. 1.51 billion as on June 30, 2019 as compared to Rs. 2.46 billion at the start of the year.

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

HBL Government Securities Fund

The total income and net income of the Fund was Rs. 102.24 million and Rs. 82.51 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs. 105.8419 per unit as on June 30, 2019 as compared to Rs. 110.4244 per unit as on June 30, 2018, after incorporating dividend of Rs. 14.45 (Rs. 4.75 for the year ended June 30, 2018 & Rs. 9.70 for the year ended June 30, 2019) per unit, thereby giving an annualized return of 9.35%. During the same year the benchmark (6 Month PKRV Rates) return was 10.01%.The size of Fund was Rs. 2.12 billion as on June 30, 2019 as compared to Rs. 314 million at the start of the year.

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

HBL Money Market Fund

The total income and net income of the Fund was Rs. 696.04 million and Rs. 588.13 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs. 102.2200 per unit as on June 30, 2019 as compared to Rs. 107.1869 per unit as on June 30, 2018, after incorporating dividend of Rs. 13.60 (Rs. 5.15 for the year ended June 30, 2018 & Rs. 8.45 for the year ended June 30, 2019) per unit, thereby giving an annualized return of 8.47%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 8.70%.The size of Fund was Rs. 6.25 billion as on June 30, 2019 as compared to Rs.7.25 billion at the start of the year.

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

HBL Cash Fund

The total income and net income of the Fund was Rs. 1.14 billion and Rs. 996.07 million respectively during the year ended June 30, 2019. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 100.8886 per unit as on June 30, 2019 as compared to Rs 106.0021 per unit as on June 30, 2018, after incorporating dividend of Rs. 13.7758 per unit, thereby giving an annualized return of 8.89%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 8.70%.The size of Fund was Rs 8.81 billion as on June 30, 2019 as compared to Rs. 12.04 billion at the start of the year.

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

HBL Stock Fund

The Fund incurred a total and net loss of Rs. 542.26 million and Rs. 696.27 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs 89.7221 per unit as on June 30, 2019 as compared to Rs 107.0620 per unit as on June 30, 2018, thereby giving a negative return of 16.20%. During the same year the benchmark KSE 30 index yielded a negative return of 18.18%.The size of Fund was Rs 2.15 billion as on June 30, 2019 as compared to Rs. 5.96 billion at the start of the year.

HBL Equity Fund

The Fund incurred a total and net loss of Rs. 34.97 million and Rs. 46.37 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs. 93.3868 per unit as on June 30, 2019 as compared to Rs. 110.4602 per unit as on June 30, 2018, thereby giving a negative return of 15.46%. During the year the benchmark KSE 100 index yielded a negative return of 19.11%.The size of Fund was Rs. 0.25 billion as on June 30, 2019 as compared to Rs. 0.29 billion at the start of the year.

HBL Energy Fund

The Fund incurred a total and net loss of Rs. 211.95 million and Rs. 242.86 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs. 11.1201 per unit as on June 30, 2018 as compared to Rs. 14.6857 per unit as on June 30, 2018, thereby giving a negative return of 24.28%. During the same year the benchmark KSE 30 index yielded a negative return of 18.18%.The size of Fund was Rs. 0.73 billion as on June 30, 2019 as compared to Rs. 1.06 billion at the start of the year.

HBL Multi Asset Fund

The Fund incurred a total and net loss of Rs. 13.70 million and Rs. 23.12 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs 95.6506 per unit as on June 30, 2019 as compared to Rs 105.0519 per unit as on June 30, 2018, thereby giving a negative return of 8.95%. During the same year the benchmark index (Weighted average daily return KSE 100 and 6 Month PKRV rates) yielded a negative return of 8.23%. The size of Fund was Rs 0.20 billion as on June 30, 2019 as compared to Rs. 0.32 billion at the start of the year.

HBL Financial Planning Fund

The Fund comprises of three sub funds (plans) namely Active allocation plan, Conservative allocation plan and Strategic allocation plan.

The Fund as a whole incurred a total and net loss of Rs. 14.02 million and Rs. 17.09 million respectively during the year under review. The fund size of the fund stood at Rs. 0.34 billion as on June 30, 2019.

Performance review for plans is given below:

Active Allocation Plan

During the year under review, the Active allocation plan incurred a total and net loss of Rs.  12.33 million and Rs 13.31 million respectively. The net assets of the Active allocation plan stood at Rs.  0.10 billion representing Net Asset Value (NAV) of Rs. 96.9864 per unit as at June 30, 2019 as compared to Rs. 102.6500 per unit as at June 30, 2018. The plan earned a negative return of 5.52% for the year under review against the benchmark return of negative 6.08%. The plan is invested to the extent of 41% in equity funds & 57% in fixed income funds.

Conservative Allocation Plan

During the year under review, the Conservative allocation plan earned total and net income of Rs.  3.27 million and Rs 2.62 million respectively. The net assets of the Conservative allocation plan stood at Rs.  0.07 billion representing Net Asset Value (NAV) of Rs.  103.8264 per unit as at June 30, 2019 (after incorporating dividend of Rs. 2.75 per unit) as compared to Rs. 103.7607 per unit as at June 30, 2018. The plan earned a return of 2.71% for the year under review against the benchmark return of 3.05%. The plan is invested to the extent of 19% in equity funds & 80% in fixed income funds.

Strategic Allocation Plan

During the year under review, the Strategic allocation plan incurred a total and net loss of Rs. 4.95 million and Rs 6.39 million respectively. The net assets of the Strategic allocation plan stood at Rs. 0.17 billion representing Net Asset Value (NAV) of Rs. 99.0331 per unit as at June 30, 2019 as compared to Rs. 102.5230 per unit as at June 30, 2019. The plan earned a negative return of 3.40% for the year under review against the benchmark return of negative 2.42%. The plan is invested to the extent of 23% in equity funds & 77% in fixed income funds.

HBL Growth Fund

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

The Fund as a whole incurred a total and net loss of Rs. 404.80 million and Rs. 760.37 million respectively during the year under review. The fund size of the fund stood at Rs. 9.31 billion as on June 30, 2019.

Performance review of each class is presented below:

HBL Growth Fund – Class 'A'

HBL Growth Fund – Class 'A' earned a total and net income of Rs. 293.69 million and Rs. 101.17 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Class 'A' was Rs. 17.1016 per unit as on June 30, 2019 as compared to Rs. 25.51 as at June 30, 2018 at the time of conversion, thereby giving a negative return of 32.96%. During the year the benchmark KSE 100 index yielded a negative return of 19.11%. The size of Class 'A' was Rs. 4.85 billion as on June 30, 2019 as compared to Rs. 7.23 billion at the start of the year.

HBL Growth Fund – Class 'B'

HBL Growth Fund – Class 'B' incurred a total and net loss of Rs. 698.49 million and Rs. 865.68 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Class 'B' was Rs. 16.0884 per unit as on June 30, 2019 as compared to Rs. 19.20 as at June 30, 2018 at the time of conversion, thereby giving a negative return of 16.21%. During the year the benchmark KSE 100 index yielded a negative return of 19.11%. The size of Class 'B' was Rs. 4.46 billion as on June 30, 2019 as compared to Rs. 5.44 billion at the start of the year.

HBL Investment Fund

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

The Fund as a whole incurred a total and net loss of Rs. 266.14 million and Rs. 424.72 million respectively during the year under review. The fund size of the fund stood at Rs. 4.06 billion as on June 30, 2019.

Performance review of each class is presented below:

HBL Investment Fund – Class 'A'

HBL Investment Fund – Class 'A' earned a total and net income of Rs. 101.20 million and Rs. 31.05 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Class 'A' was Rs. 6.0597 per unit as on June 30, 2019 as compared to Rs. 9.09 as at June 30, 2018 at the time of conversion, thereby giving a negative return of 33.34%. During the year the benchmark KSE 100 index yielded a negative return of 19.11%. The size of Class 'A' was Rs. 1.72 billion as on June 30, 2019 as compared to Rs. 2.58 billion at the start of the year.

HBL Investment Fund – Class 'B'

HBL Investment Fund – Class 'B' incurred a total and net loss of Rs. 367.34 million and Rs. 455.77 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Class 'B' was Rs. 8.4072 per unit as on June 30, 2019 as compared to Rs. 10.04 as at June 30, 2018 at the time of conversion, thereby giving a negative return of 16.26%. During the year the benchmark KSE 100 index yielded a negative return of 19.11%. The size of Class 'B' was Rs. 2.34 billion as on June 30, 2019 as compared to Rs. 2.85 billion at the start of the year.

MANAGEMENT COMPANY RATING

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has maintained the management quality rating to 'AM2+' (AM Two Plus) to the Management Company and the outlook on the assigned rating has been assessed as 'Positive'.

AUDITORS

M/s Deloitte Yousuf Adil, Chartered Accountants, existing auditors of HBL Income Fund, HBL Money Market Fund, HBL Stock Fund, HBL Multi Asset Fund, HBL Growth Fund and HBL Investment Fund have retired. The Board of Directors on the recommendation of the Audit Committee, has re-appointed M/s Deloitte Yousuf Adil, Chartered Accountants as Auditors of HBL Income Fund, HBL Money Market Fund, HBL Stock Fund, HBL Growth Fund and HBL Investment Fund for the next term.

M/s BDO Ebrahim & Co., Chartered Accountants, existing auditors of HBL Government Securities Fund, HBL Cash Fund, HBL Equity Fund, HBL Energy Fund and HBL Financial Planning Fund have retired. The Board of Directors on the recommendation of the Audit Committee, has re-appointed M/s. BDO Ebrahim & Co., Chartered Accountants as Auditors of HBL Government Securities Fund, HBL Cash Fund, HBL Equity Fund, HBL Energy Fund and HBL Financial Planning Fund for the next term.

The Board of Directors on the recommendation of the Audit Committee, has also appointed M/s KPMG Taseer Hadi & Co., Chartered Accountants as Auditors of HBL Multi Asset Fund for the next term.

PATTERN OF UNIT HOLDING

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

ACKNOWLEDGEMENT

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

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

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

**Chief Executive Officer**

## مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

HBL ایسیٹ مینجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز 30 جون 2019 کو ختم ہونے والے سال کیلئے اپنی رپورٹ ہمراہ ایچ بی ایل انکم فنڈ، ایچ بی ایل گورنمنٹ سیکورٹیز فنڈ، ایچ بی ایل منی مارکیٹ فنڈ، ایچ بی ایل کیش فنڈ، ایچ بی ایل اسٹاک فنڈ، ایچ بی ایل ایکویٹی فنڈ، ایچ بی ایل انرجی فنڈ، ایچ بی ایل ملٹی ایسیٹ فنڈ، ایچ بی ایل فنانشل پلاننگ فنڈ، ایچ بی ایل گروتھ فنڈ اور ایچ بی ایل انویسٹمنٹس فنڈ (''فنڈز'') کے مالیاتی گوشوارے پیش کرتے ہوئے انتہائی مسرت محسوس کرتا ہے۔

### معاشی جائزہ برائے مالی سال 2019

مالی سال 2019 کے دوران پاکستان کی معیشت کی رفتار دھیمی مگر مستحکم نمو کی جانب مائل رہی۔ خسارے کا سرکاری بجٹ اور کرنٹ اکاؤنٹ کے خسارے، افراط زر کے بڑھتے ہوئے دباؤ، روپے کی قدر میں مسلسل کمی اور زرمبادلہ میں کمی جیسے چیلنجز ملک کو درپیش رہے۔ سب سے اہم بات یہ کہ حکومت نے مالی سال کے اختتام سے قبل انٹرنیشنل مانیٹری فنڈ (IMF) کے ساتھ اسٹاف سطح کا معاہدہ کیا۔ مستقل میکرو انکامک ایشوز کے پیش نظر پالیسی سازوں نے مجموعی طلب کو حد میں رکھنے اور بیرونی کھاتے کے دباؤ سے نمٹنے کی غرض سے (زرّی پابندیوں اور کرنسی کی قدر میں کمی جیسے) اقدامات اٹھائے۔ تاہم معاشی تغیرات میں بہتری زیادہ تر بیرونی کھاتے میں دیکھنے میں آئی جبکہ مالیاتی خسارہ بڑھتے بڑھتے مجموعی قومی پیداوار کے 7 فیصد کے برابر تک پہنچ گیا۔ ہم توقع کر رہے ہیں کہ زرّی پابندیوں کے ساتھ ساتھ ٹیکسوں کی وصولی کیلئے جارحانہ اقدامات اٹھا کر مالی سال 2020 میں حکومت مالیاتی خسارے میں کمی لانے کی جانب اپنی توجہ مرکوز رکھے گی۔

مالی سال 2019 کے دوران پالیسی سازوں نے پاکستانی روپے کی قدر میں 31 فیصد کی کمی کی اور REER کم ہو کر 103 تک پہنچا (جو مالی سال 2010 تا 2012 کے بعد پہلی بار ہوا)۔ سینٹرل بینک نے بھی مالی سال 2019 کے دوران شرح سود میں 575bps اضافہ کر کے زرّ پر قابو رکھنے کی راہ اپنائی۔ ان سخت تبدیلیوں نے تجارتی ڈیٹا میں تعطل پیدا کیا، (PBS) نے مالی سال 2019 کے دوران برآمدات میں 2.2 فیصد کمی کے ساتھ ساتھ درآمدات میں بھی دوران سال 7.3 فیصد کی کمی ظاہر کی جس سے تجارتی خسارہ 11.3 فیصد یعنی 28.2 بلین امریکی ڈالر تک پہنچ گیا۔ ترسیلات زر کی صورتحال حوصلہ افزاء رہی جس میں 10 فیصد اضافہ ہوا۔ مالی سال 2019 کے دوران بیرون ملک پاکستانیوں نے 21.8 بلین امریکی ڈالر کی ترسیلات کیں۔ ان عوامل کے سبب مالی سال 2019 کے دوران کرنٹ اکاؤنٹ خسارے میں 31.7 فیصد کمی واقع ہوئی جو 13.6 بلین امریکی ڈالر (جی ڈی پی کا 4.8 فیصد) رہا۔ جبکہ گزشتہ برس اسی مدت کے دوران کرنٹ اکاؤنٹ خسارہ 19.9 بلین امریکی ڈالر (جی ڈی پی کا 6.3 فیصد) رہا تھا۔ تاہم ان اقدامات کے نتیجے میں ملکی معیشت کی رفتار میں مجموعی طور پر کمی بھی واقع ہوئی اور مالی سال 2019 کے ابتدائی 11 ماہ کے دوران معیار زندگی میں 3.5 فیصد کی کمی آئی جبکہ مالی سال 2018 کے ابتدائی 11 مہینوں کے دوران 5.7 فیصد کا اضافہ ریکارڈ کیا گیا تھا۔ کرنٹ اکاؤنٹ خسارے کی رفتار میں کمی آنے کے باوجود زرمبادلہ کے ذخائر کی صورتحال میں منفی رجحان رہا جن میں 14.5 بلین امریکی ڈالر کی کمی واقع ہوئی اور اسٹیٹ بینک آف پاکستان کے پاس زرمبادلہ کے ذخائر 7.3 بلین امریکی ڈالر (محض 2 ماہ سے بھی کم کی برآمدات کیلئے کافی) تک پہنچ گئے۔ مالیاتی خسارے میں کافی اضافہ ہوا جو جی ڈی پی کا 7.2 فیصد رہا اور دومنی بجٹ بھی سست رفتار معیشت کوئی خاص آمدنی پیدا نہیں کر سکے۔

مالی سال 2019 کے دوران کنزیومر پرائس انڈیکس میں خام افراط 7.3 فیصد رہا جو گزشتہ برس کی اسی مدت کے دوران صرف 3.9 فیصد تھا۔ اسکی وجہ تیل کی اوسط قیمتوں میں اضافہ، روپے کی قدر میں کمی اور توانائی کی قیمتوں میں اضافہ تھی۔ مرکزی افراط (خوراک اور توانائی شامل نہیں) بدستور بلندی کی جانب مائل رہا جسکی اوسط 0.8 فیصد تھی جبکہ گزشتہ برس کی اسی مدت کے دوران یہ اوسط 5.2 فیصد رہی تھی۔ توقع ہے کہ خام افراط بدستور بلند رہے گا کیونکہ توانائی کی قیمتوں میں اضافے، روپے کی قدر میں مزید کمی کی توقعات کی جا رہی ہیں اور بجٹ میں تجویز کردہ اقدامات بھی اس میں اپنا حصہ ڈالیں گے۔

اندازہ ہے کہ مستقبل قریب میں خام قومی پیداوار (جی ڈی پی) کی سست رفتار اور افراط زر کے دباؤ کے باعث معیشت کی صورتحال پریشان کن رہے گی۔ حکومت کی توجہ زیادہ تر مالیات کے ضمن میں آئی ایم ایف کی پالیسی ہدایات اور بجٹ میں ان ہدایات کے نفاذ پر مرکوز رہے گی۔

### منی مارکیٹ کا جائزہ

اسٹیٹ بینک آف پاکستان نے بڑھتے ہوئے کرنٹ اکاؤنٹ خسارے پر قابو پانے اور افراط زر کے بڑھتے ہوئے دباؤ پر روک لگانے کی غرض سے مالی سال 2019 کے دوران مالیاتی پابندیاں جاری رکھیں۔

مالی سال 2019 کے دوران اسٹیٹ بینک آف پاکستان کے پالیسی ریٹ میں مجموعی طور سے 575 bps بڑھائے جانے کے سبب تمام شعبوں میں محصولات کی شرح میں دوران سال 469 تا 601 بی پی ایس کا اضافہ ہوا۔ 3، 5 اور 10 برس کی مدت کی PIBs میں سیکنڈری مارکیٹ محصولات کی شرح میں بالترتیب 556، 511 اور 469 بی پی ایس کا اضافہ ہوا جبکہ 3، 6 اور 12 ماہ کی مدت کے T-Bills کے محصولات میں بالترتیب 597، 595 اور 593 بی پی ایس کی بڑھوتی ہوئی۔ PIBs کی نیلامی سے حکومت نے 950 بلین روپے کے مقرر کردہ ٹارگٹ کے برخلاف 674 بلین روپے اکھٹا کیا کیونکہ دوران سال مالیاتی پابندیوں کے باعث مارکیٹ کے حصہ دار ڈسکاؤنٹ کی شرح میں اضافہ چاہتے تھے۔ 3، 5 اور 10 سالہ مدت کی PIBs کیلئے محاصل کی حالیہ ترین شرحیں بالترتیب 13.69 فیصد، 13.80

فیصد اور 13.70 فیصد پر بند ہوئیں۔

مالی سال 2019 کے دوران حکومت نے ملکی ذرائع اور زیادہ تر مرکزی بینک سے قرضے لینے کی اپنی ضرورت کا انتظام کیا۔ شیڈولڈ بینکوں سے حکومت نے 893 بلین روپے حاصل کئے جبکہ گزشتہ برس اسی مدت کے دوران حکومت سے شیڈولڈ بینکوں سے 210 بلین روپے نکلوائے تھے۔ اس دوران اسٹیٹ بینک سے حکومت کے قرضے لینے کے حجم میں بھی اضافہ ہوا جو گزشتہ برس اسی مدت کے دوران لئے گئے 1,469 بلین روپے سے بڑھ کو اس سال 2,596 بلین روپے تک پہنچ گیا۔ اندازہ ہے کہ آئی ایم ایف پروگرام کے تحت حکومت اب اسٹیٹ بینک کی بجائے کمرشل بینکوں سے قرضے لینا شروع کرے گی۔ یہاں اس بات کا ذکر اہم ہے کہ آئی ایم ایف کی اسٹاف رپورٹ میں تجویز دی گئی ہے کہ اضافی قرضوں کی ضروریات کمرشل بینکوں کے ذریعے پوری کی جائیں کیونکہ اسٹیٹ بینک آف پاکستان سے قرضے لینے کا عمل محدود کرنا ہوگا تا کہ افراط زر کے بالواسطہ دباؤ سے بچا جاسکے۔

مئی 2019 کی مانیٹری پالیسی کی رو سے اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ میں مزید 150bps کا اضافہ کرتے ہوئے اسے 12.25 فیصد تک پہنچا دیا تھا۔ اسکے بعد، اندازہ ہے کہ زیادہ تر مالیاتی پابندیاں کام میں لائی جاچکی ہیں کیونکہ حقیقی شرح سود (390bps) تاریخی شرح سود (230bps دس سالہ اوسط ہے) سے بلند تر ہے۔ تاہم یہ بات ذہن میں رکھی جائے کہ توقع کے مطابق توانائی کی قیمتوں میں جو اضافہ ہوگا وہ افراط زر پر منتج ہوگا جسکے نتیجے میں مزید مالیاتی پابندیاں لگائی جاسکتی ہیں۔

اسٹاک مارکیٹ کا جائزہ

سارا سال مارکیٹ دباؤ میں رہی ہے جسکی وجہ کمزور میکرو اکنامک ماحول اور کرنسی کی قدر اور شرح سود میں بھاری ردوبدل ہے۔ معاشی اور سیاسی صورتحال واضح نہ ہونے کے سبب سرمایہ کار خدشات کا شکار رہے جسکے سبب انہوں نے قومی بچت اسکیموں، فکسڈ انکم فنڈز اور انسٹرومنٹس جیسے محفوظ تر علاقوں میں اپنا سرمایہ محفوظ رکھنے کو ترجیح دی۔ اسکے علاوہ سرمایہ کار 2020 کے بجٹ سے بھی ڈرے ہوئے ہیں جس میں بھاری شرح سے ٹیکسوں سے ہونیوالی آمدنی بڑھانے، مالیاتی استحکام لانے اور سبسڈیوں کے خاتمے کے اہداف مقرر کئے گئے ہیں۔

بینچ مارک KSE-100 انڈیکس نے مالی سال 2019 کے دوران 8.009 پوائنٹس کی کمی (منفی 19 فیصد) ریکارڈ کی جو 33,902 کی سطح پر بند ہوا۔ انڈیکس میں سب سے زیادہ کمی تیل اور گیس (تلاش اور پیداوار)، سیمنٹ اور بینکنگ سیکٹر اسٹاک میں واقع ہوئی جو مارکیٹ میں شیئرز فروخت کرنے کے مجموعی رجحان کے باعث 3,356pts کی کمی کا سبب بنا۔ صرف تمباکو وہ واحد سیکٹر تھا جس نے اس رجحان سے ہٹ کر دوران سال مثبت کمائی ظاہر کی۔ جہاں تک خرید و فروخت کا تعلق ہے تو مالی سال 2019 کے دوران غیر ملکی سرمایہ کاروں میں فروخت کا رجحان دیکھنے میں آیا اور انہوں نے 356 ملین ڈالر کے شیئرز کی فروخت کی جبکہ مالی سال 2018 کے دوران غیر ملکی سرمایہ کاروں نے 290 ملین ڈالرز کے شیئرز کی فروخت کی تھی۔ تاہم یہ نکتہ اہم ہے کہ مالی سال 2019 کے پہلے حصے میں غیر ملکی سرمایہ کاروں کی جانب سے شیئرز کی فروخت کے رجحان میں تبدیلی آئی اور مالی سال 2019 کے دوسرے حصے میں ان پر شیئرز کی خریداری کا رجحان غالب رہا۔

آگے دیکھیں تو پاکستان کی ایکویٹیز کی قدر سخت میکرو اکنامک ماحول میں غیر یقینی دکھائی دیتی ہے۔ تاہم انڈیکس جغادری (E&Ps اور توانائی) گزشتہ 18 ماہ کے دوران ہونیوالی میکرو اکنامک تبدیلیوں (پاکستانی روپے کی قدر میں 50 فیصد کی کمی اور مجموعی شرح سود میں 750bps کا اضافہ) کا نتیجہ مالی سال 2020 میں ہونیوالی کمائی کی صورت میں ظاہر ہونا شروع ہوگا۔ یہی وجہ ہے کہ ہماری حکمت عملی ''باٹم اپ اپروچ'' پر مرکوز رہے گی اور ایسے اسٹاکس کی جانب سرمائے کا رخ کریںگے جو مستحکم آمدنی دینے کی صلاحیت رکھیں گے۔

فنڈز کی کارکردگی اور اس سے حاصل ہونیوالی آمدنی

ایچ بی ایل انکم فنڈ

30 جون 2019 کو اختتام پذیر ہونیوالے سال کے دوران اس فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 203.34 ملین روپے اور 160.36 ملین روپے رہی۔ 30 جون 2019 کو 14.50 روپے (30 جون 2018 کو مختتمہ سال کیلئے 5.50 روپے اور 30 جون 2019 کو مختتمہ سال کیلئے 9.00 روپے) کا منافع منقسمہ شامل کرنے کے بعد فنڈ کی خالص اثاثہ جاتی قدر (NAV)، 106.1134 روپے فی یونٹ رہی جو 30 جون 2018 تک 111.2890 روپے فی یونٹ رہی تھی، اس طرح 8.82 فیصد کی سالانہ آمدنی حاصل ہوئی۔ دوران سال بینچ مارک (6 ماہ کا KIBOR) آمدنی 10.21 فیصد رہی۔ فنڈ کا حجم 30 جون 2019 تک 1.51 بلین روپے رہا جو سال کی شروعات کے وقت 2.46 بلین روپے رہا تھا۔

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کی A(f) کی مستحکم ریٹنگ کی توثیق کی ہے۔

ایچ بی ایل گورنمنٹ سیکورٹیز فنڈ

30 جون 2019 کو اختتام پذیر ہونیوالے سال کے دوران اس فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 102.24 ملین روپے اور 82.51 ملین روپے رہی۔ 30 جون 2019 کو 14.45 روپے (30 جون 2018 کو مختتمہ سال کیلئے 4.75 روپے اور 30 جون 2019 کو مختتمہ سال کیلئے 9.70 روپے) کا منافع منقسمہ شامل کرنے کے بعد فنڈ کی خالص اثاثہ جاتی قدر (NAV)، 105.8419 روپے فی یونٹ رہی جو 30 جون 2018 تک 110.4244 روپے فی یونٹ رہی تھی، اس طرح 9.35 فیصد کی سالانہ آمدنی حاصل ہوئی۔ اسی سال کے دوران بینچ مارک (6 ماہ کی PKRV شرحیں) آمدنی 10.01 فیصد تھی۔ فنڈ کا حجم 30 جون 2019 تک 2.12 بلین روپے رہا جو سال کی شروعات کے وقت 314 ملین روپے رہا تھا۔

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کی A+(f) کی مستحکم ریٹنگ کی توثیق کی ہے۔

ایچ بی ایل منی مارکیٹ فنڈ

30 جون 2019 کو اختتام پذیر ہونیوالے سال کے دوران اس فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 696.04 ملین روپے اور 588.13 ملین روپے رہی۔ 30 جون 2019 کو 13.60 روپے (30 جون 2018 کو مختتمہ سال کیلئے 5.15 روپے اور 30 جون 2019 کو مختتمہ سال کیلئے 8.45 روپے) کا منافع منقسمہ شامل کرنے کے بعد فنڈ کی خالص اثاثہ جاتی قدر (NAV)، 102.2200 روپے فی یونٹ رہی جو 30 جون 2018 تک 107.1869 روپے فی یونٹ رہی تھی، اس طرح 8.47 فیصد کی سالانہ آمدنی حاصل ہوئی۔ اسی سال کے دوران بینچ مارک (3M PKRV 70% اور 3M 30% ڈپازٹ ریٹس) آمدنی 8.70 فیصد تھی۔ فنڈ کا حجم 30 جون 2019 تک 6.25 بلین روپے رہا جو سال کی شروعات کے وقت 7.25 بلین روپے رہا تھا۔

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کی AA+(f) کی مستحکم ریٹنگ کی توثیق کی ہے۔

ایچ بی ایل کیش فنڈ

30 جون 2019 کو اختتام پذیر ہونیوالے سال کے دوران اس فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 1.14 بلین روپے اور 996.07 ملین روپے رہی۔ 30 جون 2019 کو 13.7758 روپے کا منافع منقسمہ شامل کرنے کے بعد فنڈ کی منافع منقسمہ نکال کر اثاثہ جاتی قدر (NAV)، 100.8886 روپے فی یونٹ رہی جو 30 جون 2018 تک 106.0021 روپے فی یونٹ رہی تھی، اس طرح 8.89 فیصد کی سالانہ آمدنی حاصل ہوئی۔ سال کے دوران بینچ مارک (3M PKRV 70% اور 3M 30% ڈپازٹ ریٹس) آمدنی 8.70 فیصد تھی۔ فنڈ کا حجم 30 جون 2019 تک 8.81 بلین روپے رہا جو سال کی شروعات کے وقت 12.04 بلین روپے رہا تھا۔

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کی AA(f) کی مستحکم ریٹنگ کی توثیق کی ہے۔

ایچ بی ایل اسٹاک فنڈ

30 جون 2019 کو اختتام پذیر ہونیوالے سال کے دوران اس فنڈ کا کل اور خالص نقصان بالترتیب 542.26 ملین روپے اور 696.27 ملین روپے رہا۔ 30 جون 2019 تک فنڈ کی خالص اثاثہ جاتی قدر (NAV)، 89.7221 روپے فی یونٹ رہی جو 30 جون 2018 تک 107.0620 روپے فی یونٹ رہی تھی، اس طرح 16.20 فیصد کی منفی آمدنی حاصل ہوئی۔ اسی سال کے دوران بینچ مارک KSE 30 انڈیکس نے 18.18 فیصد کی منفی آمدنی ظاہر کی۔ فنڈ کا حجم 30 جون 2019 تک 2.15 بلین روپے رہا جو سال کی شروعات کے وقت 5.96 بلین روپے رہا تھا۔

ایچ بی ایل ایکویٹی فنڈ

30 جون 2019 کو اختتام پذیر ہونیوالے سال کے دوران اس فنڈ کا کل اور خالص نقصان بالترتیب 34.97 ملین روپے اور 46.37 ملین روپے رہا۔ 30 جون 2019 تک فنڈ کی خالص اثاثہ جاتی قدر (NAV)، 93.3868 روپے فی یونٹ رہی جو 30 جون 2018 تک 110.4602 روپے فی یونٹ رہی تھی، اس طرح 15.46 فیصد کی منفی آمدنی حاصل ہوئی۔ دوران سال بینچ مارک KSE 100 انڈیکس نے 19.11 فیصد کی منفی آمدنی ظاہر کی۔ فنڈ کا حجم 30 جون 2019 تک 0.25 بلین روپے رہا جو سال کی شروعات کے وقت 0.29 بلین روپے رہا تھا۔

ایچ بی ایل انرجی فنڈ

30 جون 2019 کو اختتام پذیر ہونیوالے سال کے دوران اس فنڈ کا کل اور خالص نقصان بالترتیب 211.95 ملین روپے اور 242.86 ملین روپے رہا۔ 30 جون 2019 تک فنڈ کی خالص اثاثہ جاتی قدر (NAV)، 11.1201 روپے فی یونٹ رہی جو 30 جون 2018 تک 14.6857 روپے فی یونٹ رہی تھی، اس طرح 24.28 فیصد کی منفی آمدنی حاصل ہوئی۔ اسی سال کے دوران بینچ مارک KSE 30 انڈیکس نے 18.18 فیصد کی منفی آمدنی ظاہر کی۔ فنڈ کا حجم 30 جون 2019 تک 0.73 بلین روپے رہا جو سال کی شروعات کے وقت .1.06 بلین روپے رہا تھا۔

### ایچ بی ایل ملٹی ایسیٹ فنڈ

30 جون 2019 کو اختتام پذیر ہونیوالے سال کے دوران اس فنڈ کا کل اور خالص نقصان بالترتیب 13.70 ملین روپے اور 23.12 ملین روپے رہا۔ 30 جون 2019 تک فنڈ کی خالص اثاثہ جاتی قدر (NAV)، 95.6506 روپے فی یونٹ رہی جو 30 جون 2018 تک 105.0519 روپے فی یونٹ رہی تھی، اس طرح 8.95 فیصد کی منفی آمدنی حاصل ہوئی۔ اسی سال کے دوران بینچ مارک انڈیکس ویٹڈ ایوریج ڈیلی ریٹرن KSE 100 اور ششماہی PKRV شرح) نے 8.23 فیصد کی منفی آمدنی ظاہر کی۔ فنڈ کا حجم 30 جون 2019 تک 0.20 بلین روپے رہا جو سال کی شروعات کے وقت 0.32 بلین روپے رہا تھا۔

### ایچ بی ایل فنانشل پلاننگ فنڈ

یہ فنڈ تین ذیلی فنڈز (پلانز) پر مشتمل ہے جن کے عنوان ہیں: ایکٹیو ایلوکیشن پلان، کنزرویٹو ایلوکیشن پلان اور اسٹریٹجک ایلوکیشن پلان۔

زیر جائزہ سال کے دوران بطور اکائی فنڈ نے بالترتیب 14.02 ملین روپے اور 17.09 ملین روپے کا کل اور خالص نقصان حاصل کیا۔ 30 جون 2019 تک فنڈ کا حجم 0.34 بلین روپے تھا۔

مذکورہ بالا پلانز کی کارکردگی کا جائزہ ذیل میں پیش کیا جا رہا ہے:۔

### ایکٹیو ایلوکیشن پلان

زیر جائزہ سال کے دوران ایکٹیو ایلوکیشن پلان نے بالترتیب 12.33 ملین روپے اور 13.31 ملین روپے کا کل اور خالص نقصان حاصل کیا۔ ایکٹیو ایلوکیشن پلان کے خالص اثاثہ جات 0.10 بلین روپے مالیت کے تھے جو 30 جون 2019 تک 96.9864 روپے فی یونٹ کی خالص اثاثہ جاتی قدر (NAV) کو ظاہر کرتے ہیں جبکہ 30 جون 2018 کو یہ قدر 102.6500 روپے فی یونٹ تھی۔ منفی 6.08 فیصد کی بینچ مارک آمدنی کے مقابل زیر جائزہ سال کے دوران اس پلان نے 5.52 فیصد کی منفی آمدنی حاصل کی۔ اس پلان کے تحت ایکویٹی فنڈز میں 41 فیصد اور فکسڈ انکم فنڈز میں 57 فیصد سرمایہ کاری کی گئی ہے۔

### کنزرویٹو ایلوکیشن پلان

زیر جائزہ سال کے دوران کنزرویٹو ایلوکیشن پلان نے بالترتیب 3.27 ملین روپے اور 2.62 ملین روپے کی کل اور خالص آمدنی حاصل کی۔ کنزرویٹو ایلوکیشن پلان کے خلاص اثاثے 0.07 بلین روپے مالیت کے ہیں جو (2.75 روپے فی یونٹ منافع منقسمہ شامل کرنے کے بعد) 30 جون 2019 تک 103.8264 روپے فی یونٹ کی خالص اثاثہ جاتی قدر (NAV) کو ظاہر کرتے ہیں جبکہ یہ قدر 30 جون 2018 تک 103.7607 روپے فی یونٹ تھی۔ 3.05 فیصد کی بینچ مارک آمدنی کے مقابل اس فنڈ نے زیر جائزہ سال کے دوران 2.71 فیصد کی آمدنی حاصل کی۔ اس پلان کے تحت 19 فیصد سرمایہ کاری ایکویٹی فنڈز اور 80 فیصد سرمایہ کاری فکسڈ انکم فنڈز میں کی گئی ہے۔

### اسٹریٹجک ایلوکیشن پلان

زیر جائزہ سال کے دوران اسٹریٹجک ایلوکیشن پلان نے بالترتیب 4.95 ملین روپے اور 6.39 ملین روپے کا کل اور خالص نقصان حاصل کیا۔ اسٹریٹجک ایلوکیشن پلان کے خلاص اثاثے 0.17 بلین روپے مالیت کے ہیں جو 30 جون 2019 تک 99.0331 روپے فی یونٹ کی خالص اثاثہ جاتی قدر (NAV) کو ظاہر کرتے ہیں جبکہ یہ قدر 30 جون 2018 تک 102.5230 روپے فی یونٹ تھی۔ منفی 2.42 فیصد کی بینچ مارک آمدنی کے مقابل اس فنڈ نے زیر جائزہ سال کے دوران 3.40 فیصد منفی آمدنی حاصل کی۔ اس پلان کے تحت 23 فیصد سرمایہ کاری ایکویٹی فنڈز اور 77 فیصد سرمایہ کاری فکسڈ انکم فنڈز میں کی گئی ہے۔

### ایچ بی ایل گروتھ فنڈ

02 جولائی 2018 سے مؤثر یہ فنڈ منظور شدہ کنورژن پلان کے مطابق ''اوپن اینڈڈ ایکویٹی فنڈ'' میں تبدیل کر دیا گیا ہے۔ یہ معاملہ اس فنڈ کے مالیاتی گوشواروں کے نوٹ نمبر 1.4 میں مکمل طور سے مذکور کر دیا گیا ہے۔

زیر جائزہ سال کے دوران اس فنڈ نے بطور اکائی بالترتیب 404.80 ملین روپے اور 760.37 ملین روپے کا کل اور خالص نقصان حاصل کیا۔ اس فنڈ کا حجم 30 جون 2019 تک 9.31 بلین روپے تھا۔

ہر درجے (کلاس) کی کارکردگی کا جائزہ ذیل میں پیش کیا جا رہا ہے:۔

ایچ بی ایل گروتھ فنڈ......کلاس 'اے'۔

30 جون 2019 کو اختتام پذیر ہونے والے سال کے دوران ایچ بی ایل گروتھ فنڈ......کلاس 'اے' نے بالترتیب 293.69 ملین روپے اور 101.17 ملین روپے کی کل اور خالص آمدنی حاصل کی۔ 30 جون 2018 کو منتقلی کے وقت کی 25.51 روپے فی یونٹ کی قدر کے برخلاف 30 جون 2019 کو ایچ بی ایل گروتھ فنڈ......کلاس 'اے' کی خالص اثاثہ جاتی قدر (NAV(17.1016 روپے فی یونٹ تھی لہٰذا 32.96 فیصد کی منفی آمدنی حاصل ہوئی۔ دوران سال بینچ مارک KSE 100 انڈیکس نے 19.11 فیصد کی منفی آمدنی ظاہر کی۔ ''کلاس......اے'' کا حجم 30 جون 2019 تک 4.85 بلین روپے تھا جو سال کی شروعات کے وقت 7.23 بلین روپے رہا تھا۔

ایچ بی ایل گروتھ فنڈ......کلاس 'بی'۔

30 جون 2019 کو اختتام پذیر ہونے والے سال کے دوران ایچ بی ایل گروتھ فنڈ......کلاس 'بی' نے بالترتیب 698.49 ملین روپے اور 865.68 ملین روپے کا کل اور خالص نقصان حاصل کیا۔ 30 جون 2018 کو منتقلی کے وقت کی 19.20 روپے فی یونٹ کی قدر کے برخلاف 30 جون 2019 کو ''کلاس......بی'' کی خالص اثاثہ جاتی قدر (NAV(16.0884 روپے فی یونٹ تھی لہٰذا 16.21 فیصد کی منفی آمدنی حاصل ہوئی۔ دوران سال بینچ مارک KSE 100 انڈیکس نے 19.11 فیصد کی منفی آمدنی ظاہر کی۔ ''کلاس......بی'' کا حجم 30 جون 2019 تک 4.46 بلین روپے تھا جو سال کی شروعات کے وقت 5.44 بلین روپے رہا تھا۔

ایچ بی ایل انوسٹمنٹ فنڈ

02 جولائی 2018 سے مؤثر یہ فنڈ منظور شدہ کنورژن پلان کے مطابق ''اوپن اینڈ ڈ ایکویٹی فنڈ'' میں تبدیل کر دیا گیا ہے۔ یہ معاملہ اس فنڈ کے مالیاتی گوشواروں کے نوٹ نمبر 1.4 میں مکمل طور سے مذکور کر دیا گیا ہے۔

زیر جائزہ سال کے دوران اس فنڈ نے بطور اکائی بالترتیب 266.14 ملین روپے اور 424.72 ملین روپے کا کل اور خالص نقصان حاصل کیا۔ اس فنڈ کا حجم 30 جون 2019 تک 4.06 بلین روپے تھا۔

ہر درجے (کلاس) کی کارکردگی کا جائزہ ذیل میں پیش کیا جا رہا ہے:۔

ایچ بی ایل انوسٹمنٹ فنڈ......کلاس 'اے'۔

30 جون 2019 کو اختتام پذیر ہونے والے سال کے دوران ایچ بی ایل انوسٹمنٹ فنڈ......کلاس 'اے' نے بالترتیب 101.20 ملین روپے اور 31.05 ملین روپے کی کل اور خالص آمدنی حاصل کی۔ 30 جون 2018 کو منتقلی کے وقت کی 9.09 روپے فی یونٹ کی قدر کے برخلاف 30 جون 2019 کو ایچ بی ایل انوسٹمنٹ فنڈ......کلاس 'اے' کی خالص اثاثہ جاتی قدر (NAV(6.0597 روپے فی یونٹ تھی لہٰذا 33.34 فیصد کی منفی آمدنی حاصل ہوئی۔ دوران سال بینچ مارک KSE 100 انڈیکس نے 19.11 فیصد کی منفی آمدنی ظاہر کی۔ ''کلاس......اے'' کا حجم 30 جون 2019 تک 1.72 بلین روپے تھا جو سال کی شروعات کے وقت 2.58 بلین روپے رہا تھا۔

ایچ بی ایل انوسٹمنٹ فنڈ......کلاس 'بی'۔

30 جون 2019 کو اختتام پذیر ہونے والے سال کے دوران ایچ بی ایل انوسٹمنٹ فنڈ......کلاس 'بی' نے بالترتیب 367.34 ملین روپے اور 455.77 ملین روپے کا کل اور خالص نقصان حاصل کیا۔ 30 جون 2018 کو منتقلی کے وقت کی 10.04 روپے فی یونٹ کی قدر کے برخلاف 30 جون 2019 کو ''کلاس......بی'' کی خالص اثاثہ جاتی قدر (NAV(8.4072 روپے فی یونٹ تھی لہٰذا 16.26 فیصد کی منفی آمدنی حاصل ہوئی۔ دوران سال بینچ مارک KSE 100 انڈیکس نے 19.11 فیصد کی منفی آمدنی ظاہر کی۔ ''کلاس......بی'' کا حجم 30 جون 2019 تک 2.34 بلین روپے تھا جو سال کی شروعات کے وقت 2.85 بلین روپے رہا تھا۔

مینجمنٹ کمپنی کی ریٹنگ

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے مینجمنٹ کمپنی کو انتظامی معیار کے ضمن میں ''+AM2'' (AM Two Plus) کی ریٹنگ عطاء کی ہے اور مقرر کردہ ریٹنگ کے امکانات کا اندازہ ''مثبت'' لگایا ہے۔

## آڈیٹرز

ایچ بی ایل انکم فنڈ، ایچ بی ایل منی مارکیٹ فنڈ، ایچ بی ایل اسٹاک فنڈ، ایچ بی ایل ملٹی اسٹاک فنڈ، ایچ بی ایل گروتھ فنڈ اور ایچ بی ایل انوسٹمنٹ فنڈ کے حالیہ آڈیٹرز میسرز ڈیلائٹ یوسف علی، چارٹرڈ اکاؤنٹینٹس ریٹائرڈ ہو چکے ہیں۔ آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے اگلی مدت کیلئے میسرز ڈیلائٹ یوسف عادل، چارٹرڈ اکاؤنٹینٹس کو ایچ بی ایل انکم فنڈ، ایچ بی ایل منی مارکیٹ فنڈ، ایچ بی ایل اسٹاک فنڈ، ایچ بی ایل گروتھ فنڈ اور ایچ بی ایل انوسٹمنٹ فنڈ کے آڈیٹرز کی حیثیت سے دوبارہ تقرر کر دیا ہے۔

ایچ بی ایل گورنمنٹ سیکورٹیز فنڈ، ایچ بی ایل کیش فنڈ، ایچ بی ایل ایکویٹی فنڈ، ایچ بی ایل انرجی فنڈ اور ایچ بی ایل فنانشل پلاننگ فنڈ کے حالیہ آڈیٹرز میسرز بی ڈی او ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس ریٹائرڈ ہو چکے ہیں۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے اگلی مدت کیلئے میسرز بی ڈی او ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس کا تقرر ایچ بی ایل گورنمنٹ سیکورٹیز فنڈ، ایچ بی ایل کیش فنڈ، ایچ بی ایل ایکویٹی فنڈ، ایچ بی ایل انرجی فنڈ اور ایچ بی ایل فنانشل پلاننگ فنڈ کے آڈیٹرز کی حیثیت سے دوبارہ کر دیا ہے۔

بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر ایچ بی ایل ملٹی ایسیٹ فنڈ کیلئے میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی کا بھی تقرر کیا ہے۔

## یونٹ کی حاملیت کا انداز

یونٹ کی حاملیت کے انداز کے ضمن میں تفصیلات فنڈز کے متعلقہ مالیاتی گوشواروں میں دے دی گئی ہیں۔ بہ لحاظ حجم یونٹ ہولڈنگ کا تجزیہ متعلقہ فنڈ کی فنڈ منیجر رپورٹ کے متعلقہ سیکشن میں دیا گیا ہے۔

## اظہار تشکر

اس موقع پر بورڈ اپنے قابل قدر یونٹ ہولڈرز کو ہم پر بھروسا اور اعتماد کرنے اور ہماری سرپرستی کرنے پر دلی تہنیت پیش کرتا ہے۔ اسکے ساتھ ساتھ بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، سینٹرل ڈپازیٹری کمپنی آف پاکستان اور ٹرسٹی کی حیثیت میں ایم سی بی فنانشل سروسز لمیٹڈ، پاکستان اسٹاک ایکسچینج لمیٹڈ اور اسٹیٹ بینک آف پاکستان کی فراہم کردہ مدد، تعاون اور رہنمائی کے بھی شکر گزار ہیں۔

بورڈ اپنے اسٹاف کی سخت محنت اور خلوص کی بھی قدر کرتا ہے اور ان کا شکریہ ادا کرتا ہے۔

منجانب بورڈ
ایچ بی ایل ایسیٹ مینجمنٹ لمیٹڈ

چیف ایگزیکٹو آفیسر


# HBL Money Market Fund

HBL AML Financial annual report 2018-19

| | |
|---|---|
| **NAME OF FUND** | HBL Money Market Fund |
| **NAME OF AUDITOR** | Deloitte Yousuf Adil Chartered Accountants |
| **NAME OF TRUSTEE** | Central Depository Company of Pakistan Limited |
| **NAME OF BANKERS** | Habib Bank Limited<br>Bank Al-Habib Limited<br>Habib Metropolitan Bank Limited<br>Bank Al Falah Limited<br>Faysal Bank Limited<br>Allied Bank Limited<br>Meezan Bank Limited<br>Askari Bank Limited<br>Samba Bank Limtied<br>Zarai Taraqiati Bank Limited<br>United Bank Limited<br>Sindh Bank Limited<br>JS Bank Limited |
| **FUND RATING** | AA(f) (JCR-VIS) |

**Type and Category of Fund**

Open end Money Market Fund

**Investment Objective and Accomplishment of Objective**

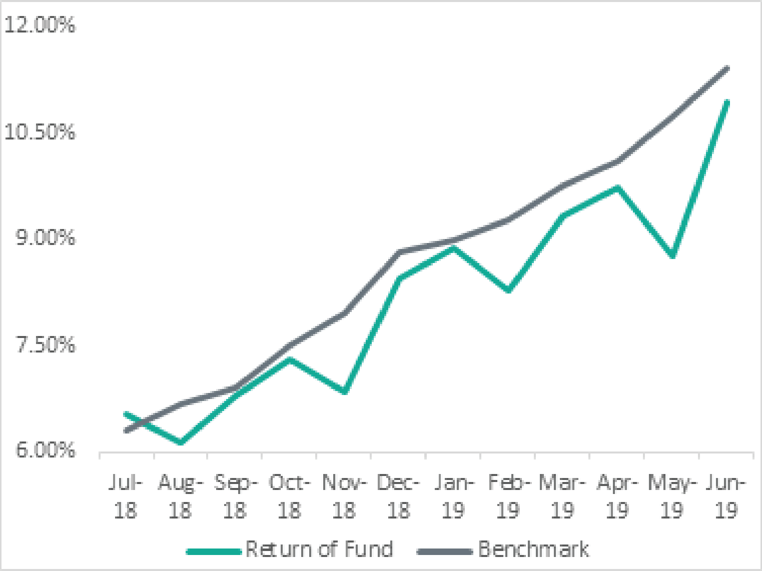
The investment objective of the Fund is to seek high liquidity and competitive return for investors by investing in low risk securities of shorter duration and maturity. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is 70% 3 – Month PKRV + 30% 3 – Month Deposit Rate of 3 AA and above rated Banks as per MUFAP.

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

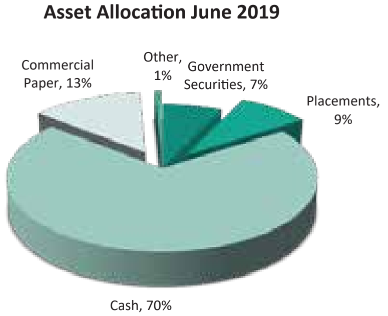
| Month | Return of Fund | Benchmark |
|---|---|---|
| Jun-19 | 10.92% | 11.41% |
| May-19 | 8.75% | 10.72% |
| Apr-19 | 9.74% | 10.11% |
| Mar-19 | 9.32% | 9.75% |
| Feb-19 | 8.26% | 9.27% |
| Jan-19 | 8.88% | 8.99% |
| Dec-18 | 8.44% | 8.83% |
| Nov-18 | 6.84% | 7.97% |
| Oct-18 | 7.30% | 7.50% |
| Sep-18 | 6.78% | 6.89% |
| Aug-18 | 6.14% | 6.66% |
| Jul-18 | 6.53% | |




**Strategies and Policies employed during the Year**

In line with the investment policy of the Fund, the Fund continued to hold major investments in the form of short maturity T-Bills and placements with Commercial Banks and DFIs in Daily Product Accounts, TDRs and LOPs. During the year, fresh exposure was initiated in short term commercial papers to support bottom line which stood at 13.37% of total assets at year end. Average exposure of cash and T-Bills were recorded at 44.29% and 39.04% of total assets respectively. However on quarter and year end, better opportunities were offered in Bank deposits and Placements which were utilized to optimize Fund returns.

## Asset Allocation




**Significant Changes in Asset Allocation during the Year**

During every quarter end, the fund aggressively offload T-Bill inventory and took exposure in bank deposits owing to highly attractive rates on account of quarter/year ends. At the end of the period, 70.15% assets were deployed in Cash at bank and remaining 8.61% were deployed as placement with banks as they were offering 60 to 70 bps above T-Bill yield.

**Fund Performance**

The total income and net income of the Fund was Rs. 696.04 million and Rs. 588.13 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs. 102.2200 per unit as on June 30, 2019 as compared to Rs. 107.1869 per unit as on June 30, 2018, after incorporating dividend of Rs. 13.60 (Rs. 5.15 for the year ended June 30, 2018 & Rs. 8.45 for the year ended June 30, 2019) per unit, thereby giving an annualized return of 8.47%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 8.70%.The size of Fund was Rs. 6.25 billion as on June 30, 2019 as compared to Rs.7.25 billion at the start of the year.

**Market Review**

SBP continued monetary tightening in FY19 to control the rising current account deficit and anchor increasing inflationary pressures.

Yields across all the tenors increased by 469-601 bps during FY19 due to cumulative increase of 525 bps in SBP policy rate in FY19. Secondary market yields of 3, 5 and 10-year PIBs increased by 556, 511 and 469 bps respectively while yields of 3, 6 and 12 month T-Bills increased in tandem by 597, 595 and 593 bps respectively during FY19. Government further raised PKR 674bn through the PIBs auction during FY19 against a target of PKR 950bn due to increased interest from market participants at higher PIB yields. Latest cut-off yields stood at 13.69%, 13.80% and 13.70% for the 3-year, 5-year and 10-year PIBs, respectively.

During the FY19, Government largely managed its borrowing requirements through domestic sources, and largely from central bank. Government retired PKR 893bn from scheduled banks compared to retirement of PKR 210bn during same period last year. Meanwhile, Government borrowing from SBP increased by PKR 2,596bn during the period against borrowing of PKR 1,469bn during same period last year. Moreover, we expect that Government borrowing will shift from SBP towards Commercial banks under IMF program. It is important to note that IMF staff level report suggests that incremental borrowing requirements have to be met via commercial banks as borrowing from SBP will remain limited to avoid indirect inflationary pressures.

In the monetary policy held in May-19, SBP increased the policy rate by a further 150bps to 12.25%. Going forward, we expect that large part of monetary tightening has been done, however upward risk to inflation emanate from higher than expected impact of electricity and gas price hike.

**Distribution**

The Fund has distributed cash dividend up-to Rs. 8.45 per unit for the year ended June 30, 2019.

**Significant Changes in the State of Affairs**

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

**Breakdown of Unit Holding by Size**

| From – To<br>(Number of units) | Number of Unit Holders | Total Number of Units Held |
|---|---|---|
| 1 – 100 | 1,595 | 23,334 |
| 101 – 500 | 175 | 37,358 |
| 501 – 1,000 | 36 | 26,201 |
| 1,001 – 10,000 | 370 | 1,931,334 |
| 10,001 – 100,000 | 580 | 20,084,166 |
| 100,001 – 500,000 | 68 | 12,451,853 |
| 500,001 – 1,000,000 | 6 | 4,092,853 |
| 1,000,001 – 5,000,000 | 6 | 13,784,820 |
| 5,000001 and more | 1 | 8,737,508 |
| **Total** | **2,837** | **61,169,427** |

**Unit Splits**

There were no unit splits during the year.

**Circumstances materially affecting the Interest of Unit Holders**

Investments are subject to market risk.

**Soft Commission**

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

| | For the period ended June 30, 2019 | For the period ended June 30, 2018 | For the period ended June 30, 2017 | For the period ended June 30, 2016 | For the period ended June 30, 2015 | For the period ended June 30, 2014 |
|---|---|---|---|---|---|---|
| NET ASSETS AND PRICES | | | | | | |
| Net assets at the period end(Rs'000) | 6,252,738 | 7,249,502 | 3,942,010 | 3,522,715 | 5,081,207 | 9,777,546 |
| Net asset value per unit at the period end/period end(Rs) | 102.2200 | 107.1869 | 101.7683 | 101.5468 | 101.1823 | 100.4122 |
| Selling price/repurchasing price | 103.3751 | 107.1869 | 101.7683 | 101.5468 | 101.1823 | 100.4122 |
| Earning per unit(Rs) (note 3.10 ) | | | | | | |
| Highest selling price per unit(Rs) | 111.7235 | 107.1869 | 107.6259 | 106.2966 | 108.2936 | 101.0903 |
| Lowest selling price per unit(Rs) | 102.1026 | 101.8380 | 101.5871 | 101.1538 | 100.5311 | 100.2636 |
| Highest repurchase price per unit(Rs) | 110.4751 | 107.1869 | 107.6259 | 106.2966 | 108.2936 | 101.0903 |
| Lowest repurchasing price per unit(Rs) | 102.0607 | 101.8380 | 101.5871 | 101.1538 | 100.5311 | 100.2636 |
| **RETURN ( % )** | | | | | | |
| Total return | 8.47% | 5.32% | 6.45% | 5.13% | 8.79% | 8.08% |
| Income distribution | 8.45% | 5.15% | 6.30% | 5.15% | 7.97% | 7.59% |
| Capital growth | 0.02% | 0.17% | 0.15% | -0.02% | 0.82% | 0.49% |
| **DISTRIBUTION** | | | | | | |
| First Interin dividend distribution | - | - | - | - | - | 0.54 |
| Second Interin dividend distribution | - | - | - | - | - | 0.54 |
| Third Interin dividend distribution | - | - | - | - | - | 0.54 |
| Fourth Interin dividend distribution | - | - | - | - | - | 0.57 |
| Fifth Interin dividend distribution | - | - | - | - | - | 0.61 |
| Sixth Interin dividend distribution | - | - | - | - | - | 0.73 |
| Seventh Interin dividend distribution | - | - | - | - | - | 0.73 |
| Eighth Interin dividend distribution | - | - | - | - | - | 0.65 |
| Ninth Interin dividend distribution | - | - | - | - | - | 0.77 |
| Tenth Interin dividend distribution | - | - | - | - | - | 0.67 |
| Eleven Interin dividend distribution | - | - | - | - | - | 0.64 |
| Twelve Interin dividend distribution | - | - | - | - | - | 0.60 |
| Final dividend distributation | 8.45 | 5.15 | 6.30 | 4.80 | 8.00 | - |
| Total dividend distribution for the year/ period | 8.45 | 5.15 | 6.30 | 4.80 | 8.00 | 7.59 |
| **AVERAGE RETURNS ( % )** | | | | | | |
| Average annual return 1 year | 8.47% | 5.32% | 6.45% | 5.13% | 8.79% | 8.08% |
| Average annual return 2 year | 6.89% | 5.89% | 5.79% | 6.96% | 8.44% | 8.08% |
| Average annual return 3 year | 6.74% | 5.64% | 6.79% | 7.33% | 8.44% | 8.08% |
| Weighted average portfolio during (No. of days) | 15 | 3 | 19 | 13 | 16 | 66 |
| **Portfolio Composition- (%)** | | | | | | |
| Percentage of Total Assets as at 30 June: | | | | | | |
| Bank Balances | 70.15% | 92.91% | 87.65% | | | |
| Placement with banks & DFIs | 8.61% | 6.83% | 9.40% | | | |
| Government Securities | 7.07% | 0.00% | 0.00% | | | |
| Commercial Paper | 13.37% | 0.00% | 2.41% | | | |
| Others including Receivables | 0.80% | 0.26% | 0.54% | | | |

**Disclaimer:**

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

**CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED**

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Fax: (92-21) 34326021 - 23
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Email: info@cdcpak.com

## TRUSTEE REPORT TO THE UNIT HOLDERS

## HBL 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 Money Market Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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.

**Badiuddin Akber**
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 16, 2019

CENTRAL DEPOSITORY COMPANY

Deloitte.

**Deloitte Yousuf Adil**
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
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# INDEPENDENT AUDITORS' REPORT
# TO THE UNIT HOLDERS OF HBL MONEY MARKET FUND

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **HBL Money Market Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

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

### Key Audit Matters

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

| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| 1 | **Valuation and existence of investments**<br><br>As disclosed in note 6 to the financial statements, investments amounted to Rs. 1,424 million as at June 30, 2019.<br><br>The Fund's investments mainly include short-term government securities as at year end therefore there is a risk that appropriate prices may not be used to determine fair value of the investments. | We performed the following steps during our audit of investments:<br><br>• evaluating the design and implementation of key controls around investments;<br><br>• independently testing 100% of the valuations directly to pricing sources; and |

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Deloitte Yousuf Adil
Chartered Accountants

| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| | Further, in respect of existence of investments, there is a risk that the Fund may have included investments in its financial statements which were not owned by Fund. | • independently matching the securities held by the Fund as per internal records with the certificates appearing in the IPS account and investigated any reconciling items. |
| 2 | **Adoption of IFRS 9 "Financial Instruments".**<br><br>As disclosed in note 4.2 of the financial statements, from July 01, 2018, the Fund has changed its accounting policies due to the application of the IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement"<br><br>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.<br><br>Management has determined that the most significant impact of the new standard on the Fund's financial statements relates to classification of investment according the business model of the Fund. The requirements relating to impairment model have been deferred by SECP letter SCD/AMCW/RS/MUFAP/2017-148.<br><br>Management also assessed the additional disclosure required to be made by the new accounting standard in the financial statement.<br><br>We considered this as a key audit matter since the adoption of the new accounting standards has a material impact on the financial statements due to the judgments involved in the assessment of classification of financial assets. | We have performed the following audit procedures:<br><br>• Reviewed management's impact assessment and evaluated the management key decisions with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standards and assessed their appropriateness based on business model;<br><br>• Reviewed the classification of investment by management and ensured that it is in accordance with the business model;<br><br>• Evaluate and tested the adjustment, if any, recorded in financial statement in accordance with the change; and<br><br>• Evaluated the adequacy and appropriateness of disclosure made in the financial statements. |

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other

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Chartered Accountants

information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard..

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.

- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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Chartered Accountants

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

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

Deloitte Yousuf Adil
**Chartered Accountants**

**Date:** September 27, 2019
**Place:** Karachi

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| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Assets** | | | |
| Bank balances | 5 | 5,485,942 | 7,298,928 |
| Investments | 6 | 1,423,742 | - |
| Accrued mark-up | 7 | 55,136 | 18,703 |
| Deposits and prepayments | 8 | 117 | 104 |
| **Total assets** | | 6,964,937 | 7,317,735 |
| **Liabilities** | | | |
| Payable to Management Company | 9 | 5,843 | 5,327 |
| Payable to the Trustee | 10 | 1,038 | 532 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | 5,486 | 4,064 |
| Payable against purchase of investment | | 492,454 | - |
| Accrued expenses and other liabilities | 12 | 207,378 | 58,310 |
| **Total liabilities** | | 712,199 | 68,233 |
| **Net assets** | | 6,252,738 | 7,249,502 |
| **Unit holders' fund (as per statement attached)** | | 6,252,738 | 7,249,502 |
| **Contingencies and commitments** | 13 | | |
| | | **------- Number of units -------** | |
| Number of units in issue | 14 | 61,169,427 | 67,634,199 |
| | | **..............(Rupees)............** | |
| **Net assets value per unit** | | 102.2200 | 107.1869 |

The annexed notes 1 to 32 form an integral part of these financial statements.

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

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

## Income Statement

*For the year ended June 30, 2019*

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Income** | | | |
| Mark-up / return on investments | 15 | 344,694 | 138,886 |
| Mark-up on deposits with banks | 16 | 366,691 | 222,126 |
| Loss on sale of investments | | (15,388) | (2,020) |
| Unrealised appreciation on re-measurement of investment at fair value through profit or loss - net | | 43 | - |
| | | 696,040 | 358,992 |
| **Expenses** | | | |
| Remuneration of the Management Company | 9.1 | 74,284 | 54,057 |
| Remuneration of the Trustee | 10.1 | 7,046 | 5,446 |
| Annual fee of Securities and Exchange Commission of Pakistan | 11.1 | 5,486 | 4,064 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 7,314 | 5,426 |
| Securities transaction costs | | 90 | 7 |
| Settlement and bank charges | | 754 | 426 |
| Auditors' remuneration | 17 | 608 | 611 |
| Annual listing fee | | 27 | 28 |
| Printing fee | | 4 | 171 |
| Annual rating fee | | 249 | 245 |
| Legal fee | | 45 | 49 |
| | | 95,907 | 70,530 |
| | | 600,133 | 288,462 |
| Provision for Sindh Workers' Welfare Fund | 12.1 | (12,003) | (5,769) |
| **Net income for the year before taxation** | | 588,130 | 282,693 |
| Taxation | 18 | - | - |
| **Net income for the year after taxation** | | 588,130 | 282,693 |
| **Allocation of income for the year** | | | |
| Income already paid on redemption of units | | 228,382 | 106,990 |
| Accounting income available for distribution: | | | |
| - Relating to capital gain | | - | - |
| - Excluding capital gain | | 359,748 | 175,703 |
| | | 359,748 | 175,703 |
| | | 588,130 | 282,693 |
| **Earnings per unit** | 19 | | |

The annexed notes 1 to 32 form an integral part of these financial statements.

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

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |

## Statement of Comprehensive Income

*For the year ended June 30, 2019*

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| Net income for the year after taxation | 588,130 | 282,693 |
| **Other comprehensive income for the year** | - | - |
| **Item that may be reclassified subsequently to Income Statement** | | |
| Unrealised loss on re-measurement of investments classified as available-for-sale | - | (2,020) |
| Net reclassification adjustments relating to available-for-sale | - | 2,020 |
| | - | - |
| **Total comprehensive income for the year** | 588,130 | 282,693 |

The annexed notes 1 to 32 form an integral part of these financial statements.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

| | 2019 Capital value | 2019 Undistributed income | 2019 Total | 2018 Capital value | 2018 Undistributed income | 2018 Total |
|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | | |
| Net assets at the beginning of the year | 7,033,537 | 215,965 | 7,249,502 | 3,901,748 | 40,262 | 3,942,010 |
| Issuance of 128,235,881 units (2018: 132,688,961 units) | | | | | | |
| - Capital Value (at net asset value per unit at the beginning of the Year) | 13,084,792 | - | 13,084,792 | 13,503,431 | - | 13,503,431 |
| -Element of income | 376,212 | - | 376,212 | 386,579 | - | 386,579 |
| Total proceeds on issuance of units | 13,461,004 | | 13,461,004 | 13,890,010 | | 13,890,010 |
| Redemption of 134,700,653 units (2018: 103,789,902 units) | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | (13,744,437) | - | (13,744,437) | (10,562,522) | - | (10,562,522) |
| - Amount paid out of element of income | | | | | | |
| Relating to net income for the year after taxation | (276,653) | (228,382) | (505,035) | (195,699) | (106,990) | (302,689) |
| Total payment on redemption of units | (14,021,090) | (228,382) | (14,249,472) | (10,758,221) | (106,990) | (10,865,211) |
| Total comprehensive income for the year | - | 588,130 | 588,130 | - | 282,693 | 282,693 |
| Refund of capital | (280,501) | - | (280,501) | - | - | - |
| Distribution on June 25, 2019 of Rs. 8.45 per unit | - | (515,925) | (515,925) | - | - | - |
| Net income for the year less distribution | (280,501) | 72,205 | (208,296) | - | 282,693 | 282,693 |
| Net assets at the end of the year | 6,192,950 | 59,788 | 6,252,738 | 7,033,537 | 215,965 | 7,249,502 |
| Undistributed income brought forward | | | | | | |
| - Realised | | 215,965 | | | 40,262 | |
| - Unrealised | | - | | | - | |
| | | 215,965 | | | 40,262 | |
| Accounting income available for distribution | | | | | | |
| - Relating to capital gain | | - | | | - | |
| - Excluding capital gain | | 359,748 | | | 175,703 | |
| | | 359,748 | | | 175,703 | |
| Distribution on June 25, 2019 of Rs. 8.45 per unit | | (515,925) | | | - | |
| **Undistributed income carried forward** | | 59,788 | | | 215,965 | |
| - Realised | | 59,788 | | | 215,965 | |
| - Unrealised | | - | | | - | |
| | | 59,788 | | | 215,965 | |
| | | | ------------------(Rupees)---------------- | | | |
| Net assets value per unit at beginning of the year | | | 107.1869 | | | 101.7683 |
| Net assets value per unit at end of the year | | | 102.2200 | | | 107.1869 |

The annexed notes 1 to 32 form an integral part of these financial statements.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Cash flow from operating activities** | | | |
| Net income for the year before taxation | | 588,130 | 282,693 |
| **Adjustments** | | | |
| Profit from bank deposits | | (366,691) | (222,126) |
| Return from investments | | (344,694) | (138,886) |
| Capital loss - net | | 15,388 | 2,020 |
| | | (107,867) | (76,299) |
| **(Increase) / decrease in assets** | | | |
| Investments - net | | (1,439,130) | 475,289 |
| Deposits and prepayments | | (13) | (4) |
| | | (1,439,143) | 475,285 |
| **(Decrease) / increase in liabilities** | | | |
| Payable to Management Company | | 516 | 702 |
| Payable to the Trustee | | 506 | 144 |
| Payable to Securities and Exchange Commission of Pakistan | | 1,422 | 939 |
| Payable against purchase of investment | | 492,454 | - |
| Accrued expenses and other liabilities | | 149,068 | (32,640) |
| | | 643,966 | (30,855) |
| **Net cash (used in) / generated from operations** | | (903,044) | 368,131 |
| Profit received from bank deposits | | 330,258 | 224,969 |
| Markup received on investments | | 344,694 | 138,886 |
| | | 674,952 | 363,855 |
| **Net cash (used in) / generated from operating activities** | | (228,092) | 731,986 |
| **Cash flow from financing activities** | | | |
| Amount received on issue of units | | 13,461,004 | 13,890,010 |
| Payment made against redemption of units | | (14,249,472) | (10,865,211) |
| Cash dividend paid | | (796,426) | - |
| **Net cash (used in) / generated from financing activities** | | (1,584,894) | 3,024,799 |
| **Net (decrease) / increase in cash and cash equivalents** | | (1,812,986) | 3,756,785 |
| Cash and cash equivalents at beginning of the year | | 7,298,928 | 3,542,143 |
| **Cash and cash equivalents at end of the year** | 5 | 5,485,942 | 7,298,928 |

The annexed notes 1 to 32 form an integral part of these financial statements.

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

**Chief Financial Officer** **Chief Executive Officer** **Director**

## 1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Money Market Fund (the Fund) was established under a Trust Deed, dated March 18, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund has been authorised by the Securities and Exchange Commission of Pakistan (the SECP) as a unit trust scheme on April 9, 2010.

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

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription 'at par from July 12, 2010 to July 14, 2010.

The principal activity of the Fund is to seek high liquidity and comparative 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+' positive outlook 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 Statements of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

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

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

(i) classification and valuation of financial assets (note 4.2.1).

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

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019**

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements except as otherwise disclosed.

| | Effective from accounting period beginning on or after |
|---|---|
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9. | January 01, 2018 |
| IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. | July 01, 2018 |
| IFRS 15 'Revenue from Contracts with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date | July 01, 2018 |
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property | January 01, 2018 |
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | January 01, 2018 |

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

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

**3.2.1** The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

| | **Effective from accounting period beginning on or after** |
|---|---|
| Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business | January 01, 2020 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture | Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted. |
| IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date. | January 01, 2019 |
| Amendments to References to the Conceptual Framework in IFRS Standards | January 01, 2020 |
| Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material | January 01, 2020 |
| Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements. | January 01, 2019 |
| Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. | January 01, 2019 |
| IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. | January 01, 2019 |

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

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 4.2.

4.1 Cash and cash equivalent

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

**4.2 IFRS 9 'Financial Instruments**

On application of IFRS - 9 'Financial Instruments', there is no material change in the Fund's financial risk management objectives and policies and are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2018.

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures for the year ended June 30, 2019.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities;
2) Impairment of financial assets; and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

**4.2.1 (a) Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the a foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

None of the other reclassifications of financial assets have had any impact on the Fund's statement of asset and liabilities, income statement and statement of other comprehensive income or total comprehensive income for the year

When a debt investments measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- the Fund's investment in debt instruments that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVTPL because they are held within a business model whose objective is primarily to sell the bonds. The change in the fair value on these redeemable notes will be recorded in the profit of loss account;

- there is no change in the classification of the Fund's investments in debt instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

**(b) Impairment of financial assets**

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

**(c) Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the Fund does not have any financial liabilities designated as FVTPL.

**(d) Disclosures in relation to the initial application of IFRS 9**

There were no financial assets or financial liabilities which the Fund had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Fund has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Fund has elected to designate as at FVTPL at the date of initial application of IFRS 9.

**4.3 Financial instruments as per IAS 39**

**4.3.1 Financial assets**

**4.3.1.1 Classification**

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

**a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading.

b) Loans and receivables

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

**c) Available for sale**

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

**4.3.1.2 Regular way contracts**

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

**4.3.1.3 Initial recognition and measurement**

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

4.3.1.4 Subsequent measurement

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

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

Basis of valuation of government securities

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

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

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

**b) Loans and receivables**

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

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

**4.3.1.5 Impairment**

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

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**4.3.1.6 Derecognition**

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

**4.3.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**4.3.3 Offsetting of financial assets and liabilities**

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

4.4 Provisions

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

**4.5 Taxation**

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

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

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

**4.6 Proposed distributions**

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

**4.7 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received and funds are realised during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

**4.8 Net assets value per unit**

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

**4.9 Revenue recognition**

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

- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

- Mark up / return on bank deposits and investment in debt securities are recognized on a time apportionment basis using effective interest method.

**4.10 Expenses**

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

| | | Note | **2019** | 2018 |
|---|---|---|---|---|
| **5.** | **BANK BALANCES** | | ----------(Rupees in '000)---------- | |
| | Balances with bank in: | | | |
| | - Saving account | 5.1 | 2,185,942 | 6,798,928 |
| | - Term deposit receipts | 5.2 | 600,000 | 500,000 |
| | - Call deposit receipts | 5.3 | 2,700,000 | - |
| | | | 5,485,942 | 7,298,928 |

**5.1** This represents bank accounts held with different banks. Mark-up rates on these accounts range between 4.00% - 13.6% per annum (2018: 4.00% - 7.45% per annum).

**5.2** Term deposit receipts carries mark-up at the rate of 11.35% per annum and will mature on August 09, 2019.

**5.3** Call deposit receipts carries mark-up at the rate of 13.35% per annum and will mature on July 02, 2019.

| | | Note | **2019** | 2018 |
|---|---|---|---|---|
| **6.** | **INVESTMENTS** | | ----------(Rupees in '000)---------- | |
| | Financial asset at fair value through profit or loss | | | |
| | - Government Securities | 6.1 & 4.2.1 | 492,498 | - |
| | Financial assets at amortised cost | | | |
| | - Term deposit receipts | 6.2 | - | - |
| | - Commercial Paper | 6.3 | 931,244 | - |
| | | | 1,423,742 | - |

## 6.1 Investment in Government Securities - At fair value through profit or loss

| Issue Date | Tenor | Face value | | | | Market Value as at June 30, 2019 | Market value as a percentage of | |
|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2018 | Purchases during the year | Sales / Matured during the year | As at June 30, 2019 | | Total Investments | Net Assets |
| | | ------------------------- (Rupees in '000) ------------------------- | | | | | | |
| **Treasury bills** | | | | | | | | |
| April 26, 2018 | 3 months | - | 1,309,500 | 1,309,500 | - | - | - | - |
| June 21, 2018 | 3 months | - | 300,000 | 300,000 | - | - | - | - |
| July 19, 2018 | 3 months | - | 22,918,000 | 22,918,000 | - | - | - | - |
| August 2, 2018 | 3 months | - | 8,550,000 | 8,550,000 | - | - | - | - |
| October 11, 2018 | 3 months | - | 17,050,000 | 17,050,000 | - | - | - | - |
| October 25, 2018 | 3 months | - | 1,000,000 | 1,000,000 | - | - | - | - |
| December 6, 2018 | 3 months | - | 18,130,000 | 18,130,000 | - | - | - | - |
| January 3, 2019 | 3 months | - | 2,645,000 | 2,645,000 | - | - | - | - |
| January 7, 2019 | 3 months | - | 2,750,000 | 2,750,000 | - | - | - | - |
| January 31, 2019 | 3 months | - | 62,000 | 62,000 | - | - | - | - |
| February 14, 2019 | 3 months | - | 17,437,000 | 17,437,000 | - | - | - | - |
| April 25, 2019 | 3 months | - | 1,125,000 | 1,125,000 | - | - | - | - |
| May 9, 2019 | 3 months | - | 6,000,000 | 6,000,000 | - | - | - | - |
| May 23, 2019 | 3 months | - | 10,550,000 | 10,050,000 | 500,000 | 492,498 | 34.59% | 7.88% |
| **Total - As at June 30, 2019** | | **-** | **109,826,500** | **109,326,500** | **500,000** | **492,498** | **34.59%** | **7.88%** |
| | | | - | - | | | | |
| Total - As at June 30, 2018 | | - | 49,570,000 | 49,570,000 | - | - | - | - |

## 6.2

| Name of Company | As at July 01, 2018 | Placement made during the year | Matured during the year | As at June 30, 2019 | Percentage of total value of investments | Percentage of Net Assets |
|---|---|---|---|---|---|---|
| | ----------------------------(Rupees in '000)---------------------------- | | | | ------------------%------------------ | |
| Bank Alfalah Limited | - | 2,495,000 | (2,495,000) | - | 0.00% | 0.00% |
| Faysal Bank Limited | - | 653,000 | (653,000) | - | 0.00% | 0.00% |
| **Total - As at June 30, 2019** | **-** | **3,148,000** | **(3,148,000)** | **-** | **0.00%** | **0.00%** |
| Total - As at June 30, 2018 | 380,000 | 1,835,000 | (2,215,000) | - | 0.00% | 0.00% |

**6.3** This includes Rs. 350 million placed with HUBCO and Rs. 595 million placed with K-Electric Limited, having rate of return of 12.11% and 11.75% respectively.

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | ----------(Rupees in '000)---------- | |
| **7.** | **ACCRUED MARK-UP** | | | |
| | Mark-up accrued on: | | | |
| | - deposits with banks | | 45,248 | 18,298 |
| | - term deposit receipts | | 9,888 | 405 |
| | | | 55,136 | 18,703 |
| **8.** | **DEPOSITS AND PREPAYMENTS** | | | |
| | Deposits | | 100 | 100 |
| | Prepayments | | 17 | 4 |
| | | | 117 | 104 |
| **9.** | **PAYABLE TO THE MANAGEMENT COMPANY** | | | |
| | Management fee | 9.1 | 4,714 | 4,231 |
| | Sindh Sales Tax | 9.2 | 613 | 550 |
| | Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 501 | 546 |
| | Sales load payable to management company | | 15 | - |
| | | | 5,843 | 5,327 |

**9.1** As per the offering document of the Fund, the Management Company charge a fee at the rate of 10% of the gross earnings of the scheme, calculated on daily basis to a cap of 1% and a floor of 0.75% of the average daily net assets of the scheme. Effective from May 03, 2019 the rate of fee is revised through amendment in the offering documents of the scheme as 7.5% of the gross earnings of the scheme, calculated on a daily basis subject to a cap of 1% and a floor of 0.75% of the average daily net assets of the scheme. During the year fee is charged at the rate of 0.90% of the daily average annual net assets of the fund. The fee is payable monthly in arrears.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (2018: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

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

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| **10.** | **PAYABLE TO THE TRUSTEE** | | ----------(Rupees in '000)---------- | |
| | Trustee's remuneration | 10.1 | 1,038 | 532 |

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

The tariff structure applicable to the Fund is as follows:

| Amount of Funds Under Management [Average Net Assets Value (NAV)] | Tariff per annum |
|---|---|
| Upto Rs 1000 million. | Rs.0.7 million or 0.15% p.a of net asset whichever is higher. |
| On amount exceeding Rs.1,000 million and upto Rs.10,000 million. | Rs.1.5 million plus 0.075% p.a of the net assets on amount exceeding Rs.1000 million upto 10,000 million. |
| Over Rs 10,000 million. | Rs.8.25 million plus 0.06% of NAV,exceeding Rs.10,000 million |

## 11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Annual fee | 11.1 | 5,486 | 4,064 |

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

## 12. ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Auditors' remuneration | | 456 | 542 |
| Withholding tax payable | | 30,995 | - |
| Provision for Sindh Workers' Welfare Fund | 12.1 | 24,376 | 12,371 |
| Federal Excise Duty | 12.2 | 41,211 | 41,211 |
| Capital gain tax payable | | 2,296 | 1,388 |
| Advance against units to be issued | | 2,500 | 2,500 |
| Dividend payable | | 101,223 | - |
| Other payable | | 4,321 | 298 |
| | | 207,378 | 58,310 |

**12.1** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2% of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid.

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which were issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarification letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has been adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

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

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

- the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and

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

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

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

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

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 64.7 million and started recognising provision for SWWF.

As at June 30, 2019, the provision in relation to SWWF amounted to Rs. 24.4 million (2018: Rs. 12.4 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 0.398 (June 30, 2018: Rs. 0.183 ) per unit.

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

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

The Finance Act, 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2019.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 41.211 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 0.674 (June 30, 2018: Rs. 0.609) per unit.

## 13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

## 14. NUMBER OF UNITS IN ISSUE

| | **2019** | 2018 |
|---|---|---|
| | ------Number of units------ | |
| Total units in issue at the beginning of the year | 67,634,199 | 38,735,140 |
| Units issued | 128,235,881 | 132,688,961 |
| Units redeemed | (134,700,653) | (103,789,902) |
| Total units in issue at the end of the year | 61,169,427 | 67,634,199 |

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |

## 15. MARK-UP / RETURN ON INVESTMENTS

| | | | |
|---|---|---|---|
| Mark-up on: | | | |
| - Government securities | | 289,544 | 122,679 |
| - Placements | | 25,315 | 16,207 |
| - Commercial paper | | 29,835 | - |
| | | 344,694 | 138,886 |

## 16. MARK-UP ON DEPOSITS WITH BANKS

| | | | |
|---|---|---|---|
| Mark-up on: | | | |
| - Savings accounts | | 293,976 | 186,154 |
| - Term deposit receipts | | 72,715 | 35,972 |
| | | 366,691 | 222,126 |

## 17. AUDITORS' REMUNERATION

| | | | |
|---|---|---|---|
| Annual audit fee | | 460 | 460 |
| Fee for half yearly review | | 55 | 55 |
| Other certifications and out of pocket expenses | | 93 | 96 |
| | | 608 | 611 |

## 18. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year on June 25, 2019, Management Company has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

## 19. EARNINGS PER UNIT

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

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

| | -------------- As on June 30, 2019 -------------- | | |
|---|---|---|---|
| | At amortised cost | At fair value through profit or loss | Total |
| | -------------- Rupees in '000 -------------- | | |
| **Assets** | | | |
| Investments | - | 1,423,742 | 1,423,742.00 |
| Bank balances | 5,485,942 | - | 5,485,942 |
| Accrued mark-up | 55,136 | - | 55,136 |
| Deposits | 100 | - | 100 |
| | 5,541,178 | 1,423,742 | 6,964,920 |

| | -------------- As on June 30, 2019 -------------- | | |
|---|---|---|---|
| | At fair value through profit or loss | At amortised cost | Total |
| | ------------- Rupees in '000 ------------- | | |
| **Liabilities** | | | |
| Payable to the Management Company | - | 5,843 | 5,843 |
| Payable to the Trustee | - | 1,038 | 1,038 |
| Payable against the purchase of investment | - | 492,454 | 492,454 |
| Accrued expenses and other liabilities | - | 4,777 | 4,777 |
| | - | 504,112 | 504,112 |

| | -------------- As on June 30, 2018 -------------- | | |
|---|---|---|---|
| | Loans and receivables | Available for sale | Total |
| | ------------- Rupees in '000 ------------- | | |
| **Assets** | | | |
| Bank balances | 7,298,928 | - | 7,298,928 |
| Accrued mark-up | 18,703 | - | 18,703 |
| Deposits | 100 | - | 100 |
| | 7,317,731 | - | 7,317,731 |

| | -------------- As on June 30, 2018 -------------- | | |
|---|---|---|---|
| | At fair value through profit or loss | At amortised cost | Total |
| | ------------- Rupees in '000 ------------- | | |
| **Liabilities** | | | |
| Payable to the Management Company | - | 5,327 | 5,327 |
| Payable to the Trustee | - | 532 | 532 |
| Accrued expenses and other liabilities | - | 840 | 840 |
| | - | 6,699 | 6,699 |

## 21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

| | | 2019 | 2018 |
|---|---|---|---|
| **21.1** | **Transactions during the year** | ----------(Rupees in '000)---------- | |
| | HBL Asset Management Limited - Management Company | | |
| | Management fee | 74,284 | 54,057 |
| | Allocation of expenses related to registrar services, accounting, operation and valuation services | 7,314 | 5,426 |
| | Issuance of 99,552 units (2018: 1,106,289 units) | 10,358 | 114,079 |
| | Redemption of 1,069,156 units (2018: 115,578 units) | 111,112 | 12,000 |
| | Dividend paid | 5,267 | - |
| | Habib Bank Limited - Sponsor | | |
| | Issuance of 563,587 units (2018: 6,535,940 Units) | 58,322 | 700,000 |
| | Redemption of 143,777 units (2018: Nil units) | 15,486 | - |
| | Dividend paid | 116,668 | - |
| | Bank charges paid | 280 | 265 |
| | Mark-up earned during the year | 25,359 | 39,520 |
| | Mark-up received during the year | 24,360 | 40,692 |
| | MCBFSL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Associate | | |
| | Issuance of 544,578 units (2018: Nil units) | 59,285 | - |
| | Redemption of 5,153 units (2018: Nil units) | 565 | - |
| | Dividend paid | 4,210 | - |
| | Central Depository Company of Pakistan Limited - Trustee | | |
| | Remuneration | 7,046 | 5,446 |
| | Directors, Executives and Key Management personnel | | |
| | Issuance of 45,707 units (2018: 340 units) | 4,806 | 36 |
| | Redemption of 44,520 units (2018: 137,374 units) | 4,693 | 14,099 |
| | Dividend paid | 166 | - |
| **21.2** | **Amounts outstanding as at year end** | | |
| | HBL Asset Management Limited - Management Company | | |
| | Management Fee | 4,714 | 4,231 |
| | Sindh Sales Tax | 613 | 550 |
| | Allocation of expenses related to registrar services, accounting, operation and valuation services | 501 | 546 |
| | Sales load payable | 15 | - |
| | Investment held in the Fund : 21,109 units (2018: 990,713 units) | 2,158 | 106,191 |
| | Habib Bank Limited - Sponsor | | |
| | Investment held in the Fund : 8,737,507 units (2018: 8,317,697 units) | 893,148 | 891,548 |
| | Bank balances | 503,798 | 479,807 |
| | Sales load payable | 3,833 | - |

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| MCBFSL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Associate | | |
| Investment held in the Fund 539,425 units (2018: Nil units) | 55,140 | - |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration payable | 919 | 471 |
| Sindh Sales tax | 119 | 61 |
| Directors, Executives and Key Management personnel | | |
| Investment held in the Fund 13,197 units (2018: 12,005 units) | 1,349 | 1,287 |

## 22. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

| S.no. | Name | Designation | Qualification | Experience in years |
|---|---|---|---|---|
| 1 | Farid Ahmed Khan | Chief Executive Officer | MBA , CFA | 26+ years |
| 2 | Muhammad Imran | Chief Investment Officer | MBA - Finance | 19+ years |
| 3 | Faizan Saleem | Head of Fixed Income | MBA - Finance | 11+ years |
| 4 | M. Wamiq Sakrani | Manager Risk | MBA - Finance | 10+ years |
| 5 | Sateesh Balani | Head of Research | MBA, CFA | 8+ years |
| 6 | Noman Ameer * | Manager Risk | MBA - Finance | 12+ years |

* Employee resigned from the service of the company effective from June 10, 2019

## 23. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

**Top brokers during the year ended June 30, 2019**

1 Bright Capital (Private) Limited
2 Invest One Markets Limited
3 Optimus Markets (Private) Limited
4 Magenta Capital (Private) Limited
5 Paramount Capital (Private) Limited
6 C & M Management (Private) Limited
7 Pearl Securities Limited
8 Arif Habib Limited
9 Next Capital Limited
10 Currency Market Associates (Private) Limited

Top brokers during the year ended June 30, 2018

1 Bright Capital (Pvt) Limited
2 Arif Habib Limited
3 EFG Hermes Pakistan Limited
4 BMA Capital Management Limited
5 Invest Capital Markets Limited
6 Magenta Capital (Pvt) Limited
7 C & M Management (Pvt.) Limited
8 JS Global Capital Limited
9 Pearl Securities Limited
10 Next Capital Limited

## 24. PATTERN OF UNIT HOLDING

| | 2019 | | | |
|---|---|---|---|---|
| | Number of units holders | Number of units held | Unit holding or investment amount | Percentage of total |
| | | | Rupees in '000 | |
| Individuals | 2,752 | 33,492,603 | 3,423,613 | 54.75% |
| Associated company | 2 | 8,758,618 | 895,306 | 14.32% |
| Director | 1 | 1 | - | 0.00% |
| Banks and DFIs | - | - | - | 0.00% |
| Insurance companies | 4 | 1,116,384 | 114,117 | 1.83% |
| Retirement funds | 8 | 234,785 | 24,000 | 0.38% |
| Trust | 9 | 697,252 | 71,273 | 1.14% |
| Foreign Investors | 2 | 8 | 1 | 0.00% |
| Others | 59 | 16,869,776 | 1,724,428 | 27.58% |
| | 2,837 | 61,169,427 | 6,252,738 | 100.00% |

| | 2018 | | | |
|---|---|---|---|---|
| | Number of units holders | Number of units held | Unit holding or investment amount | Percentage of total |
| | | | Rupees in '000 | |
| Individuals | 1,955 | 28,507,791 | 3,055,664 | 42.15% |
| Associated company | 1 | 9,308,411 | 997,739 | 13.76% |
| Director | 1 | 356 | 38 | 0.00% |
| Banks and DFIs | - | - | - | 0.00% |
| Insurance companies | 8 | 801,665 | 85,928 | 1.19% |
| Retirement funds | 7 | 3,535,085 | 378,915 | 5.23% |
| Trust | 3 | 343,824 | 36,853 | 0.51% |
| Foreign Investors | 3 | 21,651 | 2,321 | 0.03% |
| Others | 46 | 25,115,417 | 2,692,044 | 37.13% |
| | 2,024 | 67,634,199 | 7,249,502 | 100.00% |

## 25. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on July 04, 2018, August 31, 2018, October 17, 2018, November 14, 2018, February 08, 2019 and April 30, 2019 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

| | | Number of meetings | | | |
|---|---|---|---|---|---|
| S.No. | Name of Director | Held | Attended | Leave granted | Meetings not attended |
| 1 | Mr. Agha Sher Shah 1 - 2 | 6 | 5 | 1 | November 14,2018 |
| 2 | Mr. Farid Ahmed Khan 3 | 6 | 6 | - | - |
| 3 | Ms. Ava A. Cowasjee 1 | 6 | 6 | - | - |
| 4 | Mr. Rayomond H. Kotwal 1 | 6 | 5 | 1 | February 08,2019 |
| 5 | Mr. Rizwan Haider 1 | 6 | 5 | 1 | November 14,2018 |
| 6 | Mr. Shabbir Hussain Hashmi 1 | 6 | 6 | - | - |
| 7 | Mr. Shahid Ghaffar 1 | 6 | 6 | - | - |
| 8 | Mr. Aamir Hasan Irshad 4 | 1 | 1 | - | - |

1 Completed term and reappointed on April 26, 2019.
2 Resigned on June 02, 2019.
3 Completed term and appointed as deemed director effective from April 26, 2019.
4 Appointed on April 26, 2019.

**26. FINANCIAL RISK MANAGEMENT**

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

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

The Fund primarily invests in a portfolio of money market investments, government securities and in other money market instruments. These activities are exposed to a variety of financial risks, market risks, credit risks and liquidity risks.

**26.1 The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.**

**26.1.1 Market risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

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

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

**26.1.2 Currency risk**

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

**26.1.3 Interest rate risk**

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

**a) Cash flow interest rate risk**

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 21.859 million (2018: Rs. 67.989 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

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

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

| | June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | Total | Exposed to Yield / Interest rate risk | | | Not exposed to Yield / Interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | |
| | ------------- Rupees in '000 ------------- | | | | |
| **On-balance sheet financial instruments** | | | | | |
| Financial assets | | | | | |
| Bank balances | 5,485,942 | 5,485,942 | - | - | - |
| Investment | 1,423,742 | 1,423,742 | - | - | - |
| Accrued mark-up | 55,136 | - | - | - | 55,136 |
| Deposits | 100 | - | - | - | 100 |
| | 6,964,920 | 6,909,684 | - | - | 55,236 |
| Financial liabilities | | | | | |
| Payable to Management Company | 5,843 | - | - | - | 5,843 |
| Payable to the Trustee | 1,038 | - | - | - | 1,038 |
| Payable against purchase of investment | 492,454 | - | - | - | 492,454 |
| Accrued expenses and other liabilities | 4,777 | - | - | - | 4,777 |
| | 504,112 | - | - | - | 504,112 |
| On-balance sheet gap | 6,460,808 | 6,909,684 | - | - | (448,876) |
| Off-balance sheet financial instruments | - | - | - | - | - |
| Off-balance sheet gap | - | - | - | - | - |

| | June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Exposed to Yield / Interest rate risk | | | | |
| | Total | Upto three months | More than three months and upto one year | More than one year | Not exposed to Yield / Interest rate risk |
| | ------------- Rupees in '000 ------------- | | | | |
| On-balance sheet financial instruments | | | | | |
| Financial assets | | | | | |
| Bank balances | 7,298,928 | 7,298,928 | - | - | - |
| Accrued mark up | 18,703 | - | - | - | 18,703 |
| Deposits | 100 | - | - | - | 100 |
| | 7,317,731 | 7,298,928 | - | - | 18,803 |
| Financial liabilities | | | | | |
| Payable to Management Company | 5,327 | - | - | - | 5,327 |
| Payable to the Trustee | 532 | - | - | - | 532 |
| Accrued expenses and other liabilities | 840 | - | - | - | 840 |
| | 6,699 | - | - | - | 6,699 |
| On-balance sheet gap | 7,311,032 | 7,298,928 | - | - | 12,104 |
| Off-balance sheet financial instruments | - | - | - | - | - |
| Off-balance sheet gap | - | - | - | - | - |

**26.1.4 Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk.

**26.2 Credit risk**

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the counter party to fulfil their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc.

The Fund's most significant financial assets are term deposit receipts, placements, balances held with banks, and mark-up accrued on term deposit receipts and bank balances. The credit risk in respect of these balances is limited because counter parties are banks with high credit worthiness.

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2019:

| | 2019 | 2018 |
|---|---|---|
| Bank balances by rating category | ----------(Rupees in '000)---------- | |
| A-1+ (JCR-VIS) | 2,071,532 | 6,434,129 |
| A1+ (PACRA) | 114,364 | 864,762 |
| A-1 (JCR-VIS) | 46 | 37 |
| | 2,185,942 | 7,298,928 |
| Investments in Government Securities | 492,498 | - |
| Commercial Paper | 931,244 | - |
| Term deposit receipts | | |
| A-1 (JCR-VIS) | - | - |
| Clean Placement | | |
| A1+ (PACRA) | - | - |
| Accrued mark-up | 55,136 | 18,703 |
| Deposits | 100 | 100 |

The maximum exposure to credit risk before considering any related collateral as at June 30, 2019 is the carrying amount of the financial assets. None of these are 'impaired' nor 'past due but not impaired'.

**Concentration of credit risk**

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

**26.3 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is mainly exposed to the daily cash redemption requests on a regular basis. Units are redeemable at the holders' option based on the Fund's net asset value per unit, at the time of redemption, calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily realised.

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

| | June 30, 2019 | | | |
|---|---|---|---|---|
| | Total | Upto three months | Over three months and upto one year | Over one year |
| | ------------- Rupees in '000 ------------- | | | |
| Financial liabilities (excluding unit holders' fund) | | | | |
| Payable to Management Company | 5,843 | 5,843 | - | - |
| Payable to the Trustee | 1,038 | 1,038 | - | - |
| Payable against purchase of investment | 492,454 | 492,454 | - | - |
| Accrued expenses and other liabilities | 4,777 | 4,777 | - | - |
| | 504,112 | 504,112 | - | - |
| Unit holders' fund | 6,252,738 | 6,252,738 | - | - |

| | June 30, 2018 | | | |
|---|---|---|---|---|
| | Total | Upto three months | Over three months and upto one year | Over one year |
| | ------------- Rupees in '000 ------------- | | | |
| Financial liabilities (excluding unit holders' fund) | | | | |
| Payable to Management Company | 5,327 | 5,327 | - | - |
| Payable to the Trustee | 532 | 532 | - | - |
| Accrued expenses and other liabilities | 840 | 840 | - | - |
| | 6,699 | 6,699 | - | - |
| Unit holders' fund | 7,249,502 | 7,249,502 | - | - |

## 27. UNITS HOLDERS' FUND RISK MANAGEMENT

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

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;

- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and

- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

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

## 28. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

| | | June 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | Fair Value | | | |
| | | Fair value through profit or loss | At amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | | (Rupees in '000) | | | | | | |
| Financial instruments | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Investments | | | | | | | | |
| - Government Securities | | 492,498 | - | 492,498 | 492,498 | - | - | 492,498 |
| | | 492,498 | - | 492,498 | 492,498 | - | - | 492,498 |
| Financial assets not measured at fair value | 28.1 | | | | | | | |
| Bank balances | | - | 1,423,742 | 1,423,742 | | | | |
| Dividend receivable and accrued mark-up | | - | 55,136 | 55,136 | | | | |
| Deposits | | - | 100 | 100 | | | | |
| | | - | 1,478,978 | 1,478,978 | | | | |
| Financial liabilities not measured at fair value | 28.1 | | | | | | | |
| Payable to the Management Company | | - | 5,843 | 5,843 | | | | |
| Payable to the Trustee | | - | 1,038 | 1,038 | | | | |
| Payable against purchase of investments | | - | 492,454 | 492,454 | | | | |
| Accrued expenses and other liabilities | | - | 4,777 | 4,777 | | | | |
| | | - | 504,112 | 504,112 | | | | |

| | | June 30, 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | | Fair Value | | | |
| | | Fair value through profit or loss - held for trading | Available -for-sale | Loans and receivables | Other financial assets/ liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| Financial instruments | | (Rupees in '000) | | | | | | | | |
| Financial assets not measured at fair value | 28.1 | | | | | | | | | |
| Bank balances | | | - | 7,298,928 | - | 7,298,928 | | | | |
| Investments | | | | | | | | | | |
| - Term deposit reciepts | | | - | - | - | | | | | |
| - Clean placements | | | - | - | - | - | | | | |
| Accrued mark-up | | | - | 18,703 | - | 18,703 | | | | |
| Deposits | | | - | 100 | - | 100 | | | | |
| | | | - | 7,317,731 | - | 7,317,731 | | | | |
| Financial liabilities not measured at fair value | 28.1 | | | | | | | | | |
| Payable to the Management Company | | | - | - | 5,327 | 5,327 | | | | |
| Payable to the Trustee | | | - | - | 532 | 532 | | | | |
| Accrued expenses and other liabilities | | | - | - | 840 | 840 | | | | |
| | | | - | - | 6,699 | 6,699 | | | | |

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

## 29. TOTAL EXPENSE RATIO

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2019 is 1.48% (2018: 1.41%) which includes 0.37% (2018: 0.31%) representing Government Levy and SECP fee.

## 30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on **August 29, 2019**.

## 31. CORRESPONDING FIGURES

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

## 32. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |


# HBL Income Fund

HBL AML Financial annual report 2018-19

| | |
|---|---|
| **NAME OF FUND** | HBL Income Fund |
| **NAME OF TRUSTEE** | Central Depository Company of Pakistan Limited |
| **NAME OF AUDITOR** | Deloitte Yousuf Adil, Chartered Accountants. |
| **NAME OF BANKERS** | Habib Bank Limited<br>Bank Al-Habib Limited<br>Habib Metropolitan Bank Limited<br>Bank Al Falah Limited<br>Faysal Bank Limited<br>Allied Bank Limited<br>JS Bank Limited<br>Samba Bank Limited<br>Zarai Taraqiati Bank Limited<br>Askari Bank Limited<br>MCB Bank Limited<br>Soneri Bank Limited<br>Telenor Bank Microfinance<br>U Microfinance Bank Limited<br>The First Microfinance Bank Limited<br>NRSP Microfinance Bank Limited<br>Industrial and Commercial Bank of China Limited<br>Meezan Bank Limited<br>Sindh Bank Limited |
| **Fund Rating** | A(f) (JCR-VIS) |

**Type and Category of Fund**

Open end Income Fund

**Investment Objective and Accomplishment of Objective**

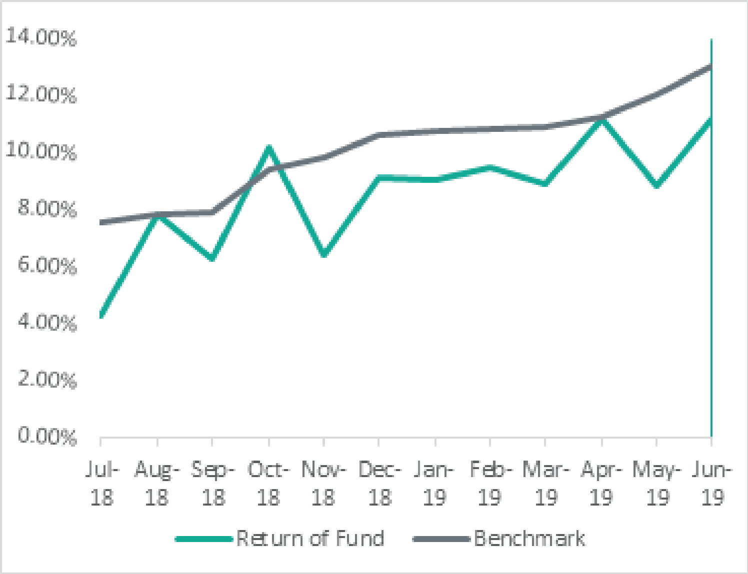
The objective of the Fund is to provide a stable stream of income with moderate level of risk by investing in fixed income securities. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is average six month KIBOR Offer rate.

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

| Month | Return of Fund | Benchmark |
|---|---|---|
| Jun-19 | 11.21% | 13.05% |
| May-19 | 8.87% | 12.05% |
| Apr-19 | 11.18% | 11.25% |
| Mar-19 | 8.93% | 10.90% |
| Feb-19 | 9.52% | 10.86% |
| Jan-19 | 9.04% | 10.76% |
| Dec-18 | 9.13% | 10.63% |
| Nov-18 | 6.43% | 9.86% |
| Oct-18 | 10.22% | 9.44% |
| Sep-18 | 6.29% | 7.93% |
| Aug-18 | 7.89% | 7.85% |
| Jul-18 | 4.30% | 7.57% |

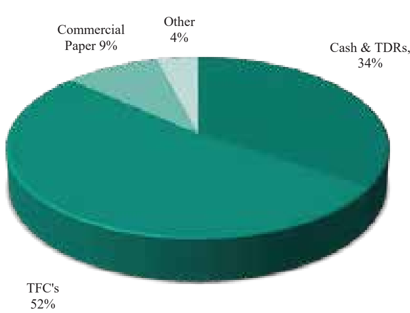



**Strategies and Policies employed during the Year**

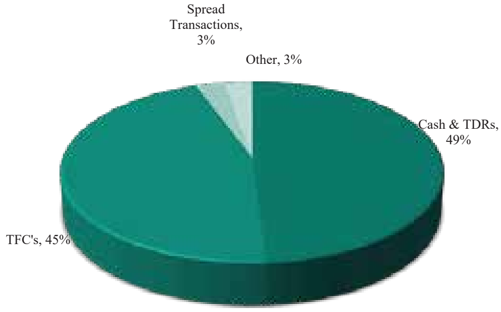
During the year under review, fund size of HBL Income Fund was reduced by 38.47% to PKR 1,511 million compared to PKR 2,456 million in June, 2018. Due to redemptions, combined exposure in TFCs/Sukuk (including Government guaranteed instruments) and Commercial Papers was increased from 45.4% to 61.55% as on June 30, 2019. The Fund was further invested in cash at bank and placements which accounted for 34.38% of the portfolio. In order to capture the benefit from interest rate volatility, fund generated gains while only taking trading positions in long term PIBs. During the year, funds were also invested in TDRs, T-Bills and Spread transactions in order to support portfolio accruals.

## Asset Allocation

**Asset Allocation for June 2019**




**Asset Allocation for June 2018**



**Significant Changes in Asset Allocation during the Year**

During the year under review some changes in asset allocation were witnessed. The Fund's exposure in bank placements were reduced to 34.38% in June 2019 compared to 49% in June 2018 as the fund faced redemptions. The Fund Manager reduced the exposure in TFCs/ Sukuk and the exposure in Spread Transactions was trimmed to zero. Exposure in TFCs/ Sukuk post the divestment was recorded at 52% instead of 45% a year earlier. The cumulative exposure in Commercial Paper was made and was recorded at 9%. Overall weighted average maturity decreased by 76 days from 928 days to 852 days.

**Fund Performance**

The total income and net income of the Fund was Rs. 203.34 million and Rs. 160.36 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs. 106.1134 per unit as on June 30, 2019 as compared to Rs. 111.2890 per unit as on June 30, 2018, after incorporating dividend of Rs. 14.50 (Rs. 5.50 for the year ended June 30, 2018 & Rs. 9.00 for the year ended June 30, 2019) per unit, thereby giving an annualized return of 8.82%. During the year the benchmark (6 Month KIBOR) return was 10.21%. The size of Fund was Rs. 1.51 billion as on June 30, 2019 as compared to Rs. 2.46 billion at the start of the year.

**Money Market Review**

SBP continued monetary tightening in FY19 to control the rising current account deficit and anchor increasing inflationary pressures.

Yields across all the tenors increased by 469-601 bps during FY19 due to cumulative increase of 525 bps in SBP policy rate in FY19. Secondary market yields of 3, 5 and 10-year PIBs increased by 556, 511 and 469 bps respectively while yields of 3, 6 and 12 month T-Bills increased in tandem by 597, 595 and 593 bps respectively during FY19. Government further raised PKR 674bn through the PIBs auction during FY19 against a target of PKR 950bn due to increased interest from market participants at higher PIB yields. Latest cut-off yields stood at 13.69%, 13.80% and 13.70% for the 3-year, 5-year and 10-year PIBs, respectively.

During the FY19, Government largely managed its borrowing requirements through domestic sources, and largely from central bank. Government retired PKR 893bn from scheduled banks compared to retirement of PKR 210bn during same period last year. Meanwhile, Government borrowing from SBP increased by PKR 2,596bn during the period against borrowing of PKR 1,469bn during same period last year. Moreover, we expect that Government borrowing will shift from SBP towards Commercial banks under IMF program. It is important to note that IMF staff level report suggests that incremental borrowing requirements have to be met via commercial banks as borrowing from SBP will remain limited to avoid indirect inflationary pressures.

In the monetary policy held in May-19, SBP increased the policy rate by a further 150bps to 12.25%. Going forward, we expect that large part of monetary tightening has been done, however upward risk to inflation emanate from higher than expected impact of electricity and gas price hike.

**Distribution**

The Fund has distributed cash dividend up-to Rs. 9.00 per unit for the year ended June 30, 2019.

**Significant Changes in the State of Affairs**

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

**Breakdown of Unit Holding by Size**

| From – To (Number of units) | Number of Unit Holders | Total Number of Units Held |
|---|---|---|
| 1 – 100 | 339 | 11,804 |
| 101 – 500 | 173 | 34,727 |
| 501 – 1,000 | 52 | 39,133 |
| 1,001 – 10,000 | 188 | 835,682 |
| 10,001 – 100,000 | 164 | 4,847,695 |
| 100,001 – 500,000 | 20 | 3,542,593 |
| 500,001 – 1,000,000 | 2 | 1,417,940 |
| 1,000,001 – 5,000,000 | 2 | 3,507,557 |
| 5,000,001 and above | - | - |
| **Total** | **940** | **14,237,131** |

**Unit Splits**

There were no unit splits during the year.

**Circumstances materially affecting the Interest of Unit Holders**

Investments are subject to market risk.

**Soft Commission**

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|
| Net assets at the period end(Rs'000) | 1,510,743 | 2,456,460 | 4,490,296 | 6,726,060 | 3,376,281 | 2,768,352 | 1,947,464 |
| **NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES** | | | | | | | |
| Redemption | 114.8239 | 111.2890 | 106.0146 | 106.0938 | 13-Apr-00 | 101.3388 | 102.6114 |
| Offer | 107.9120 | 113.1753 | 107.8115 | 108.1983 | 13-Apr-00 | 101.3388 | 102.6114 |
| **OFFER / REDEMPTION DURING THE PERIOD - RUPEES** | | | | | | | |
| Highest offer price per unit | 116.9874 | 113.1531 | 112.7930 | 113.4354 | 113.5884 | 104.8113 | 103.3155 |
| Lowest offer price per unit | 107.6075 | 107.8570 | 107.7564 | 104.9645 | 101.4359 | 100.6154 | 99.1319 |
| Highest redemption price per unit | 115.0375 | 111.2890 | 110.9130 | 111.2291 | 113.5884 | 104.8113 | 103.3155 |
| Lowest redemption price per unit | 105.8140 | 106.0593 | 105.9604 | 104.9645 | 101.4359 | 100.6154 | 99.1319 |
| **RETURN ( % )** | | | | | | | |
| Total return | 8.82% | 4.98% | 4.64% | 6.12% | 12.44% | 9.91% | 7.70% |
| Income distribution | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Capital growth | 8.82% | 4.98% | 4.64% | 6.12% | 12.44% | 9.91% | 7.70% |
| **DISTRIBUTION** | | | | | | | |
| First Interim dividend distribution (Rs) | - | - | - | - | - | 1.75 | 1.75 |
| Date of Income Distribution | | | | | | | |
| Second Interim dividend distribution (Rs) | - | - | - | - | - | 1.75 | 1.50 |
| Date of Income Distribution | | | | | | | |
| Third Interim dividend distribution (Rs) | - | - | - | - | - | 2.00 | 1.75 |
| Date of Income Distribution | | | | | | | |
| Final dividend distributation (Rs) | 9.00 | 5.50 | 5.00 | 5.25 | 9.00 | 3.50 | 2.00 |
| Date of Income Distribution | 4-Jul-17 | 4-Jul-17 | 20-Jun-17 | 22-Jun-16 | 26-Jun-15 | Various dates- (As mentioned in Financial Statements of respective year) | Various dates- (As mentioned in Financial Statements of respective year) |
| Total dividend distribution for the year/ period (Rs) | 9.00 | 5.50 | 5.00 | 5.25 | 9.00 | 9.00 | 7.00 |
| **AVERAGE RETURNS ( % )** | | | | | | | |
| Average annual return 1 year | 8.82% | 4.98% | 4.64% | 6.12% | 12.44% | 9.91% | 7.70% |
| Average annual return 2 year | 6.88% | 4.81% | 5.39% | 9.28% | 11.18% | 8.81% | 10.01% |
| Average annual return 3 year | 6.13% | 5.25% | 7.69% | 9.49% | 10.02% | 9.98% | 10.01% |
| Weighted average portfolio during (No. of days) | 852 | 928 | 850 | 372 | 485 | 621 | 475 |
| **PORTFOLIO COMPOSITION - (%)** | | | | | | | |
| Percentage of Total Assets as at 30 June: | | | | | | | |
| Bank Balances | 34.38% | 40.74% | 26.29% | 48.00% | 29.00% | 24.00% | 19.00% |
| TFCs | 52.26% | 39.92% | 32.20% | 10.00% | 8.00% | 13.00% | 27.00% |
| Government Securities | 0.00% | 5.48% | 0.00% | 34.00% | 62.00% | 54.00% | 53.00% |
| Placement with Banks and DFIs | 0.00% | 8.29% | 19.48% | 4.00% | 0.00% | 7.00% | 0.00% |
| Spread Transaction | 0.00% | 2.83% | 4.87% | 0.00% | 0.00% | 0.00% | 0.00% |
| Commercial Paper | 9.29% | 0.00% | 2.96% | 0.00% | 0.00% | 0.00% | 0.00% |
| Others Including receivables | 4.07% | 2.75% | 14% | 4.00% | 1.00% | 2.00% | 1.00% |

**Note:**

The Launch date of the Fund is March 15, 2007

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

Summary of Actual Proxy voted by CIS

| HBL INCOME FUND | Meetings | Resolutions | For | Against |
|---|---|---|---|---|
| Number | 0 | 0 | 0 | - |
| (%ages) | | 100% | 100% | - |

(h) AMC did not participate in shareholders' meetings

| Investee Company | AGM Meeting Dt | EOGM Meeting Dt |
|---|---|---|
| Attock Refinery Ltd | | 10-12-18 |
| Bank of Punjab Ltd | 29/3/2019 | |
| D G Khan Cement Co. Ltd | 27/10/2018 | |
| Maple Leaf Cement Factory Ltd | 27/10/2018 | |
| Descon Oxychem Ltd | | 23-10-2018 |
| Habib Bank Ltd | (19/09/2018)(17/12/2018)(27/3/2019)(21/6/2019) | 21/6/2019 |
| Engro Polymer & Chemicals Ltd | (18/09/2018)(1/4/2019) | |
| Engro Corporation Ltd | (3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019) | (25/09/2018)(28/5/2019) |
| Engro Fertilizers Limited | (2/10/2018)(26/11/2018)(28/3/2019) | 27/5/2019 |
| Fauji Fertilizer Bin Qasim Ltd | 29/3/2019 | |
| Fauji Cement Company Limited | (28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019) | |
| International Industries Ltd | (28/09/2018)(22/3/2019) | |
| International Steel Ltd | (25/09/2018)(22/3/2019) | |
| Nishat Mills Ltd | 27/10/2018)(17/4/2019) | |
| Lucky Cement Ltd | (28/09/2018)(27/10/2018) | |
| Lotte Chemical Pakistan Ltd | (18/4/2019) | |
| Sui Northern Gas Pipeline Ltd | 23/5/2019 | |
| UBL Bank Ltd | (18/09/2018)(19/11/2018)(28/3/2019)(16/6/2019)(18/6/2019) | |
| TRG Pakistan Ltd | | 19/10/2018 |

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED
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Karachi - 74400. Pakistan.
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Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

## TRUSTEE REPORT TO THE UNIT HOLDERS

## HBL 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 HBL Income Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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.

We would like to draw unit holders' attention towards the fact that the exposure of the Fund in unlisted Term Finance Certificates of JS Bank Limited (JSBL) reached to 14.94% of the net assets; thus the Fund is in non-compliance of Regulation 55(5) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 which states that the exposure of Collective Investment Scheme to any single entity shall not exceed an amount equal to 10% of its total net assets. We have taken up the issue with the Management Company and were informed that such breach occurred due to decrease in net asset of the Fund and they are unable to dispose off excess exposure due to the unavailability of competitive bid in the market.

**Badiuddin Akber**
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019

CENTRAL DEPOSITORY COMPANY

Deloitte.

**Deloitte Yousuf Adil**
Chartered Accountants
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# INDEPENDENT AUDITORS' REPORT
# TO THE UNIT HOLDERS OF HBL INCOME FUND

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **HBL Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

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

### Key Audit Matters

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

| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| 1 | **Valuation and existence of investments**<br><br>As disclosed in note 6 to the financial statements, investments amounted to Rs. 1,008 million as at June 30, 2019.<br><br>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in term finance certificates. Their valuation and existence is a significant area during our audit. There is a risk that appropriate quoted prices may not be used to determine fair value. | We performed the following steps during our audit of investments:<br><br>Independent testing of valuations by using the rates determined by the Mutual Fund Association of Pakistan and ensuring the existence of number of certificates by comparing the internal records with Central Depositary Company (CDC) account records;<br><br>performing purchases and sales testing on a sample of trades made during the |

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| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| | Further, the Fund may have included investments in its financial statements which were not owned by Fund. | year to obtain evidence regarding the movement of certificates; and<br><br>any differences identified during our testing that were over our acceptable threshold were investigated further. |
| 2 | **Adoption of IFRS 9 "Financial Instruments".**<br><br>As disclosed in note 4.2 of the financial statements, from July 01, 2018, the Fund has changed its accounting policies due to the application of the IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement"<br><br>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.<br><br>Management has determined that the most significant impact of the new standard on the Fund's financial statements relates to classification of investment according the business model of the Fund. The requirements relating to impairment model have been deferred by SECP letter SCD/AMCW/RS/MUFAP/2017-148.<br><br>Management also assessed the additional disclosure required to be made by the new accounting standard in the financial statement.<br><br>We considered this as a key audit matter since the adoption of the new accounting standards has a material impact on the financial statements due to the judgments involved in the assessment of classification of financial assets. | We have performed the following audit procedures:<br><br>• Reviewed management's impact assessment and evaluated the management key decisions with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standards and assessed their appropriateness based on business model;<br><br>• Reviewed the classification of investment by management and ensured that it is in accordance with the business model;<br><br>• Evaluate and tested the adjustment, if any, recorded in financial statement in accordance with the change; and<br><br>• Evaluated the adequacy and appropriateness of disclosure made in the financial statements. |

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If,

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based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.

- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

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

Deloitte Yousuf Adil
**Chartered Accountants**

**Date:** September 27, 2019
**Place:** Karachi

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| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Assets** | | | |
| Bank balances | 5 | 552,761 | 1,242,036 |
| Investments | 6 | 1,008,166 | 1,221,606 |
| Accrued mark-up | 7 | 16,285 | 21,696 |
| Advances, deposits, prepayments and other receivables | 8 | 30,639 | 47,841 |
| Receivable against sale of investment | | - | 24,984 |
| **Total assets** | | 1,607,851 | 2,558,163 |
| **Liabilities** | | | |
| Payable to Management Company | 9 | 3,054 | 4,399 |
| Payable to the Trustee | 10 | 198 | 349 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | 1,478 | 2,742 |
| Accrued expenses and other liabilities | 12 | 92,378 | 50,424 |
| Payable against purchase of investment | | - | 43,789 |
| **Total liabilities** | | 97,108 | 101,703 |
| **Net assets** | | 1,510,743 | 2,456,460 |
| **Unit holders' fund (as per statement attached)** | | 1,510,743 | 2,456,460 |
| **Contingencies and commitments** | 13 | | |
| | | ---------Number of units--------- | |
| **Number of units in issue** | 14 | 14,237,061 | 22,072,806 |
| | | -------Rupees-------- | |
| **Net assets value per unit** | 4.7 | 106.1134 | 111.2890 |

The annexed notes 1 to 33 form an integral part of these financial statements.

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

**Chief Financial Officer** | **Chief Executive Officer** | **Director**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Income** | | | |
| Mark-up / return on investments | 15 | 111,196 | 104,489 |
| Capital (loss) / gain on sale of investments - net | | (10,717) | 241 |
| Mark-up on deposits with banks | 16 | 86,199 | 141,583 |
| Dividend Income | | 13,137 | 16,647 |
| Other Income | | 104 | - |
| Reversal of Provision against non-performing Term Finance Certificates | | 7,576 | - |
| Unrealised (loss) / gain on revaluation of investments carried at fair value through profit or loss | | (4,160) | 2,352 |
| **Total Income** | | 203,335 | 265,312 |
| **Expenses** | | | |
| Remuneration of the Management Company | 9.1 | 30,192 | 58,367 |
| Remuneration of the Trustee | 10.1 | 2,853 | 4,472 |
| Annual fee of Securities and Exchange Commission of Pakistan | 11.1 | 1,478 | 2,742 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 1,971 | 3,656 |
| Selling and marketing | | 496 | - |
| Settlement and bank charges | | 1,944 | 4,780 |
| Auditors' remuneration | 17 | 404 | 396 |
| Fee and subscription | | 369 | 397 |
| Printing charges | | - | 194 |
| **Total Expenses** | | 39,707 | 75,004 |
| | | 163,628 | 190,308 |
| Provision for Sindh Workers' Welfare Fund | 12.2 | (3,273) | (3,806) |
| **Net income for the year before taxation** | | 160,355 | 186,502 |
| Taxation | 18 | - | - |
| **Net income for the year after taxation** | | 160,355 | 186,502 |
| Allocation of net income for the year | | | |
| Income already paid on redemption of units | | 53,284 | 77,201 |
| Accounting income available for distribution: | | | |
| - Relating to capital gains | | - | 2,063 |
| - Excluding capital gains | | 107,071 | 107,238 |
| | | 107,071 | 109,301 |
| | | 160,355 | 186,502 |
| **Earnings per unit** | 19 | | |

The annexed notes 1 to 33 form an integral part of these financial statements.

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

**Chief Financial Officer** **Chief Executive Officer** **Director**

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| Net income for the year after taxation | 160,355 | 186,502 |
| **Items that may be reclassified subsequently to Income Stataement** | | |
| Unrealised loss on re-measurement of investments classified as available-for-sale | - | (12,406) |
| Reclassification adjustments relating to available for sale financial assets disposed of during the year | - | 1,021 |
| **Total other comprehensive income for the year** | - | (11,385) |
| **Total comprehensive income for the year** | 160,355 | 175,117 |

The annexed notes 1 to 33 form an integral part of these financial statements.

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

**Chief Financial Officer** | **Chief Executive Officer** | **Director**

| | For the year ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2018 | | | |
| | (Rupees in '000) | | | | | | | |
| | **Capital value** | **Undistributed income** | **Unrealised (loss) / income of investment** | **Total** | Capital value | Undistributed income | Unrealised (loss) / income of investment | Total |
| **Net assets at beginning of the year** | 2,230,273 | 226,959 | (772) | 2,456,460 | 4,362,025 | 117,658 | 10,613 | 4,490,296 |
| **Adoption of IFRS 9** | | (772) | 772 | | | | | |
| **Issuance 13,265,278 of units (2018: 8,770,467 units)** | | | | | | | | |
| - Capital Value (at net asset value per units at the beginning of the year | 1,356,891 | - | - | 1,356,891 | 929,798 | - | - | 929,798 |
| - Element of income | 49,151 | - | - | 49,151 | 20,890 | - | - | 20,890 |
| | 1,406,042 | - | - | 1,406,042 | 950,688 | - | - | 950,688 |
| **Redemption of 21,101,023 units (2018: 29,053,116 units)** | | | | | | | | |
| - Capital Value (at net asset value per units at the beginning of the year | (2,158,402) | - | - | (2,158,402) | (3,080,081) | - | - | (3,080,081) |
| relating to net income for the year after taxation | (57,918) | - | - | (57,918) | (2,359) | (77,201) | - | (79,560) |
| - Income already paid on redemption of units | - | (53,284) | - | (53,284) | - | - | - | - |
| | (2,216,320) | (53,284) | - | (2,269,604) | (3,082,440) | (77,201) | - | (3,159,641) |
| Element of income and capital gains included in prices of units issued less those in units redeemed | - | - | - | - | - | - | - | - |
| Net income for the year after taxation | - | 160,355 | - | 160,355 | - | 186,502 | - | 186,502 |
| Refund of capital | (31,133) | - | - | (31,133) | - | - | - | - |
| Distribution during the year | - | (211,377) | - | (211,377) | - | - | - | - |
| Other comprehensive income for the year | - | - | - | - | - | - | (11,385) | (11,385) |
| **Total comprehensive income for year** | (31,133) | (51,022) | - | (82,155) | - | 186,502 | (11,385) | 175,117 |
| **Net assets at end of the year** | 1,388,862 | 121,881 | - | 1,510,743 | 2,230,273 | 226,959 | (772) | 2,456,460 |
| **Undistributed income brought forward** | | | | | | | | |
| - Realised | | 224,607 | | | | 117,670 | | |
| - Unrealised | | 2,352 | | | | (12) | | |
| | | 226,959 | | | | 117,658 | | |
| Adoption of IFRS 9 | | (772) | | | | | | |
| **Accounting income available for distribution** | | | | | | | | |
| - Relating to capital gains | | - | | | | 2,063 | | |
| - Excluding capital gains | | 107,071 | | | | 107,238 | | |
| | | 107,071 | | | | 109,301 | | |
| Element of loss and capital losses included in prices of units issued less those in units redeemed | | - | | | | - | | |
| Distribution during the year | | (211,377) | | | | - | | |
| Undistributed income carried forward | | 121,881 | | | | 226,959 | | |
| **Undistributed income carried forward** | | | | | | | | |
| - Realised | | 125,538 | | | | 224,607 | | |
| - Unrealised | | (3,657) | | | | 2,352 | | |
| | | 121,881 | | | | 226,959 | | |
| | (Rupees) | | | | | | | |
| **Net assets value per unit at beginning of the year** | | | | 111.2890 | | | | 106.0146 |
| **Net assets value per unit at end of the year** | | | | 106.1134 | | | | 111.2890 |

The annexed notes 1 to 33 form an integral part of these financial statements.

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

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Cash flows from operating activities** | | | |
| Net income for the year | | 160,355 | 186,502 |
| **Adjustments:** | | | |
| Return / mark-up on: | | | |
| - Bank profits | | (86,199) | (141,583) |
| - Investments | | (111,196) | (104,489) |
| - Capital loss / (gain) on sale of investments - net | | 10,717 | (241) |
| - Dividend income | | (13,137) | (16,647) |
| Unrealised loss / (gain) | | 4,160 | (2,352) |
| Provision for Sindh Workers' Welfare Fund | | 3,273 | 3,806 |
| | | (32,027) | (75,004) |
| **Decrease in assets** | | | |
| Investments - net | | 198,563 | 2,240,808 |
| Advances, deposits, prepayments and other receivables | | 17,202 | 136,747 |
| Receivable against sale of investment | | 24,984 | - |
| | | 240,749 | 2,377,555 |
| **Increase in liabilities** | | | |
| Payable to Management Company | | (1,345) | (3,936) |
| Payable to the Trustee | | (151) | (149) |
| Payable to Securities and Exchange Commission of Pakistan | | (1,264) | (1,549) |
| Accrued expenses and other liabilities | | 38,681 | - |
| Payable against purchase of investment | | (43,789) | (15,651) |
| | | (7,868) | (21,285) |
| Bank profit received | | 88,819 | 144,556 |
| Markup on investments received | | 113,987 | 123,225 |
| Dividend Income received | | 13,137 | 20,113 |
| **Net cash generated from operating activities** | | 416,797 | 2,569,160 |
| **Cash flows from financing activities** | | | |
| Amount received on issue of units | | 1,406,042 | 950,688 |
| Payment against redemption of units | | (2,269,604) | (3,159,641) |
| Cash dividend paid | | (242,510) | - |
| **Net cash used in financing activities** | | (1,106,072) | (2,208,953) |
| **Net (decrease) / increase in cash and cash equivalents** | | (689,275) | 360,207 |
| Cash and cash equivalents at beginning of the year | | 1,242,036 | 881,829 |
| **Cash and cash equivalents at end of the year** | 5 | 552,761 | 1,242,036 |

The annexed notes 1 to 33 form an integral part of these financial statements.

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

**Chief Financial Officer** **Chief Executive Officer** **Director**

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

1.1 HBL 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.

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

1.3 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 March 15, 2007 to March 17, 2007.

1.4 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.

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

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

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

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

**2.4 Use of judgments and estimates**

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

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

**(i) classification and valuation of financial assets notes 4.2.1**

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

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019**

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements except as otherwise disclosed.

| | **Effective from accounting periods beginning on or after:** |
|---|---|
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9. | January 01, 2018 |
| IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. | July 01, 2018 |
| IFRS 15 'Revenue from Contracts with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date. | July 01, 2018 |
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property | January 01, 2018 |

| | **Effective from accounting periods beginning on or after:** |
|---|---|
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | January 01, 2018 |

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

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

**3.2.1** The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

| | **Effective from accounting periods beginning on or after:** |
|---|---|
| Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business | January 01, 2020 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture | Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted. |
| IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date. | January 01, 2019 |
| Amendments to References to the Conceptual Framework in IFRS Standards | January 01, 2020 |
| Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material | January 01, 2020 |
| Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements. | January 01, 2019 |
| Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. | January 01, 2019 |

| | |
|---|---|
| IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. | January 01, 2019 |
| Certain annual improvements have also been made to a number of IFRSs. | |

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 4.2.

### 4.1 Cash and cash equivalents

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

### 4.2 IFRS 9 'Financial Instruments

On application of IFRS - 9 'Financial Instruments', there is no material change in the Fund's financial risk management objectives and policies and are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2018.

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual year that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures for the  year ended June 30, 2019.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities;
2) Impairment of financial assets; and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

**4.2.1 (a) Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the aforegoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund’s existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund’s financial assets as regards their classification and measurement:

- the Fund's investments in debt instruments that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVTPL because they are held within a business model whose objective is primarily to sell the bonds. The change in the fair value on these redeemable notes will be recorded in the profit or loss account;

- there is no change in the measurement of the Fund's investments in debt instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Fund's financial position, profit or loss, other comprehensive income or total comprehensive income for the year.

**4.2.2 (b) Impairment of financial assets**

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

**4.2.3 (c) Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the Fund does not have any financial liabilities designated as FVTPL.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

**4.2.4 (d) Disclosures in relation to the initial application of IFRS 9**

There were no financial assets or financial liabilities which the Fund had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Fund has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Fund has elected to designate as at FVTPL at the date of initial application of IFRS 9.

**4.2.5** The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

| | Carrying amount as per IAS 39 on June 30, 2018 | Reclassific-ations | Remeasu-rements | Carrying amount on initial adoption of IFRS 9 | Effects on Retained Earnings on |
|---|---|---|---|---|---|
| | | | | July 01, 2018 | |
| | ---------------------- Rupees ('000')---------------------- | | | | |
| **Financial assets** | | | | | |
| **Fair value through profit or loss** | | | | | |
| Listed debt securities from available for sale (IAS 39) | 336,779 | 336,779 | - | 336,779 | - |
| **Total** | **336,779** | **336,779** | **-** | **336,779** | **-** |

## 4.3 IAS 39 Financial instruments ( For corresponding figures )

### 4.3.1 Financial Assets

#### 4.3.1.1 Classification

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

The Fund classifies its financial assets in the following categories:

**a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading.

**b) Loans and receivables**

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

**c) Available for sale**

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

#### 4.3.1.2 Regular way contracts

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

**4.3.1.3 Initial recognition and measurement**

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

**4.3.1.4 Subsequent measurement**

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

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

Basis of valuation of debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**Basis of valuation of equity securities**

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

Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss - held for trading' are taken to the income statement.

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

**b) Loans and receivables**

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

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

**4.3.1.5 Impairment of financial assets**

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

**a) Available for sale securities**

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

**b) Loans and receivables**

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**4.3.1.6 Derecognition**

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

**4.3.1.7 Offsetting of financial instruments**

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

**4.3 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.4 Provisions

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

**4.5 Taxation**

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

**4.6 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received and fund are realised during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

**4.7 Net assets value per unit**

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

**4.8 Revenue recognition**

- Realised capital gain / (loss) arising on sale of investments are included operating income in the 'income statement' on the date at which the transaction takes place.

- Mark-up / return on Government securities, bank profits and investment in debt securities are recognized on a time apportionment basis using the effective interest method.

- Unrealised gain / (loss) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

- Dividend income from equity securities is recognised when right to receive dividend is established.

**4.9 Expenses**

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

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **5. BANK BALANCES** | | | |
| Balances with bank in: | | | |
| - Saving accounts | 5.1 | 552,761 | 1,032,036 |
| -Term deposit receipt (TDR) | | - | 210,000 |
| | | 552,761 | 1,242,036 |

**5.1** This represents bank accounts held with different banks. Mark-up rates on these accounts range between 10.28% - 13.75% per annum.

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **6. INVESTMENTS** | | | |
| Finacial assets at Fair value through profit or loss | | | |
| - Term finance certificates - listed | 4.2.5 & 6.1.1 | 84,325 | 391,551 |
| - Term finance certificates and sukuk bonds - unlisted | 6.2 | 755,925 | 758,349 |
| - Investment in ready / future - spread transaction | 6.4 | - | 71,706 |
| Finacial assets at amortised cost | | | |
| - Commercial paper | 6.5 | 167,916 | - |
| | | 1,008,166 | 1,221,606 |

## 6.1 Finacial assets at Fair value through profit or loss

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

## 6.1.1 Term Finance Certificates and sukuk bonds - Listed

| Name of the Investee Company | Number of certificates | | | | Market value / Carrying value* as at June 30, 2019 | Market value as a percentage of | |
|---|---|---|---|---|---|---|---|
| | As at July 1, 2018 | Purchase during the year | Sold / Matured during the year | As at June 30, 2019 | - Rupees in '000 - | Total Investments | Net Assets |
| **Chemicals** | | | | | | | |
| Dawood Hercules Chemical Limited** (Sukuk) | 2,550 | - | 1,610 | 940 | 84,325 | - | - |
| | 2,550 | - | 1,610 | 940 | 84,325 | - | - |
| **Commercial Banks** | | | | | | | |
| Soneri Bank Limited | 27,100 | - | 27,100 | - | - | - | - |
| | 27,100 | - | 27,100 | - | - | - | - |
| **Financial Services** | | | | | | | |
| Saudi Pak Leasing Company Limited - note 6.1.2 * | 2,000 | - | - | 2,000 | - | - | - |
| | 2,000 | - | - | 2,000 | - | - | - |
| **Technology and Communication** | | | | | | | |
| Worldcall Telecom Limited - note 6.1.3 * | 23,750 | - | - | 23,750 | - | - | - |
| | 23,750 | - | - | 23,750 | - | - | - |
| **Total** | **55,400** | **-** | **28,710** | **26,690** | **84,325** | **-** | **-** |
| As at June 30, 2018 | 86,467 | 60,717 | 7,000 | 86,467 | 301,041 | 11.07% | 6.70% |
| **Cost of investments as at June 30, 2019** | | | | | **84,769** | | |
| Cost of investments as at June 30, 2018 | | | | | 443,866 | | |

**Related Party due to common directorship

*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.

**6.1.2** 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.

**6.1.3** 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. 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 out of which during the year ended June 30, 2019 Rs. 7.576 is received leaving outstanding balance as at June 30, 2019 of Rs. 40.191 million.

## 6.2 Term finance certificates and sukuk bonds - Unlisted

| Name of the Investee Company | Number of certificates | | | | Market value as at June 30, 2019 | Market value as a percentage of | |
|---|---|---|---|---|---|---|---|
| | As at July 1, 2018 | Purchase during the year | Sold / Matured during the year | As at June 30, 2019 | (Rupees in '000) | Total Investments | Net Assets |
| **Chemicals** | | | | | | | |
| Agritech Limited (Note: 6.2.3) | 2,000 | - | - | 2,000 | - | 0.00% | 0.00% |
| Ghani Gases Limited ** | 200 | - | - | 200 | 12,500 | 1.24% | 0.83% |
| | 2,200 | - | - | 2,200 | 12,500 | 1.24% | 0.83% |
| **Commercial Banks** | | | | | | | |
| Bank of Punjab * | 2,050 | - | - | 2,050 | 202,798 | 20.12% | 13.42% |
| JS Bank Limited (note 6.2.4)* | 2,000 | - | 100 | 1,900 | 188,082 | 18.66% | 12.45% |
| JS Bank Limited (note 6.2.4)* | 11,600 | - | 4,150 | 7,450 | 37,373 | 3.71% | 2.47% |
| | 15,650 | - | 4,250 | 11,400 | 428,253 | 42.48% | 28.35% |
| **Investment Companies** | | | | | | | |
| Jahangir Siddiqui & Company Limited | - | 10,000 | 10,000 | - | - | 0.00% | 0.00% |
| Jahangir Siddiqui & Company Limited | - | 15,100 | - | 15,100 | 65,864 | 6.53% | 4.36% |
| Jahangir Siddiqui & Company Limited | 18,000 | - | 8,000 | 10,000 | 49,675 | 4.93% | 3.29% |
| | 18,000 | 25,100 | 18,000 | 25,100 | 115,539 | 11.46% | 7.65% |
| **Multiutlities** | | | | | | | |
| Water and Power Development Authority | 55,160 | - | 55,160 | - | - | 0.00% | 0.00% |
| | 55,160 | - | 55,160 | - | - | 0.00% | 0.00% |
| **Power Generation and Distribution** | | | | | | | |
| Neelum Jhelum Hydropower Company (Private) Limited | - | 2,500 | 2,500 | - | - | 0.00% | 0.00% |
| Hub Power Company Limited | - | 36,600 | - | 36,600 | 183,000 | 18.15% | 12.11% |
| | - | 36,600 | 8,000 | 34,770 | 183,000 | 18.15% | 12.11% |

| Name of the Investee Company | Number of certificates | | | | Market value as at June 30, 2019 | Market value as a percentage of | |
|---|---|---|---|---|---|---|---|
| | As at July 1, 2018 | Purchase during the year | Sold / Matured during the year | As at June 30, 2019 | | Total Investments | Net Assets |
| | | | | | (Rupees in '000) | | |
| **Technology and communication** | | | | | | | |
| TPL Corporation Limited * | 500 | - | - | 500 | 16,633 | 1.65% | 1.10% |
| | 182,820 | - | - | 500 | 16,633 | 1.65% | 1.10% |
| **Others** | | | | | | | |
| New Allied Electronic Industries (Private) Limited note 6.2.1* | 9,000 | - | - | 9,000 | - | - | - |
| New Allied Electronic Industries (Private) Limited - Sukuk note 6.2.1* | 9,000 | - | - | 9,000 | - | - | - |
| | 18,000 | - | - | 18,000 | - | - | |
| **Total** | **309,830** | **61,700** | **85,410** | **73,970** | **755,925** | **74.98%** | **50.04%** |
| As at June 30, 2018 | - | - | - | - | - | - | - |
| **Cost of investments as at June 30, 2019** | | | | | **759,638** | | |
| **Cost of investments as at June 30, 2018** | | | | | **829,282** | | |

*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.

* These TFCs have face value of Rs. 100,000 per TFC.

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

**6.2.2** 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.

**6.2.3** Installment amounting to Rs. 1.998 million became due for payment of the following TFCs / sukuks and are reflected in note 8.

| | **2019** | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| Agritech Limited | 1,998 | 1,998 |
| | 1,998 | 1,998 |

**6.2.4** Significant terms and conditions of Term Finance Certificates Sukuk bonds outstanding as at June 30, 2019 are as follows:

| Name of security | Remaining principal (per TFC) in Rupees | Mark-up rate (per annum) | Issue date | Maturity date |
|---|---|---|---|---|
| Term Finance Certificates - Listed | | | | |
| Dawood Hercules Chemical Limited | 100,000 | 3 Month KIBOR + 1% | 16-Nov-17 | 16-Nov-22 |
| Term Finance Certificates and Sukuk bonds - Unlisted | | | | |
| Bank of Punjab | 99,920 | 6 Month KIBOR + 1% | 23-Feb-16 | 23-Feb-26 |
| Bank of Punjab | 99,920 | 6 Month KIBOR + 1% | 23-Dec-16 | 23-Dec-28 |
| JS Bank Limited | 4,996 | 6 Month KIBOR + 1.40% | 14-Dec-16 | 16-Dec-23 |
| JS Bank Limited - Sukuk | 99,960 | 6 Month KIBOR + 1.40% | 29-Dec-17 | 29-Dec-24 |
| Jahangir Siddiqui & Company Limited | 5,000 | 6 Month KIBOR + 1.40% | 06-Mar-18 | 06-Mar-23 |
| Jahangir Siddiqui & Company Limited | 5,000 | 6 Month KIBOR + 1.40% | 18-Jul-17 | 18-Jul-22 |
| Jahangir Siddiqui & Company Limited | 3,125 | 6 Month KIBOR + 1.65% | 24-Jun-16 | 24-Jun-21 |
| TPL Corporation Limited | 100,000 | 3 Month KIBOR + 1.50% | 19-Dec-17 | 19-Dec-19 |
| Ghani Gasses Limited - Sukuk | 79,143 | 3 months KIBOR + 1% | 02-Feb-17 | 02-Feb-23 |

**6.3 Investment in Government Securities**

| Issue Date | Tenure | Face value | | | | Market Value as at June 30, 2019 | Market value as a percentage of | |
|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2018 | Purchases during the year | Sales / Matured during the year | As at June 30, 2019 | | Total Investments | Net Assets |
| Treasury bill | | ---------- (Rupees in '000) ---------- | | | | | | |
| August 2, 2018 | 3 months | - | 850,000 | 850,000 | - | - | - | - |
| December 6, 2018 | 3 months | - | 1,000,000 | 1,000,000 | - | - | - | - |
| January 17, 2019 | 3 months | - | 250,000 | 250,000 | - | - | - | - |
| January 31, 2019 | 3 months | - | 225,000 | 225,000 | - | - | - | - |
| February 14, 2019 | 3 months | - | 450,000 | 450,000 | - | - | - | - |
| May 9, 2019 | 3 months | - | 600,000 | 600,000 | - | - | - | - |
| May 23, 2019 | 3 months | - | 570,000 | 570,000 | - | - | - | - |
| Total - as at June 30, 2019 | | - | 3,945,000 | 3,945,000 | - | - | - | - |
| Total - as at June 30, 2018 | | - | 11,640,000 | 11,640,000 | - | - | - | - |
| PIB | | | | | | | | |
| July 12, 2018 | 5 years | - | 37,500 | 37,500 | - | - | - | - |
| July 12, 2018 | 5 years | - | 12,500 | 12,500 | - | - | - | - |
| July 12, 2018 | 5 years | - | 50,000 | 50,000 | - | - | - | - |
| July 12, 2018 | 3 years | - | 37,500 | 37,500 | - | - | - | - |
| July 12, 2018 | 3 years | - | 100,000 | 100,000 | - | - | - | - |
| July 12, 2018 | 3 years | - | 175,000 | 175,000 | - | - | - | - |
| July 12, 2018 | 3 years | - | 100,000 | 100,000 | - | - | - | - |
| July 12, 2018 | 3 years | - | 50,000 | 50,000 | - | - | - | - |
| July 12, 2018 | 3 years | - | 50,000 | 50,000 | - | - | - | - |
| July 12, 2018 | 3 years | - | 75,000 | 75,000 | - | - | - | - |
| July 12, 2018 | 10 years | - | 37,500 | 37,500 | - | - | - | - |
| August 9, 2018 | 10 years-FLR | - | 555,945 | 555,945 | - | - | - | - |
| May 31, 2018 | 10 years- F1 | - | 80,200 | 80,200 | - | - | - | - |
| February 21, 2019 | 10 years- F1 | - | 200,000 | 200,000 | - | - | - | - |
| Total - as at June 30, 2019 | | - | 1,561,145 | 1,561,145 | - | - | - | - |

| Issue Date | Tenure | Face value | | | | Market Value as at June 30, 2019 | Market value as a percentage of | |
|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2018 | Purchases during the year | Sales / Matured during the year | As at June 30, 2019 | | Total Investments | Net Assets |
| | | (Rupees in '000) | | | | | | |
| Total - as at June 30, 2018 | | - | 100,000 | 100,000 | - | - | - | - |
| Grand total | | - | 5,506,145 | 5,506,145 | - | - | - | - |
| As at June 30, 2018 | | - | 11,740,000 | 11,740,000 | - | - | - | - |

**6.4 Quoted equity securities (spread transactions)**

**6.4.1 Listed equity securities**

The investment in equity securities represents spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income due to difference in ready and future stock prices.

6.5 This includes Rs. 141 million placed with Hascol Petroleum and Rs. 18 million placed with TPL Corporation Limited, having rate of return of 12.26% and 15.87% respectively.

**7. ACCRUED MARK-UP**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | (Rupees in '000) | |
| Mark-up accrued on savings accounts | | 5,592 | 8,212 |
| Mark-up / return accrued on term finance certificates and sukuk bonds | 7.1 | 10,693 | 13,286 |
| Mark-up accrued on placements | | - | 198 |
| | | 16,285 | 21,696 |

7.1 This includes Rs 1.351 million receivable from company under common directorship.

**8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

| | 2019 | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| Security deposit with National Clearing Company of Pakistan Limited | 5,285 | 46,831 |
| Security deposit with Central Depository Company of Pakistan Limited | 100 | 100 |
| Receivable against investments of term finance certificates and sukuk bonds | 1,998 | 1,998 |
| Advance Tax | 24,970 | 645 |
| Prepaid expenses | 284 | 265 |
| | 32,637 | 49,839 |
| Less: Provision against overdue instalments of Term finance certificates and Sukuk bonds | 1,998 | 1,998 |
| | 30,639 | 47,841 |

## 9. PAYABLE TO MANAGEMENT COMPANY

| | | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Management fee | 9.1 | 1,660 | 3,125 |
| Sindh Sales Tax | 9.2 | 216 | 408 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 124 | 249 |
| Selling and marketing expenses payable | | 496 | - |
| Sales load payable | | 558 | 617 |
| | | 3,054 | 4,399 |

**9.1** 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 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The Management Company has charged its remuneration at the rate of one and a half % per annum for the current year. Effective from January 15, 2018 the rate of the fee is revised through ammendment in the Offering document of the Scheme at twelve and a half %age of the gross earnings of the scheme, calculated on a daily basis subject to a cap of 1.25% and a floor of 1.5% of the average daily net assets. During the year fee is charged at the rate of 1.36% of the daily average net assets of the fund. The fee is payable monthly in arrears.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 % (2018: 13 %) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

**9.3** Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2016 dated November 25, 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulation, 2008. In the revised regulations a new clause 60(3)(s) has been introduced allowing the management company to charge "fees and expense related to registrar services, accounting, operation and valuation services related to CIS maximum upto 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it.

## 10. PAYABLE TO TRUSTEE

| | | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Trustee's remuneration | 10.1 | 175 | 282 |
| CDS charges payable | | - | 30 |
| Sindh Sales Tax | 10.2 | 23 | 37 |
| | | 198 | 349 |

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2019 is as follows:

| Amount of Funds Under Management (Average NAV) | Tariff per annum |
|---|---|
| Up to Rs. 1,000 million | Rs. 0.6 million or 0.17% per annum of NAV, whichever is higher |
| Exceeding Rs. 1,000 million upto Rs. 5,000 million | Rs. 1.7 million plus 0.085% per annum of NAV, exceeding Rs. 1,000 million |
| Exceeding Rs. 5,000 million | Rs. 5.1 million plus 0.07% per annum of NAV, exceeding Rs. 5,000 million |

The remuneration is paid to the trustee monthly in arrears.

**10.2** The Sindh Government had levied Sindh Sales Tax at the rate of 13% (2018: 13%) on the remuneration of the Central Depository Company of Pakistan through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2015.

| | | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN** | | | |
| Annual fee | 11.1 | 1,478 | 2,742 |

**11.1** Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as income scheme is required to pay as annual fee to the SECP, an amount equal to 0.075% (2018: 0.075%) of the average annual net assets of the scheme. HBL Income Fund has been categorised as an income scheme by the Management Company.

| | | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **12. ACCRUED EXPENSES AND OTHER LIABILITIES** | | | |
| Auditors' remuneration | | 295 | 328 |
| Brokerage payable | | - | 573 |
| Federal Excise Duty payable | 12.1 | 27,578 | 27,578 |
| Dividend payable | | 29,735 | - |
| Other payables | | 326 | 297 |
| Capital gain tax payable | | 293 | 352 |
| Withholding tax payable | | 9,624 | 41 |
| Provision for Sindh Workers' Welfare Fund | 12.2 | 24,527 | 21,255 |
| | | 92,378 | 50,424 |

**12.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration. The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the year SST at the rate of 13 % (2017: 13 %) was charged on the remuneration of Fund Manager and sales load.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The Finance Act, 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2019.

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 Management Company, aggregating to Rs. 27.578 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 1.9371 (June 30, 2018: Rs. 1.249) per unit.

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

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

Subsequently, the Ministry of Labor and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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 remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

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

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

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

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 28.170 million. Further, the Fund has recognised provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF is amounting to Rs. 24.527 million in these financial statements. Had the provision not been made, the net asset value per unit as at June 30, 2019 would have been higher by Rs. 1.723 (2018: Rs. 0.963) per unit

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 Contingencies

There are no contingencies outstanding as at June 30, 2019 and June 30, 2018

| | | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **13.2** | **Commitments** | | |
| | Future sell transactions of equity securities entered into by the fund not settled as at year end | - | 72,135 |

| | | 2019 | 2018 |
|---|---|---|---|
| **14.** | **NUMBER OF UNITS IN ISSUE** | | |
| | Total units in issue at the beginning of the year | 22,072,806 | 42,355,455 |
| | Units issued | 13,265,278 | 8,770,467 |
| | Units redeemed | (21,101,023) | (29,053,116) |
| | Total units in issue at the end of the year | 14,237,061 | 22,072,806 |
| **15.** | **MARK-UP / RETURN ON INVESTMENTS** | | |
| | Term finance certificates - listed | 98,728 | 26,295 |
| | Term finance certificates and sukuks - unlisted | - | 69,050 |
| | Government securities | 4,504 | 974 |
| | Commercial papers | 7,964 | 8,170 |
| | | 111,196 | 104,489 |
| **16.** | **MARK-UP ON DEPOSITS WITH BANKS** | | |
| | Mark-up on savings accounts | 81,845 | 77,116 |
| | Mark-up on term deposit receipts | 4,354 | 64,467 |
| | | 86,199 | 141,583 |
| **17.** | **AUDITORS' REMUNERATION** | | |
| | Statutory audit fee | 285 | 285 |
| | Half yearly review fee | 55 | 55 |
| | Out of pocket expenses | 64 | 56 |
| | | 404 | 396 |

**18. TAXATION**

The Fund's income is exempt from Income Tax as per Clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Subsequent to year end on July 4, 2018, Management Company has distributed cash dividend of atleast 90 % of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

**19. EARNINGS PER UNIT**

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

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

| | As on June 30, 2019 | | |
|---|---|---|---|
| | **At fair value through profit or loss** | **At amortised cost** | **Total** |
| **Assets** | **Rupees in '000** | | |
| Bank balances | - | 552,761 | 552,761 |
| Investments | 840,250 | 167,916 | 1,008,166 |
| Accrued mark-up | - | 16,285 | 16,285 |
| Deposits and other receivables | - | 5,385 | 5,385 |
| | 840,250 | 742,347 | 1,582,597 |

| | As on June 30, 2019 | | |
|---|---|---|---|
| | **At fair value through profit or loss** | **At amortised cost** | **Total** |
| **Liabilities** | **Rupees in '000** | | |
| Payable to the Management Company | - | 3,054 | 3,054 |
| Payable to the Trustee | - | 198 | 198 |
| Accrued expenses and other liabilities | - | 30,356 | 30,356 |
| Unit holders' fund | - | 1,510,743 | 1,510,743 |
| | - | 1,544,351 | 1,544,351 |

| | As on June 30, 2018 | | | |
|---|---|---|---|---|
| | At fair value through profit or loss | Loans and receivables | Available for sale | Total |
| **Assets** | Rupees in '000 | | | |
| Bank balances | - | 1,242,036 | - | 1,242,036 |
| Investments | 884,827 | - | 336,779 | 1,221,606 |
| Accrued mark-up | - | 21,696 | - | 21,696 |
| Receivable against sale of investment | - | 24,984 | - | 24,984 |
| Deposits and other receivables | - | 46,931 | - | 46,931 |
| | 884,827 | 1,335,647 | 336,779 | 2,557,253 |

| | As on June 30, 2018 | | |
|---|---|---|---|
| | At fair value through profit or loss | Other financial liabilities | Total |
| **Liabilities** | Rupees in '000 | | |
| Payable to the Management Company | - | 4,399 | 4,399 |
| Payable to the Trustee | - | 349 | 349 |
| Accrued expenses and other liabilities | - | 1,198 | 1,198 |
| Payable against purchase of investment | - | 43,789 | 43,789 |
| Unit holders' fund | - | 2,456,460 | 2,456,460 |
| | - | 2,506,195 | 2,506,195 |

## 21 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

### 21.1 Transactions during the year

| | **2019** | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **HBL Asset Management Limited - Management Company** | | |
| Management fee | 30,192 | 58,367 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 1,971 | 3,656 |
| Selling and marketing expenses | 496 | - |
| Issue of 27,655 units (2018: 1,156,101 units) | 2,926 | 125,000 |
| Redemption of 1,211,327 units (2018: Nil units) | 129,374 | - |
| Dividend paid | 6,359 | - |
| Refund of capital 27,571 units | 2,917 | - |
| **Habib Bank Limited - Sponsor** | | |
| Issue of 493,384 units (2018: Nil units) | 52,195 | - |
| Redemption of 7,983,303 units (2018: 10,016,323 units) | 875,082 | 1,100,000 |
| Dividend paid | 70,195 | - |
| Bank charges paid | 49 | 32 |
| Mark-up earned during the year | 1,462 | 9,114 |
| Mark-up received during the year | 1,275 | 4,602 |
| Sales of Term Finance Certificates | - | 392,819 |
| Purchase of Term Finance Certificates | - | 123,676 |
| **CDC Trustee - HBL Islamic Income Fund** | | |
| Sale of sukuk certificate Nil units (2018: 1,000 units) | - | 100,000 |
| **HBL Assets Management Limited Employees Provident Fund - Associated** | | |
| Issue of Nil units (2018: 10,946 units) | - | 1,200 |
| Redemption of Nil units (2018: 10,946 units) | - | 1,204 |

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **MCB FSL Trustee - HBL Financial Planning Fund Strategic Allocation Plan - Associate** | | |
| Issue of 131,690 units (2018: 2,313,255 units) | 14,419 | 250,415 |
| Redemption of Nil units (2018: 1,734,330 units) | - | 190,080 |
| Refund of capital 34,453 units | 3,646 | - |
| Dividend paid | 9,365 | - |
| **MCB FSL Trustee - HBL Financial Planning Fund Active Allocation Plan - Associate** | | |
| Issue of 73,562 units (2018: Nil units) | 8,219 | - |
| Redemption of Nil units (2018: Nil units) | - | - |
| Refund of capital 4,004 units | 425 | - |
| Dividend paid | 643 | - |
| **Pakistan Society For The Welfare Of Mentally Retarded Children -Related party due to holding more than 10 percent)** | | |
| Issue of 1,725,937 units (2018: Nil units) | 188,350 | - |
| Redemption of 262,729 units (2018: Nil units) | 29,077 | - |
| Refund of capital 44,350 units | 4,703 | - |
| Dividend paid | 12,507 | - |
| **Directors and Executives of the Management Company and their relatives** | | |
| **Executives and their relatives** | | |
| Issue of 15,427 units (2018: Nil units) | 1,665 | - |
| Redemption of 1,760 units (2018: 1,887 units) | 200 | 200,835 |
| Dividend | 1,098 | - |
| Refund of capital 212 units | 23 | - |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Remuneration | 2,853 | 4,472 |
| Central Depository System charges | 136 | 593 |

**21.2 Balances outstanding as at year end**

| | | |
|---|---|---|
| **HBL Asset Management Limited - Management Company** | | |
| Investment held in the Fund: Nil units (2018: 1,156,101 units) | - | 128,661 |
| Management fee payable | 1,660 | 3,125 |
| Sindh Sales tax | 216 | 408 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 124 | 249 |
| Selling and marketing expenses payable | 496 | - |
| Sales load payable | 558 | 617 |

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **Habib Bank Limited - Sponsor** | | |
| Investment held in the Fund: 2,000,000 units (2018: 9,489,919 units) | 212,227 | 1,056,124 |
| Bank balances | 20,735 | 14,381 |
| The First Microfinance Bank - Associate | | |
| Bank balances | 10 | - |
| **MCB FSL Trustee - HBL Financial Planning Fund Strategic Allocation Plan - Associate** | | |
| Investment held in the Fund: 745,068 units (June 30, 2018 : 578,925 units) | 79,062 | 64,428 |
| **MCB FSL Trustee - HBL Financial Planning Fund Active Allocation Plan - Associate** | | |
| Investment held in the Fund: 77,566 units (June 30, 2018: Nil units) | 8,231 | - |
| **Executives and their relatives** | | |
| Investment held in the Fund: 84,654 units (2018: 11,472 units) | 8,983 | 1,278 |
| **Pakistan Society For The Welfare Of Mentally Retarded Children -Related party due to holding more than 10 percent)** | | |
| Investment held in the Fund: 1,507,558 units (2018: Nil units) | 159,972 | - |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Remuneration payable | 175 | 282 |
| Sindh Sales tax | 23 | 37 |
| Security deposit | 100 | 100 |
| CDC charges payable | - | 30 |

## 22. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

| S.no. | Name | Designation | Qualification | Experience in years |
|---|---|---|---|---|
| 1 | Farid Ahmed Khan | Chief Executive Officer | MBA , CFA | 26+ years |
| 2 | Muhammad Imran | Chief Investment Officer | MBA - Finance | 19+ years |
| 3 | Faizan Saleem | Head of Fixed Income | MBA - Finance | 11+ years |
| 4 | Muhammad Wamiq Sakrani | Specialist - Fixed Income | MBA | 10+ years |
| 5 | Sateesh Balani | Head of Research | MBA, CFA | 8+ years |
| 6 | Noman Ameer * | Manager - Risk | MBA - Finance | 12+ years |

* Employee resigned from the service of the company effective from June 10, 2019

## 23. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

**Top brokers during the year ended June 30, 2019**

1 Adam Securities (Private) Limited
2 AL Falah Securities (Private) Limited
3 BMA Capital Management Limited
4 Bright Capital (Private) Limited
5 EFG Hermes Pakistan Limited
6 JS Global Capital Limited
7 Next Capital Limited
8 Optimus Markets (Private) Limited
9 Pearl Securities Limited
10 Topline Securities (Private) Limited

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

1 EFG Hermes Pakistan Limited
2 Multiline Securities (Private) Limited
3 Topline Securities (Private) Limited
4 Adam Securities (Pvt) Ltd.
5 Al Falah Securities (Private) Limited
6 JS Global Capital Limited
7 Intermarket Securities Limited
8 Arif Habib Limited
9 MRA Securities Limited

The Fund has entered into transactions with less than ten brokers during the year ended June 30, 2018.

## 25. PATTERN OF UNIT HOLDING

| | -------------- As on June 30, 2019 -------------- | | |
|---|---|---|---|
| | **Number of unit holders** | **Investment amount** | **Percentage investment** |
| | | **-------------- Rupees in '000 --------------** | |
| Individuals | 917 | 784,865 | 51.95% |
| Foreign Investor Individual | 1 | 11,633 | 0.77% |
| Associated Company | 1 | 212,228 | 14.05% |
| Bank / DFI | 1 | - | 0.00% |
| Retirement funds | 6 | 114,685 | 7.59% |
| Trust | 9 | 319,966 | 21.18% |
| Others | 5 | 67,366 | 4.46% |
| | 940 | 1,510,743 | 100.00% |

| | -------------- As on June 30, 2018-------------- | | |
|---|---|---|---|
| | Number of unit holders | Investment amount | Percentage investment |
| | | -------------- Rupees in '000 -------------- | |
| Individuals | 855 | 1,036,701 | 42.20% |
| Associated Company | 1 | 128,661 | 5.24% |
| Bank / DFI | 1 | 1,056,124 | 42.99% |
| Retirement funds | 6 | 43,631 | 1.78% |
| Trust | 5 | 67,606 | 2.75% |
| Others | 7 | 123,737 | 5.04% |
| | 875 | 2,456,460 | 100.00% |

## 25. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Six meetings of the Board of Directors were held on July 04, 2018 ,August 31, 2018, October 17, 2018, November 14, 2018, February 08, 2019 and April 30, 2019 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

| S.No. | Name of Director | Number of meetings Held | Attended | Leave granted | Meetings not attended |
|---|---|---|---|---|---|
| 1 | Mr. Agha Sher Shah 1 - 2 | 6 | 5 | 1 | November 14,2018 |
| 2 | Mr. Farid Ahmed Khan 3 | 6 | 6 | - | - |
| 3 | Ms. Ava A. Cowasjee 1 | 6 | 6 | - | - |
| 4 | Mr. Rayomond H. Kotwal 1 | 6 | 5 | 1 | February 08,2019 |
| 5 | Mr. Rizwan Haider 1 | 6 | 5 | 1 | November 14,2018 |
| 6 | Mr. Shabbir Hussain Hashmi 1 | 6 | 6 | - | - |
| 7 | Mr. Shahid Ghaffar 1 | 6 | 6 | - | - |
| 8 | Mr. Aamir Hasan Irshad 4 | 1 | 1 | - | - |

1 Completed term and reappointed on April 26, 2019.
2 Resigned on June 02, 2019.
3 Completed term and appointed as deemed director effective from April 26, 2019.
4 Appointed on April 26, 2019.

## 26. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities, spread transactions, margin financing and in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

### 26.1 Market risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

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

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

#### 26.1.1 Currency risk

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

#### 26.1.2 Interest rate risk

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

**a) Fair value interest rate risk - variable rate instruments**

As at June 30, 2018, the Fund holds KIBOR based interest bearing term finance certificates that expose the Fund to fair value interest rate risk. In case of 100 basis points increase in KIBOR on June 30, 2019, with all other variables held constant, the net assets of the Fund would have been higher by Rs. 8.40 (2018: Rs. 11.5) million and net income of the Fund would have been higher by Rs. 8.40 (2018: Rs. 11.5) million. In case of 100 basis points decrease in KIBOR on June 30, 2019, with all other variables held constant, the net assets of the Fund would have been lower by Rs. 8.40 (2018: Rs. 11.5) million and net income for the year would have been lower by Rs. 8.40 (2018: Rs. 11.5) million.

**b) Cash flow interest rate risk - variable rate instruments**

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 5.53 (2018: Rs. 10.32 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets and net income due to future movements in interest rates.

Yield / Interest rate sensitivity position for financial instruments is as follows:

| | 2019 | | | | |
|---|---|---|---|---|---|
| | | Exposed to Yield / Interest rate risk | | | |
| Financial instruments | Total | Upto three months | More than three months and upto one year | More than one year | Not exposed to Yield / Interest rate risk |
| | ------ Rupees in '000 ------ | | | | |
| **Financial assets** | | | | | |
| Bank balances | 552,761 | 552,761 | - | - | - |
| Investments | 755,925 | - | | 755,925 | |
| Accrued mark-up | 16,285 | - | - | - | 16,285 |
| Deposits and other receivables | 5,385 | - | - | - | 5,385 |
| | 1,330,356 | 552,761 | - | 755,925 | 21,670 |
| **Financial liabilities** | | | | | |
| Payable to Management Company | 3,054 | - | - | - | 3,054 |
| Payable to the Trustee | 198 | - | - | - | 198 |
| Accrued expenses and other liabilities | 30,356 | - | - | - | 30,356 |
| | 33,608 | - | - | - | 33,608 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | | Exposed to Yield / Interest rate risk | | | |
| | Total | Upto three months | More than three months and upto one year | More than one year | Not exposed to Yield / Interest rate risk |
| **Financial instruments** | ------------------------------------- (Rupees in '000) ------------------------------------- | | | | |
| **Financial assets** | | | | | |
| Bank balances | 1,242,036 | 1,032,036 | - | - | 210,000 |
| Investments | 1,221,606 | - | 813,121 | 336,779 | 71,706 |
| Accrued mark-up | 21,696 | - | - | - | 21,696 |
| Deposits and other receivables | 46,931 | - | - | - | 46,931 |
| Receivable against sale of investment | 24,984 | - | - | - | 24,984 |
| | 2,557,253 | 1,032,036 | 813,121 | 336,779 | 375,317 |
| **Financial liabilities** | | | | | |
| Payable to Management Company | 4,399 | - | - | - | 4,399 |
| Payable to the Trustee | 349 | - | - | - | 349 |
| Accrued expenses and other liabilities | 1,198 | - | - | - | 1,198 |
| Payable against purchase of investment | - | - | - | - | 43,789 |
| | 5,946 | - | - | - | 49,735 |

## 26.1.3 Price Risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The net assets as at June 30, 2019 would have increased / (decreased) by Rs. 8.40 (2018: Rs. 11.5) million, had the price of the investments in term finance certificates (TFCs) increased / (decreased) by 1%.

## 26.2 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the counter party to fulfil their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc.

The Fund's credit risk is primarily attributable to its investment in debt securities and government securities, balances with banks and advances, deposits and other receivables. The credit risk of the Fund is limited as the investments are made and balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government.

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

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2019 and June 30, 2018:

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **Bank balances by rating category** | | |
| A1+ (PACRA) | 246,245 | 757,168 |
| A1 (PACRA) | - | 8,187 |
| A-1+ (JCR-VIS) | 150,855 | 16,645 |
| A-1 (JCR-VIS) | 155,652 | 26 |
| A-2 (JCR-VIS) | - | 250,010 |
| P1 (Moody's) | 9 | - |
| | 552,761 | 1,032,036 |
| **Term finance certificates by rating category** | | |
| A+ | 225,455 | 533,753 |
| A | 12,500 | 15,992 |
| AA | 84,325 | 255,510 |
| AA- | 219,431 | 115,022 |
| AA+ | 298,539 | 90,863 |
| | 840,250 | 1,011,140 |
| Investment in Government Securities | - | - |
| Term deposit receipts (TDR) | - | 210,000 |
| Commercial Paper | 167,916 | - |
| Accrued mark-up | 16,285 | 21,696 |
| Advances, deposits and other receivables | 30,639 | 47,841 |
| Receivable against investment in shares | - | 24,984 |

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 is the carrying amount of the financial assets.

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

**26.3 Liquidity risk**

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

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

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

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

| | **2019** | | | |
|---|---|---|---|---|
| | **Total** | **Upto three months** | **Over three months and upto one year** | **Over one year** |
| | **---------------------------- (Rupees in '000) ---------------------------** | | | |
| **Financial liabilities (excluding unit holder's fund)** | | | | |
| Payable to Management Company | **3,054** | **3,054** | **-** | **-** |
| Payable to the Trustee | **198** | **198** | **-** | **-** |
| Accrued expenses and other liabilities | **30,356** | **30,356** | **-** | **-** |
| | **33,608** | **33,608** | **-** | **-** |

| | 2018 | | | |
|---|---|---|---|---|
| | Total | Upto three months | Over three months and upto one year | Over one year |
| | ---------------------------- (Rupees in '000) --------------------------- | | | |
| **Financial liabilities (excluding unit holder's fund)** | | | | |
| Payable to Management Company | 4,399 | 4,399 | - | - |
| Payable to the Trustee | 349 | 349 | - | - |
| Accrued expenses and other liabilities | 1,198 | 1,198 | - | - |
| Payable against purchase of investment | 43,789 | 43,789 | - | - |
| | 49,735 | 49,735 | - | - |

## 27. UNITS HOLDERS' FUND RISK MANAGEMENT

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

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;

- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and

- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

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

**28. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS**

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

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

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

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

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" 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:

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and

- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

| Financial instruments | Note | June 30, 2019 Carrying amount: At fair value through profit or loss | At amortised cost | Total | Fair Value: Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | |
| Investments | | | | | | | | |
| - Term Finance Certificates and Sukuk bonds | | 84,325 | 167,916 | 252,241 | - | 755,925 | - | 755,925 |
| - Investment in ready / future - spread transaction | | - | - | - | - | - | - | - |
| | | 84,325 | 167,916 | 252,241 | - | 755,925 | - | 755,925 |
| **Financial assets not measured at fair value** | 28.1 | | | | | | | |
| Bank balances | | - | 552,761 | 552,761 | | | | |
| Accrued mark-up | | - | 16,285 | 16,285 | | | | |
| Deposits and other receivables | | - | 5,385 | 5,385 | | | | |
| | | - | 574,431 | 574,431 | | | | |
| **Financial liabilities not measured at fair value** | 28.1 | | | | | | | |
| Payable to Management Company | | - | 3,054 | 3,054 | | | | |
| Payable to Trustee | | - | 198 | 198 | | | | |
| Accrued expenses and other liabilities | | - | 30,356 | 30,356 | | | | |
| | | - | 33,608 | 33,608 | | | | |

| Financial instruments | Note | June 30, 2018 Carrying amount: Available-for-sale | Held-for-trading | Loans and receivables | Other financial assets / liabilities | Total | Fair Value: Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | | |
| Investments | | | | | | | | | | |
| - Term Finance Certificates and Sukuk bonds | | 336,779 | 813,121 | - | - | 1,149,900 | - | 1,149,900 | - | 1,149,900 |
| - Investment in ready / future - spread transaction | | - | 71,706 | - | - | 71,706 | 71,706 | - | - | 71,706 |
| | | 336,779 | 884,827 | - | - | 1,221,606 | 71,706 | 1,149,900 | - | 1,221,606 |
| **Financial assets not measured at fair value** | 28.1 | | | | | | | | | |
| Bank balances | | - | - | 1,242,036 | - | 1,242,036 | | | | |
| Accrued mark-up | | - | - | 21,696 | - | 21,696 | | | | |
| Deposits and other receivables | | - | - | 46,931 | - | 46,931 | | | | |
| Receivable against investment in shares | | - | - | 24,984 | - | 24,984 | | | | |
| | | - | - | 1,335,647 | - | 1,335,647 | | | | |
| **Financial liabilities not measured at fair value** | 28.1 | | | | | | | | | |
| Payable to Management Company | | - | - | - | 4,399 | 4,399 | | | | |
| Payable to Trustee | | - | - | - | 349 | 349 | | | | |
| Accrued expenses and other liabilities | | - | - | - | 1,198 | 1,198 | | | | |
| Payable against purchase of investment | | - | - | - | 43,789 | 43,789 | | | | |
| | | - | | - | 49,735 | 49,735 | | | | |

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

## 29. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2019 is 2.18% (June 30, 2018: 2.16%) which includes 0.43% (June 30, 2018: 0.38%) representing government levy and SECP fee.

## 30. 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 June 30, 2019, 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 | Limit | % 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 | 40,191 | 40,191 | - | - | - | - |
| Hub Power Company Limited | Sukuk | 183,000 | - | 183,000 | 10% | 12.11% | 11.38% |
| The Bank of Punjab | TFC | 202,790 | - | 202,790 | 10% | 13.42% | 12.61% |
| JS Bank Limited | TFC 1, 2 | 225,450 | - | 225,450 | 10% | 14.92% | 14.02% |
| Banking | Sector | 428,250 | - | 428,250 | 25% | 28.35% | 26.64% |

## 31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on **August 29, 2019**.

## 32. CORRESPONDING FIGURES

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

## 33. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

**Chief Financial Officer** | **Chief Executive Officer** | **Director**

# HBL Energy Fund

Annual Report 2018-19

**NAME OF FUND** HBL Energy Fund

**NAME OF TRUSTEE** Central Depository Company of Pakistan Limited

**NAME OF AUDITORS** BDO Ebrahim & Co. Chartered Accountants.

**NAME OF BANKERS**

MCB Bank Limited
Habib Bank Limited
Soneri Bank Limited
JS Bank Limited

**Type and Category of Fund**

Equity / Open-end

**Investment Objective and Accomplishment of Objective**

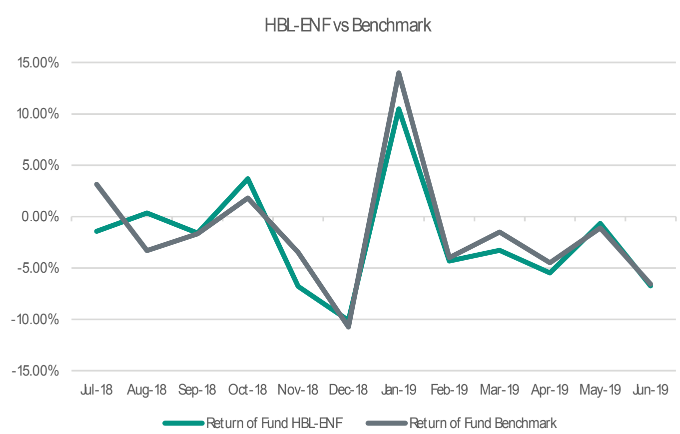
HBL Energy Fund (HBL ENF) is an open end equity fund. The objective of the Fund is to capture significant return from an actively managed portfolio by investing in listed equity securities of energy sector in Pakistan and in this respect the Fund has achieved its objective.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KSE–30 Total Return Index.

The Fund's NAV increased by 3.66%, underperforming the benchmark by 0.63% during FY18. A comparison of the funds' returns with the benchmark is given below:

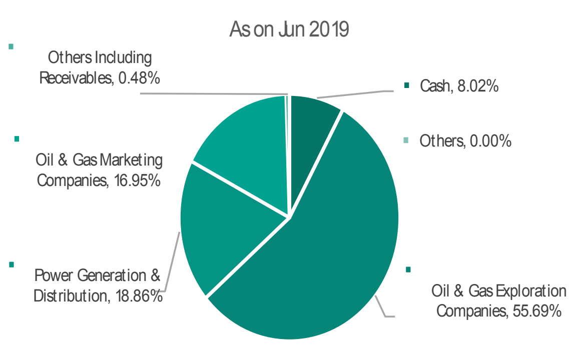
| Month | Return of Fund | |
|---|---|---|
| | HBL-ENF | Benchmark |
| Jun-19 | -6.73% | -6.58% |
| May-19 | -0.67% | -1.10% |
| Apr-19 | -5.47% | -4.48% |
| Mar-19 | -3.27% | -1.50% |
| Feb-19 | -4.32% | -4.01% |
| Jan-19 | 10.48% | 14.00% |
| Dec-18 | -10.10% | -10.75% |
| Nov-18 | -6.80% | -3.49% |
| Oct-18 | 3.69% | 1.82% |
| Sep-18 | -1.59% | -1.67% |
| Aug-18 | 0.36% | -3.30% |
| Jul-18 | -1.44% | 3.15% |

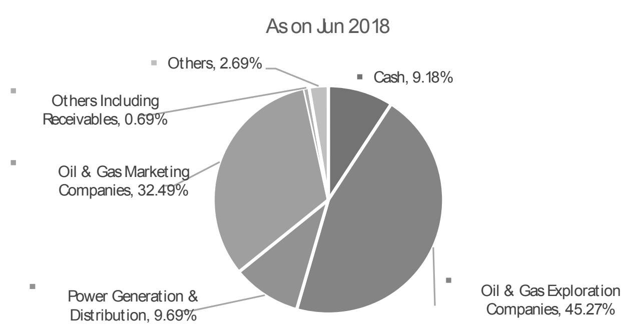



**Strategies and Policies employed during the Year**

During the year under review, the Fund increased its exposure in equities from 90% on June 30, 2018 to 92% on June 30, 2019. Further, sectors wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposures in Power Generation and Distribution and Oil & Gas Exploration sector was increased; however exposure in Refineries and Oil and Gas marketing was decreased.

**Asset Allocation**




**Significant Changes in Asset Allocation during the Year**

The following table shows a comparison of top sector wise allocation of equity investments in the Fund as on June 30, 2019 and June 30, 2018:

| Sector Name | As on Jun 2019 | As on Jun 2018 |
|---|---|---|
| Cash | 8.02% | 9.18% |
| Oil & Gas Exploration Companies | 55.69% | 45.27% |
| Power Generation & Distribution | 18.86% | 9.69% |
| Oil & Gas Marketing Companies | 16.95% | 32.49% |
| Others Including Receivables | 0.48% | 0.69% |
| Others | 0.00% | 2.69% |
| **Total** | **100.00%** | **100.00%** |

**Fund Performance**

The Fund incurred a total and net loss of Rs. 211.95 million and Rs. 242.86 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs. 11.1201 per unit as on June 30, 2018 as compared to Rs. 14.6857 per unit as on June 30, 2018, thereby giving a negative return of 24.28%. During the same year the benchmark KSE 30 index yielded a negative return of 18.18%.The size of Fund was Rs. 0.73 billion as on June 30, 2019 as compared to Rs. 1.06 billion at the start of the year.

**Market Review**

The market remained under pressure throughout the year owing to weak macroeconomic environment and massive adjustment in currency and interest rates. Lack of clarity on the economic and political front weakened the investors' sentiment leading to flows towards risk free avenues like National Savings schemes and fixed income funds. Investors were also spooked by the FY20 Budget which envisions massive increase in tax revenue, fiscal consolidation and abolishment of subsidies.

The benchmark KSE-100 index recorded 8,009 points decline (-19%) during FY19 to close at 33,902 level. Major decline in the index was contributed by Oil & Gas (Exploration & Production), Cement and Banking sector stocks which caused cumulative attrition of 3,356pts due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive returns during the year. On the flows side, foreigners were the net sellers during the FY19 and sold shares of worth USD356mn, compared to net selling of USD290mn during FY18. However, it is important to note that foreign selling was skewed towards 1HFY19 as foreigners were net buyers in 2HFY19.

Moving ahead, Pakistan equities are expected to remain range bound due to tough macroeconomic environment. However, index heavyweights (Banks E&Ps, and Power) would remain in limelight as results of macroeconomic changes over the last 18 months (50% PKR depreciation and 750 bps cumulative interest rate hike) would start to reflect in earnings in FY20. Thus, we will maintain our strategy focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

**Distribution**

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2019.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Fund.

**Breakdown of Unit Holding by Size**

| From – To<br>(No. of units) | No. o f Unit Holders | Total No. of Units Held |
|---|---|---|
| | | |
| 1 – 100 | 67 | 925 |
| 101 – 500 | 31 | 7,454 |
| 501 – 1,000 | 3,171 | 2,504,146 |
| 100,1 – 10,000 | 1,158 | 3,623,025 |
| 10,001 – 100,000 | 222 | 6,812,980 |
| 100,001 – 500,000 | 42 | 9,121,169 |
| 500,001 – 1,000,000 | 2 | 1,828,319 |
| 1,00 0,001 – 5,000,000 | 9 | 15,480,914 |
| 5,000,001 and above | 3 | 26,658,596 |
| **Total** | **4,705** | **66,037,528** |

**Unit Splits**

There were no unit splits during the year.

**Circumstances materially affecting the Interest of Unit Holders**

Investments are subject to market risk.

**Soft Commission**

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Net assets at the period end(Rs'000) | 734,341 | 1,061,029 | 794,794 | 954,214 | 1,059,614 | 1,498,769 |
| **NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES** | | | | | | |
| Redemption | 11.1201 | 14.6857 | 15.0359 | 12.0122 | 12.3654 | 11.4299 |
| Offer | 11.3714 | 15.0176 | 15.3757 | 12.3726 | 12.7364 | 11.7728 |
| **OFFER / REDEMPTION DURING THE PERIOD - RUPEES** | | | | | | |
| Highest offer price per unit | 15.2319 | 16.6501 | 18.4426 | 12.9758 | 13.0506 | 16.0101 |
| Lowest offer price per unit | 10.8489 | 14.018 | 12.4268 | 10.7407 | 10.8197 | 11.6867 |
| Highest redemption price per unit | 14.8953 | 16.2821 | 18.0350 | 12.5979 | 12.6705 | 15.5438 |
| Lowest redemption price per unit | 10.6091 | 13.7082 | 12.0649 | 10.4279 | 10.5046 | 11.3463 |
| **RETURN ( % )** | | | | | | |
| Total return | -24.28% | -2.33% | 30.12% | -2.86% | 8.18% | 23.92% |
| Income distribution | 0.00% | 0.00% | 0.60% | 0.00% | 0.00% | 3.45% |
| Capital growth | -24.28% | -2.33% | 29.52% | -2.86% | 8.18% | 20.47% |
| **DISTRIBUTION** | | | | | | |
| Final dividend distributation (Rs) | 0 | 0 | 0.60 | - | - | 3.45 |
| Date of Income Distribution | 0 | 0 | 20-Jun-17 | | | |
| Total dividend distribution for the year/ period (Rs) | 0 | 0 | 0.60 | - | - | 3.45 |
| **AVERAGE RETURNS ( % )** | | | | | | |
| Average annual return 1 year | -24.28% | -2.33% | 30.12% | -2.86% | 8.18% | 23.92% |
| Average annual return 2 year | -14.00% | 12.73% | 12.43% | 2.52% | 15.78% | 38.10% |
| Average annual return 3 year | -1.27% | 7.28% | 11.00% | 9.20% | 26.84% | 28.51% |
| **PORTFOLIO COMPOSITION - (%)** | | | | | | |
| Percentage of Total Assets as at 30 June: | | | | | | |
| Bank Balances | 8% | 9% | 6% | 8% | 5% | 8% |
| Stock / Equities | 92% | 90% | 94% | 92% | 93% | 81% |
| Others Including receivables | 0% | 1% | - | - | 2% | 11% |

**Note:**

- The Launch date of the Fund is January 2006
- PICIC energy fund converted from closed end scheme to open end scheme effective from June 25, 2013

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

Summary of Actual Proxy voted by CIS

| HBL Energy Fund | Meetings | Resolutions | For | Against |
|---|---|---|---|---|
| Number | 1 | 2 | 2 | - |
| (%ages) | | 100% | 100% | - |

(h) AMC did not participate in shareholders' meetings

| Investee Company | AGM Meeting Dt | EOGM Meeting Dt |
|---|---|---|
| Attock Petroleum Ltd | (25/09/2018)(13/02/2019) | |
| Hub Power Company Ltd | (12/6/2018)(5/10/2018)(30/4/2019) | (22/6/2018)(16/4/2019) |
| Hascol Petroleum | (18/09/2018)(19/11/2018)(29/4/2019) | 10/10/18 |
| Mari Petroleum Company Ltd | (18/10/2018)(20/3/2019) | |
| Nishat Chunian Power Ltd | (26/10/2018)(2/4/2019)(23/6/2019) | |
| Luky Cement Ltd | (28/09/2018)(27/10/2018) | |
| Oil & Gas Development Co Ltd | (25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019) | |
| Pakgen Power Ltd | 30/4/2019 | 25/10/2018 |
| Pakistan Petroleum Ltd | 26/10/2018 | |
| Pakistan Oilfields Ltd | (25/09/2018)(20/3/2019) | |
| Pakistan State Oil Company Ltd | (02/10/2018)(16/10/2018)(19/6/2019) | |
| Pak Elektron Ltd | | |
| Sui Northern Gas Pipeline Ltd | 23/5/2019 | |

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED
Head Office
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

## TRUSTEE REPORT TO THE UNIT HOLDERS

## HBL ENERGY 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 Energy Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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.

**Badiuddin Akber**
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 16, 2019

BDO

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Pakistan

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS**

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of HBL Energy Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

**Basis for opinion**

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

**Key Audit Matters**

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

**Following are the Key audit matters:**

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| 1. | Adoption of IFRS 9<br><br>Effective July 01, 2018, the Fund changed its accounting policies due to the application of the International Financial Reporting Standard: IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement". | Our audit procedures included the following:<br><br>• Obtained an understanding of the analysis performed by management to identify all significant differences between previous accounting standard and the new accounting standard which can impact the financial statements;<br><br>• Reviewed 'Investment Classification Model' of the management for analysis of 'Business Model' assessment and 'Contractual Cash Flow Characteristics' test for classification of financial assets; |

BDO

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
| --- | --- | --- |
| | IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Management has determined that the significant impact of the new standard on the Fund's financial statements relates to the disclosures required to be made by the new accounting standard in the financial statements.<br><br>The Fund has used the exemption available in IFRS 9 not to restate comparative periods. Accordingly, comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 1, 2018.<br><br>We considered this as a key audit matter since the adoption of the new accounting standard has a significant impact on the financial statements from recognition, classification & measurement and disclosure perspective.<br><br>Refer to note 4.2, which explains the impact of the adoption of the new accounting standard. | • Reviewed management's assessment of the impact of new accounting standard on the Fund's financial statements;<br><br>• Evaluated the key decisions made by the Fund with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standard and assessed their appropriateness based on our understanding of the Fund's business and its operations;<br><br>• Evaluated the adequacy and appropriateness of disclosures made in the financial statements in relation to adoption of the new accounting standard. |
| 2. | **Existence and valuation of investments**<br><br>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2019, the investments held by the Fund comprised of listed equity securities which represent 92% of the total assets of the Fund as at the year end. | Our audit procedures included the following:<br><br>• We tested controls over acquisition, disposals and periodic valuation of investments portfolio and performed substantive audit procedures on period-end balance of portfolio including review of custodian's statement, and related reconciliations, re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange as at June 30, 2019. |



BDO Ebrahim & Co. Chartered Accountants

BDO

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund.<br><br>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter. | • We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and documented and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.<br><br>• We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements. |
| 3. | **Recognition, measurement and presentation of 'Element of Income'**<br><br>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.<br><br>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.<br><br>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed. | Our audit procedures included the following:<br><br>• We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".<br><br>• We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.<br><br>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund. |

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
| --- | --- | --- |
| | The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realised or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.<br><br>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter. | • We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto. |

**Other matter**

The financial statements of the Fund for the year ended June 30, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 19, 2018.

**Information other than the financial statements and auditor's report thereon**

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Management Company and its Board of Directors**

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Management Company is responsible for overseeing the Fund's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.

- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

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

KARACHI

DATED: 2 9 AUG 2019

BDO Ebrahim & Co.
BDO EBRAHIM & CO.
bdo CHARTERED ACCOUNTANTS

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **ASSETS** | | | |
| Bank balances | 5 | 61,148 | 100,388 |
| Investments | 6 | 698,072 | 985,558 |
| Dividend and profit receivables | 7 | 680 | 4,666 |
| Deposits and other receivables | 8 | 2,893 | 2,876 |
| **TOTAL ASSETS** | | 762,793 | 1,093,488 |
| **LIABILITIES** | | | |
| Payable to the Management Company | 9 | 2,310 | 4,249 |
| Payable to the Trustee | 10 | 148 | 194 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | 868 | 910 |
| Unclaimed dividend | | 5,389 | 5,394 |
| Accrued expenses and other liabilities | 12 | 19,736 | 21,712 |
| **TOTAL LIABILITIES** | | 28,451 | 32,459 |
| **NET ASSETS** | | 734,342 | 1,061,029 |
| **UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)** | | 734,342 | 1,061,029 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | | |
| | | **------- Number of units -------** | |
| **Number of units in issue** | 14 | 66,037,528 | 72,249,386 |
| | | **------------ Rupees ------------** | |
| **Net assets value per unit** | | 11.1201 | 14.6857 |

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

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

## Income Statement

*For the year ended June 30, 2019*

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Income** | | | |
| Capital loss on sale of investment- net | | (82,584) | (40,955) |
| Dividend income | | 36,435 | 43,454 |
| Profit on bank deposits | | 9,943 | 6,084 |
| Unrealised (diminution) / appreciation on revaluation of investments classified as financial assets at 'fair value through profit or loss' - net | 6.2 | (177,696) | 16,050 |
| Other income | | 1,955 | - |
| | | (211,947) | 24,633 |
| **Expenses** | | | |
| Remuneration to the Management Company | 9.1 | 18,275 | 19,166 |
| Sindh sales tax on remuneration of the Management Company | 9.2 | 2,376 | 2,492 |
| Remuneration to the Trustee | 10.1 | 2,057 | 2,114 |
| Annual fee to Securities and Exchange Commission of Pakistan | 11.1 | 868 | 910 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 914 | 958 |
| Selling and marketing expenses | 9.4 | 3,655 | 3,833 |
| Auditors' remuneration | 15 | 488 | 443 |
| Fee and subscription | | 104 | 152 |
| Security transactions cost | | 1,669 | 2,752 |
| Printing charges | | - | 299 |
| Settlement and bank charges | | 503 | 663 |
| | | 30,909 | 33,782 |
| **Net loss for the year from operating activities** | | (242,856) | (9,149) |
| Provision for Sindh Workers' Welfare Fund | 12.2 | - | - |
| **Net loss for the year before taxation** | | (242,856) | (9,149) |
| Taxation | 16 | - | - |
| **Net loss for the year after taxation** | | (242,856) | (9,149) |
| Earnings per unit | 17 | | |

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

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

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Net loss for the year after taxation | | (242,856) | (9,149) |
| Other comprehensive income for the year | | | |
| Items that may be reclassified subsequently to income statement | | - | - |
| Items that will not be reclassified subsequently to income statement | | - | - |
| Total comprehensive loss for the year | | (242,856) | (9,149) |

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

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

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

# HBL Energy Fund
## Statement of Movement In Unit Holders' Fund
*For the year ended June 30, 2019*

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | -----------------------(Rupees in '000)----------------------- | | | | | |
| | Capital value | Undistributed income | Total | Capital value | Undistributed income | Total |
| **Net assets at beginning of the year** | **803,982** | **257,047** | **1,061,029** | **528,598** | **266,196** | **794,794** |
| **Issuance of 10,210,183 units (2018: 41,334,332 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year) | 149,944 | - | 149,944 | 621,501 | - | 621,501 |
| Element of loss | (19,252) | - | (19,252) | (20,740) | - | (20,740) |
| **Total proceeds on issuance of units** | 130,692 | - | 130,692 | 600,761 | - | 600,761 |
| **Redemption of 16,422,041 units (2018: 21,944,527 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year) | (241,169) | - | (241,169) | (329,957) | - | (329,957) |
| Element of income | 26,646 | - | 26,646 | 4,580 | - | 4,580 |
| **Total payments on redemption of units** | (214,523) | - | (214,523) | (325,377) | - | (325,377) |
| Total comprehensive loss for the year | - | (242,856) | (242,856) | - | (9,149) | (9,149) |
| **Net assets at end of the year** | 720,151 | 14,191 | 734,342 | 803,982 | 257,047 | 1,061,029 |
| Undistributed income brought forward | | | | | | |
| Realised income | | 240,997 | | | 175,879 | |
| Unrealised income | | 16,050 | | | 90,317 | |
| | | 257,047 | | | 266,196 | |
| Net loss for the year | | (242,856) | | | (9,149) | |
| Undistributed income carried forward | | 14,191 | | | 257,047 | |
| **Undistributed income carried forward** | | | | | | |
| Realised income | | 191,887 | | | 240,997 | |
| Unrealised (loss) / income | | (177,696) | | | 16,050 | |
| | | 14,191 | | | 257,047 | |
| | | | (Rupees) | | | (Rupees) |
| Net assets value per unit at beginning of the year | | | 14.6857 | | | 15.0359 |
| Net assets value per unit at end of the year | | | 11.1201 | | | 14.6857 |

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

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

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net loss for the year before taxation | | (242,856) | (9,149) |
| Adjustments for: | | | |
| Capital loss on sale of investments - net | | 82,584 | 40,955 |
| Dividend income | | (36,435) | (43,454) |
| Profit on bank deposits | | (9,943) | (6,084) |
| Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net | | 177,696 | (16,050) |
| Other Income | | (1,955) | - |
| | | (30,909) | (33,782) |
| **Decrease / (increase) in assets** | | | |
| Investments - net | | 27,206 | (228,754) |
| Deposits and other receivables | | (17) | (62) |
| | | 27,189 | (228,816) |
| **Decrease in liabilities** | | | |
| Payable to the Management Company | | (1,939) | 1,400 |
| Payable to the Trustee | | (46) | (144) |
| Payable to Securities and Exchange Commission of Pakistan | | (42) | 108 |
| Accrued expenses and other liabilities | | (20) | (3,250) |
| | | (2,047) | (1,886) |
| **Cash used in operations** | | (5,767) | (264,484) |
| Dividend received | | 40,186 | 42,029 |
| Profit on bank deposits | | 10,177 | 5,431 |
| | | 50,363 | 47,460 |
| **Net cash generated from / (used in) operating activities** | | 44,596 | (217,024) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Amount received against issuance of units | | 130,692 | 600,761 |
| Amount paid against redemption of units | | (214,523) | (326,323) |
| Dividend paid | | (5) | (3,318) |
| Net cash (used in) / generated from financing activities | | (83,836) | 271,120 |
| Net (decrease) / increase in cash and cash equivalents | | (39,240) | 54,096 |
| Cash and cash equivalents at beginning of the year | | 100,388 | 46,292 |
| Cash and cash equivalents at end of the year | 5 | 61,148 | 100,388 |

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

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

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

## 1 LEGAL STATUS AND NATURE OF BUSINESS

HBL Energy Fund ("the Fund") was established in 2006 as a closed-end scheme 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.

In accordance with clause 65(1) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a meeting of the certificate holders of the Fund was held on January 31, 2013 whereby the conversion of the Fund into an open-end scheme was duly approved through a resolution passed by the majority of the certificate holders present in the meeting who were entitled to vote. The Securities and Exchange Commission of Pakistan accorded its final approval for conversion of the Fund into an open-end scheme through its letter dated May 3, 2013. The second supplemental Trust Deed and replacement Offering Document were approved by SECP vide its letter no D/PRDD/AMCW/PEF/567/2013 dated May 31, 2013 and letter no SCD/PRDD/AMCW/PEF/606/2013 dated June 24, 2013 respectively. The conversion of the Fund from a closed end fund to an open-end fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/PRDD/AMCW/PEF/607/2013 dated June 24, 2013. The Fund converted into an open end scheme on the effective date i.e. June 25, 2013. The certificates of the closed-end fund were cancelled on the effective date and were exchanged with the units of the open-end scheme in the swap ratio of 1:1. Each certificate holder was allotted units according to their respective holdings as at that date on the basis of a ratio of 1 certificate to 1 unit. Accordingly 100,000,000 units were issued on the date of conversion.

Since the effective date of conversion, the certificates of the closed-end scheme were de-listed from Pakistan Stock Exchange. Units of the open-end scheme are listed on the Pakistan Stock Exchange Limited. The units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016, HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund For Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

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

The Fund has been categorised as an equity scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The core objective of the Fund is to invest in securities of the energy sector in Pakistan so as to provide investors an access to high quality blue chip stocks in the energy sector. The eligible stocks comprise of investment in shares of companies engaged in the following activities:

- Oil and Gas Exploration
- Oil and Gas Marketing
- Oil Refining
- Power Generation and Distribution

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

Title to the assets of the Fund is 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** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan for comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984 and the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except certain investments which are measured at fair value. These financial statements have been prepared by following accrual basis of accounting except for cash flows information.

**2.3 Functional and presentation currency**

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

**2.4 Use of judgments and estimates**

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

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

**Classification and valuation of investments**

For details please refer notes 4.2.1.1 and 18 to these financial statements.

**Impairment of investment**

For details please refer notes 4.2.1.2 to these financial statements.

**Provision for taxation**

For details please refer notes 4.4 and 16 to these financial statements.

**Other assets**

Judgement is involved in assessing the realisability of other assets balances.

## 3 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS

### 3.1 Amendments that are effective in current year and relevant to the Fund

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

| | | Effective from accounting period beginning on or after: |
|---|---|---|
| | Conceptual Framework for Financial Reporting 2018 - Original Issue | March 01, 2018 |
| IFRS 7 | Financial Instruments : Disclosures - additional hedge accounting disclosures(and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | July 01, 2018 |
| IFRS 9 | Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9 | July 01, 2018 |
| IFRS 9 | Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition | July 01, 2018 |
| IAS 39 | Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception | July 01, 2018 |

### 3.2 Amendments that are effective in current year and not relevant to the Fund

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

| | | Effective from accounting period beginning on or after: |
|---|---|---|
| IFRS 2 | Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 | Insurance Contracts - amendments regarding the interaction of IFRS 4 and IFRS 9 | January 01, 2018 |
| IFRS 5 | Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | July 01, 2018 |
| IFRS 8 | Amendments regarding the interaction of IFRS 4 and IFRS 9 | January 01, 2018 |
| IFRS 15 | Original issue | July 01, 2018 |
| IFRS 15 | Clarifications to IFRS 15 | July 01, 2018 |
| IAS 40 | Investment Property - amendments to clarify transfers of property to, or from, investment property | January 01, 2018 |

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

| | | |
|---|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | January 01, 2018 |
| IAS 28 | Investments in Associates and Joint Ventures | January 01, 2018 |

**3.3 Amendments not yet effective**

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

| | Effective from accounting period beginning on or after: |
|---|---|
| Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38,IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework. | January 01, 2020 |

| | | |
|---|---|---|
| IFRS 3 | Business Combinations - amendments to clarify the definition of a business | January 01, 2020 |
| IFRS 8 | Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| IFRS 9 | Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities | January 01, 2019 |
| IAS 1 | Presentation of Financial Statements - amendments regarding the definition of materiality | January 01, 2020 |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality | January 01, 2020 |
| IAS 19 | Employee benefits - amendments regarding plan amendments, curtailments or settlements | January 01, 2019 |
| IAS 17 | Amendments regarding plan amendments, curtailments or settlements | January 01, 2019 |
| IAS 28 | Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures | January 01, 2019 |

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

**Annual improvements to IFRSs (2015 – 2017) Cycle:**

| | | |
|---|---|---|
| IFRS 3 | Business Combinations | January 01, 2019 |
| IFRS 11 | Joint Arrangements | January 01, 2019 |
| IAS 12 | Income Taxes | January 01, 2019 |
| IAS 23 | Borrowing Costs | January 01, 2019 |

**3.4 Standards or interpretations not yet effective**

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

| | | |
|---|---|---|
| IFRS 16 | Leases | January 01, 2019 |

The Funds expects that the adoption of IFRS 16 will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

| | |
|---|---|
| IFRS 1 | First Time Adoption of International Financial Reporting Standards |
| IFRS 14 | Regulatory Deferral Accounts |
| IFRS 17 | Insurance Contracts |

The Funds expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

## 4 SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Cash and cash equivalents

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

### 4.2 Financial instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for reporting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

#### 4.2.1 Financial assets

##### 4.2.1.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at July 1, 2018.

| | Note | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Listed equity securities | (a) | Held for trading | FVTPL | 985,558 | 985,558 |
| Bank balances | (b) | Loans and receivables | Amortised cost | 100,388 | 100,388 |
| Profit / interest receivable | (b) | Loans and receivables | Amortised cost | 4,666 | 4,666 |
| Deposits | (b) | Loans and receivables | Amortised cost | 2,800 | 2,800 |
| | | | | 1,093,412 | 1,093,412 |

(a) Listed equity securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to recognised in income statement.

(b) These financial assets classified as 'loans and receivables' have been classified as amortised cost.

**4.2.1.2 Impairment of financial assets**

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

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

For financial assets classified as 'at amortized cost', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**4.2.1.3 Transition**

The Fund has used the exemption not to restate comparative periods. Comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 1, 2018. Accordingly, the comparative information does not reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The revocation of previous designations of certain financial assets as measured at FVTPL.

**4.2.1.4 Regular way contracts**

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

**4.2.1.5 Derecognition**

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

**4.2.2 Financial liabilities**

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities.

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**4.2.3 Offsetting of financial assets and liabilities**

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

**4.3 Provisions**

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

**4.4 Taxation**

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

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

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

**4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

**4.6 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

**4.7 Element of income**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

**4.8 Net assets value per unit**

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

**4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Dividend income from equity securities is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on a time apportionment basis using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss are included in the Income Statement in the year in which they arise.

**4.10 Expenses**

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

**4.11 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

**4.12 Transactions with related parties / connected persons**

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

## 5 BANK BALANCES

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Cash at bank: | | | |
| In savings accounts | 5.1 | 61,129 | 100,379 |
| In current accounts | | 19 | 9 |
| | | 61,148 | 100,388 |

5.1 These accounts carry profit at rates ranging between 8% to 13.5% (2018: 4.5% to 7.5%) per annum. This includes an amount held in Habib Bank Limited (a related party) amounting to Rs. 1.876 million (2018: Rs. 1.026 million) on which return is earned at 8% (2018: 8%) per annum.

## 6 INVESTMENTS

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Financial assets at fair value through profit or loss | | | |
| Listed equity securities | 6.1 | 698,072 | 985,558 |

### 6.1 Financial assets at fair value through profit or loss - Listed Equity Securities

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

| Name of the investee companies (Sector wise) | Note | ---------------- Number of shares ---------------- As at July 1, 2018 | Purchases during the year | Bonus / right issue | Sales during the year | As at June 30, 2019 | Market value as at June 30, 2019 | Market value as percentage of Total investments | Net assets | Par value as a percentage of issued capital of the Investee company |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | -----Rupees in 000---- | | | |
| **OIL & GAS EXPLORATION COMPANIES** | | | | | | | | | | |
| Mari Petroleum Company Limited | | 85,040 | 30,320 | 7,758 | 13,500 | 109,618 | 110,640 | 15.85% | 15.07% | 0.09% |
| Oil and Gas Development Company Limited | 6.1.1 | 755,000 | 479,500 | - | 247,500 | 987,000 | 129,781 | 18.59% | 17.67% | 0.02% |
| Pakistan Oilfields Limited | | 178,245 | 80,300 | 31,629 | 98,600 | 191,574 | 77,758 | 11.14% | 10.59% | 0.07% |
| Pakistan Petroleum Limited | 6.1.1 | 603,300 | 302,300 | 94,110 | 261,100 | 738,610 | 106,677 | 15.28% | 14.53% | 0.03% |
| | | 1,621,585 | 892,420 | 133,497 | 620,700 | 2,026,802 | 424,856 | 60.86% | 57.86% | |
| **OIL & GAS MARKETING COMPANIES** | | | | | | | | | | |
| Attock Petroleum Limited | | 87,500 | 4,500 | 15,440 | 63,750 | 43,690 | 12,605 | 1.81% | 1.72% | 0.05% |
| Hascol Petroleum Limited | | 176,560 | - | 46,140 | 220,700 | 2,000 | 137 | 0.02% | 0.02% | - |
| Hi-tech Lubricants Limited | | - | 624,500 | - | - | 624,500 | 17,274 | 2.47% | 2.35% | 0.54% |
| Pakistan State Oil Company Limited | | 353,580 | 255,000 | 50,116 | 289,200 | 369,496 | 62,678 | 8.98% | 8.54% | 0.09% |
| Sui Northern Gas Pipelines Limited | | 1,004,900 | 650,000 | - | 918,500 | 736,400 | 51,172 | 7.33% | 6.97% | 0.12% |
| Sui Southern Gas Company Limited | | 1,065,000 | 817,500 | - | 1,882,500 | - | - | - | - | - |
| | | 2,687,540 | 2,351,500 | 111,696 | 3,374,650 | 1,776,086 | 143,866 | 20.61% | 19.59% | |
| **POWER GENERATION & DISTRIBUTION** | | | | | | | | | | |
| The Hub Power Company Limited | | 689,700 | 471,698 | - | 210,000 | 951,398 | 74,923 | 10.73% | 10.20% | 0.08% |
| The Hub Power Company Limited - LOR * | | - | 109,698 | - | 109,698 | - | - | - | - | - |
| K-Electric Limited (Par value of Rs. 3.5 per share) | | 7,460,000 | 3,624,500 | - | 2,285,000 | 8,799,500 | 38,630 | 5.53% | 5.26% | 0.03% |
| Nishat Chunian Power Limited | | - | 407,000 | - | 407,000 | - | - | - | - | - |
| Pakgen Power Limited | | - | 1,149,000 | - | 35,000 | 1,114,000 | 15,797 | 2.26% | 2.15% | 0.30% |
| | | 8,149,700 | 5,761,896 | - | 3,046,698 | 10,864,898 | 129,350 | 18.53% | 17.61% | |
| **REFINERY** | | | | | | | | | | |
| Attock Refinery Limited | | 60,500 | 77,700 | - | 138,200 | - | - | - | - | - |
| National Refinery Limited | | 37,000 | - | - | 37,000 | - | - | - | - | - |
| | | 97,500 | 77,700 | - | 175,200 | - | - | - | - | - |
| **As at June 30, 2019** | | 12,556,325 | 9,083,516 | 245,193 | 7,217,248 | 14,667,786 | 698,072 | 100% | 95% | |
| **As at June 30, 2018** | | 5,948,745 | 14,940,330 | 33,180 | 8,365,930 | 12,556,325 | 985,557 | 100% | | |
| **Cost at June 30, 2019** | | | | | | | 875,768 | | | |

* During the year Fund exercised Letter of Rights of the Hub Power Company Limited , 12 Right Shares issued for every 100 shares held at a premium of Rs. 40/share. The transfer books of the company was closed from April 23, 2019 to April 30, 2019. Fund exercise the right by making stipulated payment on June 04, 2019 and shares were credited to the CDC account of the Funds on June 28, 2019.

**6.1.1** As at June 30, 2019 the Fund has pledged shares with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the SECP, of following companies

- Oil and Gas Development Company (300,000 shares having market value of Rs. 39.447 million)
- Pakistan Petroleum Limited (200,000 shares having market value of Rs. 28.886 million)

**6.1.2** These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. 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% 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. 0.337 million (2018: 0.528 million) and not yet deposited on CDC account of department of Income tax. The final outcome of the case is pending however, management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end. Moreover, the requirement to deduct tax on bonus has been withdrawn through Finance Act, 2018.

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| **6.2** | **Net unrealized (diminution) / appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss** | | ----------(Rupees in '000)---------- | |
| | Market value of investments | | 698,072 | 985,558 |
| | Less: carrying value of investments | | (875,768) | (969,507) |
| | | | (177,696) | 16,050 |
| **7** | **DIVIDEND AND PROFIT RECEIVABLE** | | | |
| | Dividend receivable | | 35 | 3,786 |
| | Profit receivable on bank deposits | | 645 | 880 |
| | | | 680 | 4,666 |
| **8** | **DEPOSITS AND OTHER RECEIVABLES** | | | |
| | Security deposits with: | | | |
| | National Clearing Company of Pakistan limited | | 2,500 | 2,500 |
| | Central Depository Company of Pakistan Limited | | 300 | 300 |
| | | | 2,800 | 2,800 |
| | Advance tax | 8.1 | 93 | 76 |
| | | | 2,893 | 2,876 |

**8.1** The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001.

The Federal Board of Revenue through a circular “C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R” dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 150 and 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2019.

| 9 | PAYABLE TO THE MANAGEMENT COMPANY | | 2019 | 2018 |
|---|---|---|---|---|
| | | | ----------(Rupees in '000)---------- | |
| | Remuneration payable to the Management Company | 9.1 | 1,282 | 1,770 |
| | Sindh Sales Tax payable on Management Company's remuneration | 9.2 | 167 | 230 |
| | Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 64 | 88 |
| | Selling and marketing expenses payable | 9.4 | 798 | 2,161 |
| | | | 2,310 | 4,249 |

**9.1** As per regulation 61 of NBFC Regulations and provision of the offering document of the Fund, the Management Company is entitled to a remuneration at the rate of 2% of the average annual net assets on daily basis of the Fund. The remuneration is paid to management company on monthly basis in arrears.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2018: 13 %) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

**9.3** As per regulation 60(3)(s) of the 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 aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year. However, SECP vide S.R.O. 639(I)/2019 dated June 20, 2019 has removed the maximum limit of 0.1%.

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

| 10 | PAYABLE TO THE TRUSTEE | | 2019 | 2018 |
|---|---|---|---|---|
| | | | ----------(Rupees in '000)---------- | |
| | Trustee fee payable | 10.1 | 145 | 193 |
| | CDS charges payable | | 3 | 1 |
| | | | 148 | 194 |

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

Based on the Trust Deed, the tariff structure applicable to the Fund with effect from June 25, 2013 is as follows:

| | |
|---|---|
| Up to Rs. 1 billion | Rs. 0.7 million or 0.20% per annum of net assets, whichever is higher |
| Over Rs. 1 billion | Rs. 2 million plus 0.10% per annum of net assets on amount exceeding Rs. 1 billion |

**10.2** The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | ----------(Rupees in '000)---------- | |
| **11** | **PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN** | | | |
| | Annual fee payable | 11.1 | 868 | 910 |

**11.1** Under the regulation 62 of the NBFC Regulations a collective investment scheme categorised as an equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrear.

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| **12** | **ACCRUED EXPENSES AND OTHER LIABILITIES** | | ----------(Rupees in '000)---------- | |
| | Provision for Federal Excise Duty | 12.1 | 13,920 | 13,920 |
| | Provision for Sindh Workers' Welfare Fund | 12.2 | 4,985 | 4,985 |
| | Withholding tax payable | | 56 | 89 |
| | Auditors' remuneration | | 293 | 313 |
| | Brokerage payable | | 130 | 124 |
| | Zakat payable | | 205 | 199 |
| | Printing charges | | 77 | 110 |
| | NCCPL charges payable | | 36 | 16 |
| | Others | | 34 | 1,956 |
| | | | 19,736 | 21,712 |

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

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

The Finance Act, 2016 excluded the mutual Funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged since 2016 till to the date of the financial statements.

However, since the appeal is pending in Honourable Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained provision on FED on remuneration of Management Company, aggregating to Rs. 13.92 million (2018: 13.92 million). Had the provision not been retained, the Net Asset Value per unit as at June 30, 2019 would have been higher by Re. 0.21 (2018: Re. 0.19 ) per unit.

**12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund**

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

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which were issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn.

However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honourable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Honourable Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Honourable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

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

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

- The Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and

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

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

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

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

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 28.085 million. Further, the Fund had started recognising provision for SWWF.

During the year, the Fund has incurred loss as a result no provision against SWWF has been recorded in these financial statements

As at June 30, 2019, the provision in relation to SWWF is amounted to Rs. 4.985 million (2018: Rs. 4.985 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Re. 0.08 (2018: Re. 0.07) per unit.

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2019 (2018: Nil).

## 14 NUMBER OF UNITS IN ISSUE

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Total units in issue at the beginning of the year | | 72,249,386 | 52,859,581 |
| Units issued | | 10,210,183 | 41,334,332 |
| Units redeemed | | (16,422,041) | (21,944,527) |
| Total units in issue at the end of the year | | 66,037,528 | 72,249,386 |

## 15 AUDITORS' REMUNERATION

| | 2019 | 2018 |
|---|---|---|
| Annual audit fee | 238 | 238 |
| Fee for half yearly review | 127 | 127 |
| Other certifications and out of pocket expenses | 78 | 78 |

## 16 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 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. 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. The Fund has not recorded a tax liability in the current year as a result of loss incurred during the year.

## 17 EARNINGS PER UNIT

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

| Particulars | As at June 30, 2019 | | |
|---|---|---|---|
| | At fair value through profit or loss | At amortized cost | Total |
| | Rupees in '000 | | |
| **Financial assets** | | | |
| Bank balances | - | 61,148 | 61,148 |
| Investments | 698,072 | - | 698,072 |
| Dividend and profit receivable | - | 680 | 680 |
| Deposits | - | 2,800 | 2,800 |
| | 698,072 | 64,628 | 762,700 |

| Particulars | As at June 30, 2019 | | |
|---|---|---|---|
| | At fair value through profit or loss | At amortized cost | Total |
| | Rupees in '000 | | |
| **Financial liabilities** | | | |
| Payable to the Management Company | - | 2,144 | 2,144 |
| Payable to Trustee | - | 131 | 131 |
| Accrued expenses and other liabilities | - | 536 | 536 |
| Unclaimed dividend | - | 5,389 | 5,389 |
| | - | 8,200 | 8,200 |

| Particulars | As at June 30, 2018 | | |
|---|---|---|---|
| | At fair value through profit or loss - Held for trading | Loans and receivables | Total |
| | Rupees in '000 | | |
| **Financial assets** | | | |
| Bank balances | - | 100,388 | 100,388 |
| Investments | 985,558 | - | 985,558 |
| Dividend and profit receivable | - | 4,666 | 4,666 |
| Deposits | - | 2,800 | 2,800 |
| | 985,558 | 107,854 | 1,093,412 |

| Particulars | As at June 30, 2018 | | |
|---|---|---|---|
| | At fair value through profit or loss | Other financial liabilities | Total |
| | Rupees in '000 | | |
| **Financial liabilities** | | | |
| Payable to the Management Company | - | 4,019 | 4,019 |
| Payable to Trustee | - | 171 | 171 |
| Accrued expenses and other liabilities | - | 2,519 | 2,519 |
| Unclaimed dividend | - | 5,394 | 5,394 |
| | - | 12,103 | 12,103 |

## 19 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

Transactions and balances with parties who were connected persons due to holding 10% or more units in the comparative period and not in the current period are not disclosed in the comparative period.

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

| | **2019** | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **19.1 Transactions during the year** | | |
| **HBL Asset Management Limited - Management Company** | | |
| Remuneration of the Management Company | 18,275 | 19,166 |
| Sindh Sales Tax on remuneration of the Management Company | 2,376 | 2,492 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 914 | 958 |
| Selling and marketing expense | 3,655 | 3,833 |
| Issue of Nil (2018: 2,100,200) units | - | 32,000 |
| Redemption of 1,621,891 (2018: 8,283,377) units | 22,500 | 120,000 |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Trustee fee | 2,057 | 2,114 |
| CDS charges | 54 | 83 |
| Annual CDC charges | 76 | 76 |
| **Habib Bank Limited - Sponsor** | | |
| Bank charges | 2 | 2 |
| Profit received on bank deposits | 156 | 18 |
| Issue of Nil (2018: 21,162,742) units | - | 300,000 |
| Redemption of 1,472,549 (2018: Nil) units | 15,680 | - |
| **HBL Multi Asset Fund** | | |
| Purchase of Nil shares of Mari Gas Petroleum (2018: 5,108 shares) | - | 7,504 |
| **HBL Islamic Asset Allocation Fund** | | |
| Purchase of 23,000 shares of Pakistan Petroleum Limited | 4,110 | - |
| **Directors and Executives of the Management Company** | | |
| Issue of 131,948 (2018: 163,538) units | 1,469 | 2,400 |
| Redemption of Nil (2018: 26,639) units | - | 404 |

| | | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **19.2** | **Balance outstanding as at year end** | | |
| | **HBL Asset Management Limited - Management Company** | | |
| | Remuneration payable to the Management Company | 1,282 | 1,770 |
| | Sindh Sales Tax payable on remuneration of the Management Company | 167 | 230 |
| | Allocation of expenses related to registrar services, accounting, operation and valuation services | 64 | 88 |
| | Selling and marketing expenses payable | 798 | 2,161 |
| | Units held: 2,197,777 (2018: 3,819,668) | 24,440 | 53,446 |
| | **Habib Bank Limited - Sponsor** | | |
| | Bank balance | 1,886 | 1,027 |
| | Units held: 19,690,192 (2018: 21,162,742) | 218,957 | 31,790 |
| | **Central Depository Company of Pakistan Limited - Trustee** | | |
| | Trustee fee payable | 145 | 193 |
| | Security deposit receivable | 300 | 300 |
| | CDS charges payable | 3 | 1 |
| | **Directors and Executives of the Management Company** | | |
| | Units held 449,955 (2018: 320,261) | 5,004 | 4,703 |

## 20 FINANCIAL RISK MANAGEMENT

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

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

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 20.1 Market risk

Market risk is a risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

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

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

### 20.1.1 Currency risk

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

### 20.1.2 Interest rate risk

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

### a) Cash flow interest rate risk

The Fund is exposed to cash flow interest rate risk for balances in certain savings account, the interest rates on which range between 8.0% to 13.5% per annum.

The Fund's interest rate risk arises from the balances in savings accounts. The net loss for the year would have (decreased) / increased by Rs. 0.99 million (2018: Rs. 1 million), had the interest rates on bank deposits with banks increased / (decreased) by 100 basis points.

### b) Fair value interest rate risk

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

| Particulars | As at June 30, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Exposed to yield / interest rate risk | | | | Not exposed to yield/ interest rate risk | Total |
| | Effective yield interest rate | Upto three months | More than three months and upto one year | More than one year | | |
| | % | Rupees in '000 | | | | |
| **On-balance sheet financial instruments** | | | | | | |
| **Financial assets** | | | | | | |
| Balances with banks | 8-13.5 | 61,129 | - | - | 19 | 61,148 |
| Investments | | | | | | |
| Listed equity securities | - | - | - | - | 698,072 | 698,072 |
| Dividend and profit receivable | - | - | - | - | 680 | 680 |
| Deposits | | - | - | - | 2,800 | 2,800 |
| **Sub total** | | 61,129 | - | - | 701,571 | 762,700 |
| **Financial liabilities** | | | | | | |
| Payable to the Management Company | | - | - | - | 2,144 | 2,144 |
| Payable to the Trustee | | - | - | - | 131 | 131 |
| Accrued expenses and other liabilities | | - | - | - | 536 | 536 |
| Unclaimed dividend | | - | - | - | 5,389 | 5,389 |
| **Sub total** | | - | - | - | 8,200 | 8,200 |
| **On-balance sheet gap (a)** | | 61,129 | - | - | 693,371 | 754,500 |
| **Off-balance sheet financial instruments** | | - | - | - | - | - |
| **Off-balance sheet gap (b)** | | - | - | - | - | - |
| **Total interest rate sensitivity gap (a) + (b)** | | 61,129 | - | - | | |
| **Cumulative interest rate sensitivity gap** | | 61,129 | - | - | | |

| Particulars | Effective yield interest rate | Upto three months | More than three months and upto one year | More than one year | Not exposed to yield/ interest rate risk | Total |
|---|---|---|---|---|---|---|
| | ---- As at June 30, 2018 ---- | | | | | |
| | Exposed to yield / interest rate risk | | | | | |
| | % | ---- Rupees in '000 ---- | | | | |
| **On-balance sheet financial** | | | | | | |
| **Financial assets** | | | | | | |
| Balances with banks | 4.5-7.5 | 100,379 | - | - | 9 | 100,388 |
| Investments | | | | | | |
| Listed equity securities | | - | - | - | 985,558 | 985,558 |
| Dividend and profit receivable | | - | - | - | 4,666 | 4,666 |
| Deposits | | - | - | - | 2,800 | 2,800 |
| **Sub total** | | 100,379 | - | - | 993,033 | 1,093,412 |
| **Financial liabilities** | | | | | | |
| Payable to the Management Company | | - | - | - | 4,019 | 4,019 |
| Payable to the Trustee | | - | - | - | 171 | 171 |
| Accrued expenses and other liabilities | | | | | 2,519 | 2,519 |
| Unclaimed dividend | | - | - | - | 5,394 | 5,394 |
| **Sub total** | | - | - | - | 12,103 | 12,103 |
| **On-balance sheet gap (a)** | | 100,379 | - | - | 980,930 | 1,081,309 |
| **Off-balance sheet financial instruments** | | - | - | - | - | - |
| **Off-balance sheet gap (b)** | | - | - | - | - | - |
| **Total interest rate sensitivity gap (a) + (b)** | | 100,379 | - | - | | |
| **Cumulative interest rate sensitivity gap** | | 100,379 | - | - | | |

### 20.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified on the Statement of Assets and Liabilities at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document / NBFC Regulations, also limit individual equity securities to no more than 20% of net assets of the Fund, or issued capital of the investee company.

In case of 5% increase / (decrease) in price of all shares held by Fund at the year end, net loss for the year would (decrease) / increase by Rs 34.903 million (2018: Rs 49.278 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

### 20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from saving with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

**Management of credit risk**

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC Rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2019:

| Name of the bank | Balance as at June 30, 2019 | Latest available published rating as at June 30, 2019 | Rating agency |
|---|---|---|---|
| | Rupees in '000 | | |
| **Current account** | | | |
| Habib Bank Limited | 9 | AAA | JCR-VIS |
| MCB Bank Limited | 10 | | |
| **Savings accounts** | | | |
| JS Bank Limited | 32,977 | AA- | PACRA |
| MCB Bank Limited | 25,765 | AAA | PACRA |
| Soneri Bank Limited | 511 | AA- | PACRA |
| Habib Bank Limited | 1,876 | AAA | JCR-VIS |
| | 61,148 | | |

| Name of the bank | Balance as at June 30, 2018 | Latest available published rating as at June 30, 2018 | Rating agency |
|---|---|---|---|
| | Rupees in '000 | | |
| **Current account** | | | |
| Habib Bank Limited | 9 | AAA | JCR-VIS |
| **Savings accounts** | | | |
| JS Bank Limited | 84,541 | AA- | PACRA |
| MCB Bank Limited | 14,792 | AA- | PACRA |
| Soneri Bank Limited | 19 | AA- | PACRA |
| Habib Bank Limited | 1,027 | AAA | JCR-VIS |
| | 100,388 | | |

The maximum exposure to credit risk before considering any collateral as at June 30, 2019 and June 30, 2018 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk.

**Concentration of credit risk**

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's major bank balance is held with three Banks. Management believes that these banks are reputed institutions.

**20.3 Liquidity risk**

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

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

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

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

| Particulars | Upto three months | More than three months and upto one year | More than one year | Total |
|---|---|---|---|---|
| | ---As at June 30, 2019--- | | | |
| **Financial liabilities** | | | | |
| Payable to the Management Company | 2,144 | - | - | 2,144 |
| Payable to Trustee | 131 | - | - | 131 |
| Accrued expenses and other liabilities | 459 | 77 | - | 536 |
| Unclaimed dividend | 5,389 | - | - | 5,389 |
| | 8,123 | 77 | - | 8,200 |

| Particulars | Upto three months | More than three months and upto one year | More than one year | Total |
|---|---|---|---|---|
| | ---As at June 30, 2018--- | | | |
| **Financial liabilities** | | | | |
| Payable to the Management Company | 4,019 | - | - | 4,019 |
| Payable to Trustee | 171 | - | - | 171 |
| Accrued expenses and other liabilities | 2,409 | 110 | - | 2,519 |
| Unclaimed dividend | 5,394 | - | - | 5,394 |
| | 11,993 | 110 | - | 12,103 |

## 21 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unit Holders' Fund. The Fund has no restrictions on the subscription and redemption of units except for maintaining minimum fund size of Rs.100 million at all times. The Fund has maintained and complied with the requirements of minimum fund size during the year.

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

In accordance with the risk management policies stated in note 20, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

## 22 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 ( Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs).

| | | June 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | Fair Value | | | |
| | Note | At fair value through profit or loss | At amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | | ---------- Rupees in '000 ---------- | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | |
| Investments in listed securities | | 698,072 | - | 698,072 | 698,072 | - | - | 698,072 |
| | | 698,072 | - | 698,072 | 698,072 | - | - | 698,072 |
| **Financial assets not measured at fair value** | 22.2 | | | | | | | |
| Bank balances | | - | 61,148 | 61,148 | | | | |
| Dividend and profit receivable | | - | 680 | 680 | | | | |
| Deposits | | - | 2,800 | 2,800 | | | | |
| | | - | 64,628 | 64,628 | | | | |
| **Financial liabilities not measured at fair value** | 22.2 | | | | | | | |
| Payable to the Management Company | | - | 2,144 | 2,144 | | | | |
| Payable to the Trustee | | - | 131 | 131 | | | | |
| Accrued expenses and other liabilities | | - | 536 | 536 | | | | |
| Unclaimed dividend | | - | 5,389 | 5,389 | | | | |
| | | - | 8,200 | 8,200 | | | | |

| | | June 30, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | Fair Value | | | |
| | Note | Fair value through profit and 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 in listed securities | | | | | | | | | |
| Listed Securities | | 985,558 | - | - | 985,558 | 985,558 | - | - | 985,558 |
| | | 985,558 | - | - | 985,558 | 985,558 | - | - | 985,558 |
| **Financial assets not measured at fair value** | 22.2 | | | - | | | | | |
| Bank balances | | - | 100,388 | - | 100,388 | | | | |
| Dividend and profit receivable | | - | 4,666 | - | 4,666 | | | | |
| Deposits | | - | 2,800 | - | 2,800 | | | | |
| | | - | 107,854 | - | 107,854 | | | | |
| **Financial liabilities not measured at fair value** | 22.2 | | | | | | | | |
| Payable to the Management Company | | - | - | 4,019 | 4,019 | | | | |
| Payable to the Trustee | | - | - | 171 | 171 | | | | |
| Accrued expenses and other liabilities | | - | - | 2,519 | 2,519 | | | | |
| Unclaimed dividend | | - | - | 5,394 | 5,394 | | | | |
| | | - | - | 12,103 | 12,103 | | | | |

**22.1 Valuation techniques**

For level 1 investments at fair value through profit or loss - Fund uses daily quotation rates which are taken from Pakistan Stock Exchange Limited at reporting date.

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

**22.3 Transfers during the year**

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

**23 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

**Top ten brokers during the year ended June 30, 2019**

1. Al Falah Securities (Private) Limited
2. Arif Habib Limited
3. Concordia Securities (Private) Limited
4. DJM Securities (Private) Limited
5. EFG Hermes Pakistan Limited
6. Foundation Securities (Private) Limited
7. Insight Securities (Private) Limited
8. Intermarket Securities Limited
9. Next Capital Limited
10. Taurus Securities Limited

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

1. Next Capital Limited
2. EFG Hermes Pakistan Limited
3. Intermarket Securities Limited
4. Insight Securities (Private) Limited
5. BIPL Securities Limited
6. Taurus Securities Limited
7. DJM Securities (Private) Limited
8. Al Falah Securities (Private) Limited
9. Foundation Securities (Private) Limited
10. Aba Ali Habib Securities (Private) Limited

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

Details of members of the investment committee of the Fund as on June 30, 2019 are as follows:

| S.no. | Name | Designation | Qualification | Experience in years |
|---|---|---|---|---|
| 1 | Farid Ahmed Khan | Chief Executive Officer | CFA, MBA | 26+ |
| 2 | Muhammad Imran | Chief Investment Officer | MBA (Finance) | 19+ |
| 3 | Jawad Naeem | Head of Equity | MBA (Finance) | 11+ |
| 4 | Adeel Abdul Wahab | Specialist - Equity | ACCA | 11+ |
| 5 | Sateesh Balani | Head of Research | CFA, MBA | 8+ |
| 6 | Noman Ameer * | Manager - Risk | MBA (Finance) | 12+ |

* Employee resigned from the service of the company effective from June 10, 2019

## 25 PATTERN OF UNIT HOLDING

Pattern of unit holding as at June 30, 2019 is as follows:

| Category | Number of unit holders | Number of units held | Investment amount | Percentage |
|---|---|---|---|---|
| Individuals | 4,652 | 24,637,222 | 273,968 | 37.31% |
| Associated Companies and Director | 3 | 22,314,680 | 248,141 | 33.79% |
| Insurance Companies | 3 | 286,219 | 3,183 | 0.43% |
| Banks and DFIs | 2 | 6,469,719 | 71,944 | 9.80% |
| Retirement Funds | 13 | 7,486,345 | 83,248 | 11.34% |
| Other Corporate | 23 | 2,781,905 | 30,935 | 4.21% |
| NBFCs | 2 | 3,162 | 35 | 0.00% |
| Trust | 7 | 2,058,276 | 22,888 | 3.12% |
| | 4,705 | 66,037,528 | 734,342 | 100.00% |

| Category | Number of unit holders | Number of units held | Investment amount | Percentage |
|---|---|---|---|---|
| Individuals | 4,749 | 26,084,552 | 383,069 | 36.10% |
| Associated Companies and Director | 2 | 4,137,675 | 60,764 | 5.73% |
| Insurance Companies | 3 | 286,219 | 4,203 | 0.40% |
| Banks and DFIs | 3 | 27,632,462 | 405,801 | 38.25% |
| Retirement Funds | 14 | 7,120,374 | 104,567 | 9.86% |
| Other Corporate | 29 | 4,621,398 | 67,868 | 6.40% |
| NBFCs | 1 | 1,581 | 24 | 0.00% |
| Trust | 5 | 2,365,125 | 34,733 | 3.27% |
| | 4,806 | 72,249,386 | 1,061,029 | 100.00% |

## 26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Six meetings of the Board of Directors were held during the year on July 04, 2018, August 31, 2018, October 17, 2018, November 14, 2018, February 08, 2019 and April 30, 2019 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

| S.No. | Name of Director | Number of meetings | | | Meetings not attended |
|---|---|---|---|---|---|
| | | Held | Attended | Leave | |
| 1 | Mr. Agha Sher Shah ** | 6 | 5 | 1 | November 14,2018 |
| 2 | Mr. Farid Ahmed Khan *** | 6 | 6 | - | - |
| 3 | Ms. Ava A. Cowasjee * | 6 | 6 | - | - |
| 4 | Mr. Rayomond H. Kotwal * | 6 | 5 | 1 | February 08,2019 |
| 5 | Mr. Rizwan Haider * | 6 | 5 | 1 | November 14,2018 |
| 6 | Mr. Shabbir Hussain Hashmi * | 6 | 6 | - | - |
| 7 | Mr. Shahid Ghaffar * | 6 | 6 | - | - |
| 8 | Mr. Aamir Hasan Irshad **** | 1 | 1 | - | - |

* Completed term and reappointed on April 26, 2019.
** Completed term and reappointed on April 26, 2019. Resigned on June 2, 2019.
*** Completed term and appointed as deemed director effective from April 26, 2019.
**** Appointed on April 26, 2019.

## 27 TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year end is 3.38% (2018: 3.53%) which includes 0.4% (2018: 0.43%) representing Government levy and SECP fee.

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 29TH August, 2019 by the Board of Directors of the Management Company.

## 29 CORRESPONDING FIGURES

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

## 30 GENERAL

Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

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

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |


# HBL Equity Fund

HBL AML Financial annual report 2018-19

| | |
|---|---|
| **NAME OF FUND** | HBL Equity Fund |
| **NAME OF TRUSTEE** | Centeral Depository Company of Pakistan Limited |
| **NAME OF AUDITORS** | BDO Ebrahim & Co. Chartered Accountants. |
| **NAME OF BANKERS** | MCB Bank Limited<br>Soneri Bank Limited<br>JS Bank Limited<br>Habib Bank Limited |

**FUND MANAGER'S REPORT – HBL EQUITY FUND**

**Type and Category of Fund**

Open end Equity Fund

**Investment Objective and Accomplishment of Objective**

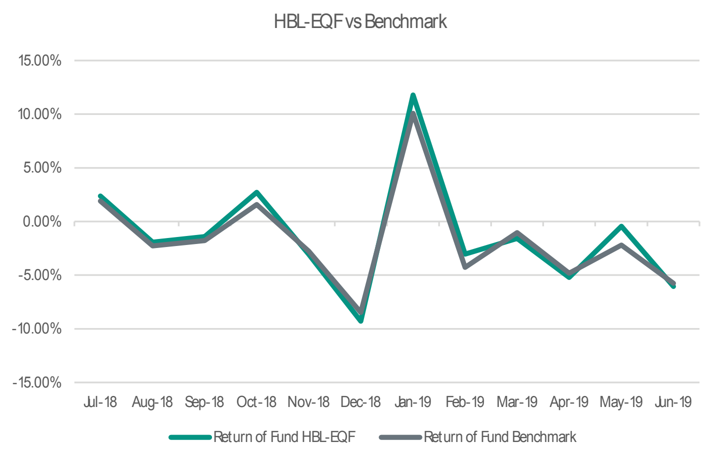
The fund objective is to provide its investors maximum risk adjusted returns over longer investment horizon by investing in a diversified equity portfolio that offers both capital gains and dividend income.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KSE 100 Index.

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

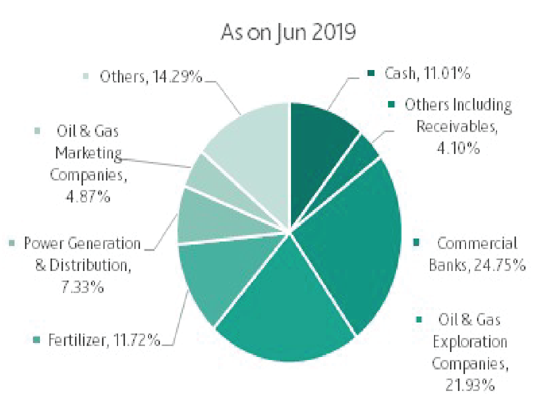
| Month | Return of Fund | |
|---|---|---|
| | HBL - EQF | Benchmark |
| Jun -19 | -6.05% | -5.76% |
| May-19 | -0.44% | -2.20% |
| Apr-19 | -5.22% | -4.83% |
| Mar-19 | -1.57% | -1.04% |
| Feb -19 | -3.03% | -4.28% |
| Jan -19 | 11.78% | 10.07% |
| Dec -18 | -9.30% | -8.47% |
| Nov -18 | -3.06% | -2.77% |
| Oct -18 | 2.72% | 1.59% |
| Sep -18 | -1.40% | -1.78% |
| Aug -18 | -1.94% | -2.27% |
| Jul -18 | 2.37% | 1.91% |

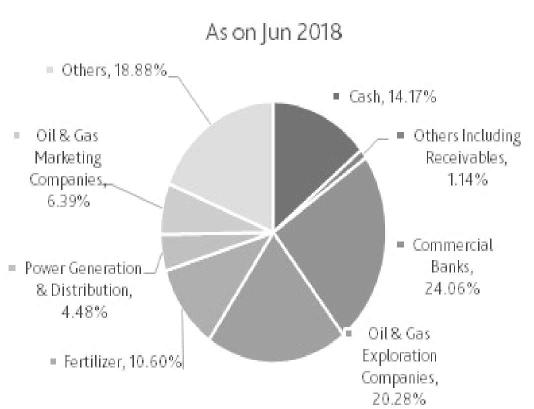



**Strategies and Policies employed during the Year**

During the year under review, the Fund maintained its exposure in equity from 85% of total assets as on June 30, 2018 to 85% of total assets as on June 2019. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in oil & gas exploration companies, fertilizers, commercial banks and power generation & distribution was increased; however exposure in oil & gas marketing companies was decreased.

## Asset Allocation



**Significant Changes in Asset Allocation during the Year**

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2019 and June 30, 2018:

| Sector Name | As on Jun 2019 | As on Jun 2018 |
|---|---|---|
| Cash | 11.01% | 14.17% |
| Others Including Receivables | 4.10% | 1.14% |
| Commercial Banks | 24.75% | 24.06% |
| Oil & Gas Exploration Companies | 21.93% | 20.28% |
| Fertilizer | 11.72% | 10.60% |
| Power Generation & Distribution | 7.33% | 4.48% |
| Oil & Gas Marketing Companies | 4.87% | 6.39% |
| Others | 14.29% | 18.88% |
| **Total** | **100.00%** | **100.00%** |

**Fund Performance**

The Fund incurred a total and net loss of Rs. 34.97 million and Rs. 46.37 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs. 93.3868 per unit as on June 30, 2019 as compared to Rs. 110.4602 per unit as on June 30, 2018, thereby giving a negative return of 15.46%. During the year the benchmark KSE 100 index yielded a negative return of 19.11%.The size of Fund was Rs. 0.25 billion as on June 30, 2019 as compared to Rs. 0.29 billion at the start of the year.

**Review of Market invested in**

The market remained under pressure throughout the year owing to weak macroeconomic environment and massive adjustment in currency and interest rates. Lack of clarity on the economic and political front weakened the investors' sentiment leading to flows towards risk free avenues like National Savings schemes and fixed income funds. Investors were also spooked by the FY20 Budget which envisions massive increase in tax revenue, fiscal consolidation and abolishment of subsidies.

The benchmark KSE-100 index recorded 8,009 points decline (-19%) during FY19 to close at 33,902 level. Major decline in the index was contributed by Oil & Gas (Exploration & Production), Cement and Banking sector stocks which caused cumulative attrition of 3,356pts due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive returns during the year. On the flows side, foreigners were the net sellers during the FY19 and sold shares of worth USD356mn, compared to net selling of USD290mn during FY18. However, it is important to note that foreign selling was skewed towards 1HFY19 as foreigners were net buyers in 2HFY19.

Moving ahead, Pakistan equities are expected to remain range bound due to tough macroeconomic environment. However, index heavyweights (Banks E&Ps, and Power) would remain in limelight as results of macroeconomic changes over the last 18 months (50% PKR depreciation and 750 bps cumulative interest rate hike) would start to reflect in earnings in FY20. Thus, we will maintain our strategy focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

**Distribution**

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2019.

Significant Changes in the State of Affairs

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

### Breakdown of Unit Holding by Size

| From – To (No. of units) | No. of Unit Holders | Total No. of Units Held |
|---|---|---|
| | | |
| 1 – 100 | 13 | 804 |
| 101 – 500 | 36 | 8,940 |
| 501 – 1,000 | 10 | 7,997 |
| 100,1 – 10,000 | 55 | 230,561 |
| 10,001 – 100,000 | 20 | 591,548 |
| 100,001 – 500,000 | 3 | 767,986 |
| 500,001 – 1,000,000 | - | - |
| 1,000,001 – 5,000,000 | 1 | 1,022,050 |
| 5,000,001 and above | - | - |
| **Total** | **138** | **2,629,886** |

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE – HBL EQUITY FUND
*As at June 30, 2019*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|
| Net assets at the period end (Rs'000) | 245,597 | 294,168 | 468,825 | 173,508 | 269,694 | 381,325 | 190,415 |
| **NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES** | | | | | | | |
| Redemption | 98.3868 | 110.4602 | 124.6444 | 107.2297 | 124.8151 | 112.2918 | 113.3230 |
| Offer | 100.6103 | 112.9566 | 127.4574 | 110.4466 | 128.5596 | 115.6606 | 116.7227 |
| **OFFER / REDEMPTION DURING THE PERIOD - RUPEES** | | | | | | | |
| Highest offer price per unit | 117.9947 | 127.4485 | 156.3552 | 143.4474 | 135.0221 | 167.7836 | 160.8641 |
| Lowest offer price per unit | 93.3239 | 100.9806 | 111.0413 | 107.9068 | 104.7831 | 114.3614 | 107.1635 |
| Highest redemption price per unit | 115.3870 | 124.6318 | 152.8997 | 139.2693 | 131.0894 | 162.8967 | 156.1787 |
| Lowest redemption price per unit | 91.2614 | 98.7489 | 107.8071 | 104.7639 | 101.7312 | 111.0305 | 104.0422 |
| **RETURN ( % )** | | | | | | | |
| Total return | -15.46% | -11.38% | 27.67% | 6.71% | 11.15% | 41.93% | 48.18% |
| Income distribution | 0.00% | 0.00% | 12.00% | 26.50% | 0.00% | 48.00% | 35.00% |
| Capital growth | -15.46% | -11.38% | 15.67% | -19.79% | 11.15% | -6.07% | 13.18% |
| **DISTRIBUTION** | | | | | | | |
| Final dividend distributation (Rs) | - | - | 12.00 | 26.50 | - | 48.00 | 35.00 |
| Date of Income Distribution | - | - | 22-Jun-17 | 24-Jun-16 | - | 25-Jun-14 | 26-Jun-13 |
| Total dividend distribution for the year/ period (Rs) | - | - | 12.00 | 26.50 | - | 48.00 | 35.00 |
| **AVERAGE RETURNS ( % )** | | | | | | | |
| Average annual return 1 year | -15.46% | -11.38% | 27.67% | 6.71% | 11.15% | 41.93% | 48.18% |
| Average annual return 2 year | -13.44% | 6.37% | 16.72% | 8.91% | 25.60% | 45.05% | 29.42% |
| Average annual return 3 year | -1.47% | 6.48% | 14.83% | 18.96% | 32.72% | 33.46% | - |
| **PORTFOLIO COMPOSITION - (%)** | | | | | | | |
| Percentage of Total Assets as at 30 June: | | | | | | | |
| Bank Balances | 11.01% | 24.06% | 10.84% | 21% | 19% | 9% | 8% |
| Stock / Equities | 84.89% | 41.75% | 88.35% | 76% | 68% | 87% | 92% |
| Others Including receivables | 4.10% | 18.88% | 0.81% | 3% | 13% | 4% | 0% |

**Note:**
The Launch date of the Fund is September 27, 2011

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

Summary of Actual Proxy voted by CIS

| HBL Equity Fund | Meetings | Resolutions | For | Against |
|---|---|---|---|---|
| Number | 5 | 8 | 8 | - |
| (%ages) | | 100% | 100% | - |

(h) AMC did not participate in shareholders' meetings

| Investee Company | AGM Meeting Dt | EOGM Meeting Dt |
|---|---|---|
| Allied Bank Ltd | 14/11/2018)(28/3/2019)(16/5/2019) | 27/08/2018 |
| Amreli Steels Limited | 23/10/2018 | |
| Askari Bank Ltd | 25/3/2019 | |
| AGP Limited | 17/4/2019 | |
| Bank of Punjab | 29/3/2019 | |
| Bank Al Habib Ltd | 27/3/2019 | |
| Bank Alfalah Ltd | 25/09/2018)(28/3/2019) | |
| DG Khan Cement Ltd | 27/10/2018 | 17/4/2019 |
| Engro Corporation Ltd | (3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019) | (25/09/2018)(28/5/2019) |
| Engro Fertilizer Ltd | (2/10/2018)(26/11/2018)(28/3/2019) | 27/5/2019 |
| Fauji Fertilizer Bin Qasim Ltd | 29/3/2019 | |
| Fauji Fertilizer Co Ltd | (28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019) | |
| Faysal Bank Limited | 28/3/2019 | 07-10-18 |
| Habib Bank Limited | (19/09/2018)(17/12/2018)(27/3/2019)(21/6/2019) | 21/6/2019 |
| Hub Power Company Ltd | (5/10/2018)(30/4/2019) | (16/4/2019) |
| Hascol Petroleum | (18/09/2018)(19/11/2018)(29/4/2019) | 10-10-18 |
| International Industries Ltd | (28/09/2018)(22/3/2019) | |
| International Steels Limited | (25/09/2018)(22/3/2019) | |
| Kohat Cement Co Ltd | 25/10/2018 | 29/6/2019 |
| Kohinoor Textile Mill Ltd | 27/10/2018)(21/3/2019) | |
| Lucky Cement Ltd | (28/09/2018)(27/10/2018) | |
| Lotte Chemical Pakistan Ltd | (19/11/2018)(18/4/2019) | |
| Maple Leaf Cement Factory | 27/10/2018 | |
| Mughal Iron & Steel Industries | 27/10/2018 | |
| Mari Petroleum Company Ltd | 18/10/2018)(20/3/2019) | |
| Meezan Bank Ltd | 2/10/2018)(28/3/2019)(20/5/2019 | 17/11/2018 |
| MCB Bank Ltd | (28/08/2018)(22/11/2018)(29/3/2019)(23/5/2019) | |
| Mughal iron & Steel | 27/10/2018 | |
| Nishat (Chunian) Ltd | 26/10/2018)(17/4/2019) | 20/08/2018 |
| Nishat Mills Ltd | 27/10/2018)(17/4/2019) | |
| Nishat Chunian Power Ltd | 26/10/2018)(2/4/2019)(23/6/2019) | |
| Oil & Gas Development Co Ltd | (25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019) | |
| Pakgen Power Ltd | 30/4/2019 | 25/10/2018 |
| Pakistan Petroleum Ltd | 26/10/2018 | |
| Pakistan Oilfields Ltd | (25/09/2018)(20/3/2019) | |
| Pakistan State Oil Company Ltd | (02/10/2018)(16/10/2018)(19/6/2019) | |
| Systems Limited | 26/4/2019 | |
| Sitara Chemical Ind. | 27/10/2018 | 20/6/2019 |
| Sui Northern Gas Pipeline Ltd | 23/5/2019 | |
| Thal Limited | (22/10/2018)(20/3/2019) | |
| The Searle Company Ltd | 22/11/2018 | |
| United Bank Ltd | (18/09/2018)(19/11/2018)(28/3/2019)(16/6/2019)(18/6/2019) | |

**CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED**

**Head Office:**
CDC House, 99-B, Block 'B',
S.M.C.H.S. Main Shahra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

## TRUSTEE REPORT TO THE UNIT HOLDERS

## HBL EQUITY FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Equity Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

(i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;

(ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and

(iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 18, 2018

CENTRAL DEPOSITORY COMPANY

BDO

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Fax: +92 21 3568 4239
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Lakson Square, Building No.1
Sarwar Shaheed Road
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Pakistan

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### Report on the audit of the financial statements

### Opinion

We have audited the financial statements of HBL Equity Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Basis for opinion

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

### Key Audit Matters

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

**Following are the Key audit matters:**

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| 1. | **Adoption of IFRS 9**<br><br>Effective July 01, 2018, the Fund changed its accounting policies due to the application of the International Financial Reporting Standard: IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement". | Our audit procedures included the following:<br><br>• Obtained an understanding of the analysis performed by management to identify all significant differences between previous accounting standard and the new accounting standard which can impact the financial statements;<br><br>• Reviewed 'Investment Classification Model' of the management for analysis of 'Business Model' assessment and 'Contractual Cash Flow Characteristics' test for classification of financial assets; |

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| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Management has determined that the significant impact of the new standard on the Fund's financial statements relates to the disclosures required to be made by the new accounting standard in the financial statements.<br><br>The Fund has used the exemption available in IFRS 9 not to restate comparative periods. Accordingly, comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 1, 2018.<br><br>We considered this as a key audit matter since the adoption of the new accounting standard has a significant impact on the financial statements from recognition, classification & measurement and disclosure perspective.<br><br>Refer to note 4.2, which explains the impact of the adoption of the new accounting standard. | • Reviewed management's assessment of the impact of new accounting standard on the Fund's financial statements;<br><br>• Evaluated the key decisions made by the Fund with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standard and assessed their appropriateness based on our understanding of the Fund's business and its operations;<br><br>• Evaluated the adequacy and appropriateness of disclosures made in the financial statements in relation to adoption of the new accounting standard. |
| 2. | **Existence and valuation of investments**<br><br>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2019, the investments held by the Fund comprised of listed equity securities which represent 85% of the total assets of the Fund as at the year end. | Our audit procedures included the following:<br><br>• We tested controls over acquisition, disposals and periodic valuation of investments portfolio and performed substantive audit procedures on period-end balance of portfolio including review of custodian's statement, and related reconciliations, re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange as at June 30, 2019. |

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund.<br><br>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter. | • We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and documented and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.<br><br>• We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the NBFC Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements. |
| 3. | **Recognition, measurement and presentation of 'Element of Income'**<br><br>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.<br><br>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.<br><br>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed. | Our audit procedures included the following:<br><br>• We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".<br><br>• We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.<br><br>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund. |

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realised or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.<br><br>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter. | • We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto. |

**Other matter**

The financial statements of the Fund for the year ended June 30, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 19, 2018.

**Information other than the financial statements and auditor's report thereon**

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Management Company and its Board of Directors**

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Management Company is responsible for overseeing the Fund's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.

- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

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

KARACHI

DATED: 2 9 AUG 2019

BDO Ebrahim & Co.

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

# Statement of Assets and Liabilities

*As at June 30, 2019*

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **ASSETS** | | | |
| Bank balances | 5 | 28,239 | 43,148 |
| Investments | 6 | 217,781 | 258,299 |
| Dividend and profit receivable | 7 | 956 | 674 |
| Deposits and other receivable | 8 | 2,791 | 2,805 |
| Receivable against sale of investments | | 6,012 | - |
| **TOTAL ASSETS** | | 255,779 | 304,926 |
| **LIABILITIES** | | | |
| Payable to the Management Company | 9 | 746 | 1,244 |
| Payable to the Trustee | 10 | 70 | 69 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | 275 | 314 |
| Payable against redemption of units | | 82 | - |
| Accrued expenses and other liabilities | 12 | 9,009 | 9,131 |
| **TOTAL LIABILITIES** | | 10,182 | 10,758 |
| **NET ASSETS** | | 245,597 | 294,168 |
| **UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)** | | 245,597 | 294,168 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | | |
| | | **------- Number of units -------** | |
| **Number of units in issue** | 14 | 2,629,886 | 2,663,116 |
| | | **--------- Rupees ---------** | |
| **Net assets value per unit** | | 93.3868 | 110.4602 |

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

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

**Chief Financial Officer** | **Chief Executive Officer** | **Director**

# Income Statement
*For the year ended June 30, 2019*

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **INCOME** | | | |
| Capital loss on sale of investments - net | | (19,655) | (40,786) |
| Dividend income | | 12,656 | 14,359 |
| Profit on bank deposits | | 3,099 | 2,649 |
| | | (3,900) | (23,778) |
| Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net | 6.2 | (31,065) | (11,351) |
| | | (34,965) | (35,129) |
| **EXPENSES** | | | |
| Remuneration of the Management Company | 9.1 | 5,783 | 6,608 |
| Sindh sales tax on remuneration of the Management Company | 9.2 | 752 | 859 |
| Remuneration of the Trustee | 10.1 | 791 | 812 |
| Annual fee to Securities and Exchange Commission of Pakistan | 11.1 | 275 | 314 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 289 | 330 |
| Selling and marketing expenses | 9.4 | 1,157 | 1,322 |
| Securities transaction costs and bank charges | | 1,789 | 1,730 |
| Auditors' remuneration | 15 | 430 | 436 |
| Printing and postage expenses | | - | 255 |
| Fees and subscriptions | | 137 | 131 |
| | | 11,403 | 12,797 |
| Net loss for the year from operating activities | | (46,368) | (47,926) |
| Provision for Sindh Workers' Welfare Fund | 12.2 | - | - |
| **Net loss for the year before taxation** | | (46,368) | (47,926) |
| Taxation | 16 | - | - |
| **Net loss for the year after taxation** | | (46,368) | (47,926) |
| **Earnings per unit** | 17 | | |

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

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

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Net loss for the year after taxation | | (46,368) | (47,926) |
| Other comprehensive income for the year | | | |
| Items that may be reclassified subsequently to income statement | | - | - |
| Items that will not be reclassified subsequently to income statement | | - | - |
| Total comprehensive loss for the year | | (46,368) | (47,926) |

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

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

**Chief Financial Officer** **Chief Executive Officer** **Director**

# Statement of Movement in Unitholders' Fund

*For the year ended June 30, 2019*

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | ----------------------(Rupees in '000)---------------------- | | | | | |
| | Capital value | Undistributed income/ (Accumulated loss) | Total | Capital value | Undistributed income | Total |
| **Net assets at beginning of the year** | 249,396 | 44,772 | 294,168 | 376,127 | 92,698 | 468,825 |
| **Issuance of 856,649 units (2018: 1055,926 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year) | 94,626 | - | 94,626 | 131,616 | - | 131,616 |
| Element of loss | (1,294) | - | (1,294) | (11,505) | - | (11,505) |
| **Total proceeds on issuance of units** | 93,332 | - | 93,332 | 120,111 | - | 120,111 |
| **Redemption of 889,879 units (2018: 2,154,122 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year) | (98,296) | - | (98,296) | (268,500) | - | (268,500) |
| Element of income | 2,761 | - | 2,761 | 21,658 | - | 21,658 |
| **Total payments on redemption of units** | (95,535) | - | (95,535) | (246,842) | - | (246,842) |
| Total comprehensive loss for the year | - | (46,368) | (46,368) | - | (47,926) | (47,926) |
| **Net assets at end of the year** | 247,193 | (1,596) | 245,597 | 249,396 | 44,772 | 294,168 |
| Undistributed income brought forward | | | | | | |
| Realised income | | 56,123 | | | 84,641 | |
| Unrealised (loss) / income | | (11,351) | | | 8,057 | |
| | | 44,772 | | | 92,698 | |
| Net loss for the year | | (46,368) | | | (47,926) | |
| Undistributed (loss) / income carried forward | | (1,596) | | | 44,772 | |
| **Accumulated loss / undistributed income carried forward** | | | | | | |
| Realised income | | 29,469 | | | 56,123 | |
| Unrealised loss | | (31,065) | | | (11,351) | |
| | | (1,596) | | | 44,772 | |
| | | | (Rupees) | | | (Rupees) |
| **Net assets value per unit at beginning of the year** | | | 110.4602 | | | 124.6444 |
| **Net assets value per unit at end of the year** | | | 93.3868 | | | 104.4602 |

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

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net loss for the year before taxation | | (46,368) | (47,926) |
| Adjustments for: | | | |
| Dividend income | | (12,656) | (14,359) |
| Profit on bank deposits | | (3,099) | (2,649) |
| Capital loss on sale of investments - net | | 19,655 | 40,786 |
| Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net | | 31,065 | 11,351 |
| | | (11,403) | (12,797) |
| **(Increase) / decrease in assets** | | | |
| Investments - net | | (10,202) | 210,650 |
| Deposits and other receivable | | 13 | (169) |
| Receivable against sale of investments | | (6,012) | - |
| | | (16,201) | 210,481 |
| **Decrease in liabilities** | | | |
| Payable to the Management Company | | (498) | (701) |
| Payable to the Trustee | | 1 | (167) |
| Payable to Securities and Exchange Commission of Pakistan | | (39) | (82) |
| Accrued expenses and other liabilities | | (122) | (6,521) |
| | | (658) | (7,471) |
| **Cash used in operations** | | (28,262) | 190,213 |
| Dividend received | | 12,388 | 2,651 |
| Profit received on bank deposits | | 3,086 | 15,806 |
| | | 15,474 | 18,457 |
| **Net cash (used in) / generated from operating activities** | | (12,788) | 208,670 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Amount received on issue of units | | 93,332 | 120,111 |
| Payment against redemption of units | | (95,453) | (349,519) |
| Net cash used in financing activities | | (2,121) | (229,408) |
| Net decrease in cash and cash equivalents during the year | | (14,909) | (20,738) |
| Cash and cash equivalents at the beginning of the year | | 43,148 | 63,886 |
| Cash and cash equivalents at the end of the year | 5 | 28,239 | 43,148 |

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

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

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

## 1 LEGAL STATUS AND NATURE OF BUSINESS

HBL Equity Fund ("the Fund") was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and the 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/NBFC-II/PSF/249/2011 dated June 1, 2011 and the trust deed was executed on June 14, 2011.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016, HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund For Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

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

The Fund is an open-ended mutual fund and is listed on Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par value of Rs. 100 per unit from September 24, 2011 to September 26, 2011. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The Fund has been categorised as an equity scheme as per the criteria laid down by the SECP for categorisation of the Collective Investment Schemes (CISs).

The investment objective of the Fund is to provide investors a diversified equity portfolio with a primary objective of maximizing risk-adjusted returns over longer investment horizon through a combination of capital gains and dividend income.

Title to the assets of the Fund is held in the name of CDC as trustee of the Fund.

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

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

**2.1.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984 and the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except certain investments which are measured at fair value. These financial statements have been prepared by following accrual basis of accounting except for cash flows information.

**2.3 Functional and presentation currency**

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

**2.4 Use of judgments and estimates**

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

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

Classification and valuation of investments

For details please refer notes 4.2.1.1 and 18 to these financial statements.

Impairment of investment

For details please refer notes 4.2.1.2 to these financial statements.

Provision for taxation

For details please refer notes 4.4 and 16 to these financial statements.

Other assets

Judgement is involved in assessing the realisability of other assets balances.

**3 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS**

**3.1 Amendments that are effective in current year and relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| Conceptual Framework for Financial Reporting 2018 - Original Issue | | March 01, 2018 |
| IFRS 7 | Financial Instruments : Disclosures - additional hedge accounting disclosures(and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | July 01, 2018 |
| IFRS 9 | Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9 | July 01, 2018 |
| IFRS 9 | Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition | July 01, 2018 |
| IAS 39 | Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception | July 01, 2018 |

**3.2 Amendments that are effective in current year and not relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

| | | |
|---|---|---|
| IFRS 2 | Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 | Insurance Contracts - amendments regarding the interaction of IFRS 4 and IFRS 9 | January 01, 2018 |
| IFRS 5 | Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | July 01, 2018 |
| IFRS 8 | Amendments regarding the interaction of IFRS 4 and IFRS 9 | January 01, 2018 |
| IFRS 15 | Original issue | July 01, 2018 |
| IFRS 15 | Clarifications to IFRS 15 | July 01, 2018 |
| IAS 40 | Investment Property - amendments to clarify transfers of property to, or from, investment property | January 01, 2018 |

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

| | | |
|---|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | January 01, 2018 |
| IAS 28 | Investments in Associates and Joint Ventures | January 01, 2018 |

**3.3 Amendments not yet effective**

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38,IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.

| | | |
|---|---|---|
| IFRS 3 | Business Combinations - amendments to clarify the definition of a business | January 01, 2020 |
| IFRS 8 | Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2020 |
| IFRS 9 | Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities | January 01, 2019 |
| IAS 1 | Presentation of Financial Statements - amendments regarding the definition of materiality | January 01, 2019 |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality | January 01, 2020 |
| | | **Effective date (annual periods beginning on or after)** |
| IAS 19 | Employee benefits - amendments regarding plan amendments, curtailments or settlements | January 01, 2020 |
| IAS 17 | Amendments regarding plan amendments, curtailments or settlements | January 01, 2019 |
| IAS 28 | Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures | January 01, 2019 |

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual improvements to IFRSs (2015 – 2017) Cycle:

| | | |
|---|---|---|
| IFRS 3 | Business Combinations | January 01, 2019 |
| IFRS 11 | Joint Arrangements | January 01, 2019 |
| IAS 12 | Income Taxes | January 01, 2019 |
| IAS 23 | Borrowing Costs | January 01, 2019 |

**3.4 Standards or interpretations not yet effective**

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

| | | |
|---|---|---|
| IFRS 16 | Leases | January 01, 2019 |

The Funds expects that the adoption of IFRS 16 will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards
IFRS 14 Regulatory Deferral Accounts
IFRS 17 Insurance Contracts

The Funds expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

**4. SIGNIFICANT ACCOUNTING POLICIES**

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

**4.1 Cash and cash equivalents**

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

**4.2 Financial instruments**

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for reporting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

**4.2.1 Financial assets**

**4.2.1.1 Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.
The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |

| | |
|---|---|
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at July 1, 2018.

| | Note | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Listed equity securities | (a) | Held for trading | FVTPL | 258,299 | 258,299 |
| Bank balances | (b) | Loans and receivables | Amortised cost | 43,148 | 43,148 |
| Dividend and profit receivable | (b) | Loans and receivables | Amortised cost | 674 | 674 |
| Deposits | (b) | Loans and receivables | Amortised cost | 2,600 | 2,600 |
| | | | | 304,721 | 304,721 |

**(a)** Listed equity securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with fair value changes continue to recognised in income statement.

**(b) These financial assets classified as 'loans and receivables' have been classified as amortised cost.**

**4.2.1.2 Impairment of financial assets**

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

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

For financial assets classified as 'at amortized cost', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**4.2.1.3 Transition**

The Fund has used the exemption not to restate comparative periods .Comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 1, 2018. Accordingly, the comparative information does not reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The revocation of previous designations of certain financial assets as measured at FVTPL.

**4.2.1.4 Regular way contracts**

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

**4.2.1.5 Derecognition**

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

**4.2.2 Financial liabilities**

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities.

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**4.2.3 Offsetting of financial assets and liabilities**

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

**4.3 Provisions**

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

**4.4 Taxation**

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

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

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

**4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

**4.6 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

**4.7 Element of income**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

**4.8 Net assets value per unit**

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

**4.9 Revenue recognition**

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

- Dividend income from equity securities is recognised when the right to receive the dividend is established.

- Profit on bank deposits is recognised on a time apportionment basis.

- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss are included in the income statement in the year in which they arise.

**4.10 Expenses**

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

**4.11 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

**4.12 Transactions with related parties / connected persons**

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

| | | | 2019 | 2018 |
|---|---|---|---|---|
| **5** | **BANK BALANCES** | **Note** | ----------(Rupees in '000)---------- | |
| | Cash at bank | | | |
| | In savings accounts | 5.1 | 27,147 | 43,124 |
| | In current account | | 1,092 | 24 |
| | | | 28,239 | 43,148 |

**5.1** These accounts carrying profit range from 10.28% to 13.5% (2018: 5.35% to 7.5%) per annum. This includes an amount held in Habib Bank Limited (a related party) amounting to Rs. 5.175 million (2018: Rs. 0.033 million) on which return is earned at 10.28% (2018: 6.5%) per annum.

| | | | | |
|---|---|---|---|---|
| **6** | **INVESTMENTS** | | | |
| | Financial assets at fair value through profit or loss | | | |
| | Listed equity securities | 6.1 | 217,781 | 258,299 |

## 6.1 Financial assets at fair value through profit or loss - Listed equity securities

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

| Name of the investee companies (Sector wise) | ------------------------------ Number of shares ------------------------------ | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2018 | Purchases during the year | Bonus / right issues | Sales during the year | As at June 30, 2019 | Carrying value as at June 30, 2019 | Market value as at June 30, 2019 | Unrealised appreciation/ (diminution) on re-measurement | Market value as a percentage of total investments | Market value as a percentage of net assets | Par value as a percentage of issued capital of the Investee company |
| | | | | | | ---------------------Rupees in 000--------------------- | | | | | |
| **AUTOMOBILE ASSEMBLER** | | | | | | | | | | | |
| Honda Atlas Cars (Pakistan) Limited | 4,500 | - | - | 4,500 | - | - | - | - | - | - | - |
| Indus Motor Company Limited | 2,140 | 700 | - | 2,840 | - | - | - | - | - | - | - |
| Millat Tractors Limited | 4,540 | 500 | - | 5,040 | - | - | - | - | - | - | - |
| | 11,180 | 1,200 | - | 12,380 | - | - | - | - | - | - | |
| **AUTOMOBILE PARTS & ACCESSORIES** | | | | | | | | | | | |
| Thal Limited (Par value of Rs 5 per share) | 12,900 | 13,650 | - | 6,150 | 20,400 | 8,934 | 7,427 | (1,507) | 3.41% | 3.02% | 0.03% |
| **CABLE & ELECTRICAL GOODS** | | | | | | | | | | | |
| Pak Elektron Limited | 85,000 | 62,000 | - | 147,000 | - | - | - | - | - | - | - |
| **CEMENT** | | | | | | | | | | | |
| Cherat Cement Company Limited | - | 62,200 | - | 62,200 | - | - | - | - | - | - | - |
| D. G. Khan Cement Company Limited | - | 56,300 | - | 56,300 | - | - | - | - | - | - | - |
| Kohat Cement Limited | 11,900 | 32,800 | - | 22,700 | 22,000 | 1,590 | 1,156 | (434) | 0.53% | 0.47% | 0.01% |
| Lucky Cement Limited | 17,650 | 48,250 | - | 49,500 | 16,400 | 7,431 | 6,240 | (1,191) | 2.87% | 2.54% | 0.01% |
| Pioneer Cement Limited | 23,000 | 10,000 | - | 33,000 | - | - | - | - | - | - | - |
| Maple Leaf Cement Factory Limited | - | 297,000 | | 297,000 | - | - | - | - | - | - | - |
| | 52,550 | 506,550 | - | 520,700 | 38,400 | 9,021 | 7,396 | (1,625) | 3.40% | 3.01% | |
| **CHEMICAL** | | | | | | | | | | | |
| Engro Polymer & Chemicals Limited | 95,000 | 294,000 | 29,596 | 235,000 | 183,596 | 5,442 | 4,950 | (492) | 2.27% | 2.02% | 0.02% |
| Engro Polymer & Chemicals Limited - (Letter of right) *** | 29,596 | - | - | 29,596 | - | - | - | - | - | - | - |
| Sitara Chemical Industries Limited | - | 2,000 | | - | 2,000 | 597 | 612 | 15 | 0.28% | 0.25% | 0.01% |
| Lotte Chemical Pakistan Limited | - | 200,000 | | 110,000 | 90,000 | 1,286 | 1,372 | 86 | 0.63% | 0.56% | 0.01% |
| | 124,596 | 496,000 | 29,596 | 374,596 | 275,596 | 7,325 | 6,934 | (391) | 3.18% | 2.82% | |
| **COMMERCIAL BANKS** | | | | | | | | | | | |
| Allied Bank Limited | - | 96,500 | - | 24,500 | 72,000 | 7,613 | 7,561 | (52) | 3.47% | 3.08% | 0.01% |
| The Bank of Punjab | 456,000 | 1,082,000 | - | 993,000 | 545,000 | 6,389 | 4,987 | (1,402) | 2.29% | 2.03% | 0.02% |
| Bank Al-Falah Limited | 244,500 | 355,500 | 19,550 | 338,000 | 281,550 | 13,013 | 12,273 | (740) | 5.64% | 5.00% | 0.02% |
| Faysal Bank Limited | 110,800 | 95,500 | - | 204,500 | 1,800 | 46 | 39 | (7) | 0.02% | 0.02% | - |
| Bank Al-Habib Limited | 87,500 | 192,500 | - | 170,000 | 110,000 | 8,584 | 8,622 | 38 | 3.96% | 3.51% | 0.01% |
| Habib Bank Limited* (6.1.1) | 88,100 | 135,800 | - | 117,300 | 106,600 | 15,344 | 12,074 | (3,270) | 5.54% | 4.92% | 0.01% |
| Meezan Bank Limited | 17,500 | 17,500 | 3,500 | 38,500 | - | - | - | - | - | - | - |
| MCB Bank Limited** (6.1.1) | 74,800 | 120,000 | - | 159,500 | 35,300 | 6,596 | 6,158 | (438) | 2.83% | 2.51% | - |
| United Bank Limited | 85,300 | 141,500 | - | 161,600 | 65,200 | 9,264 | 9,609 | 345 | 4.41% | 3.91% | 0.01% |
| National Bank of Pakistan | - | 123,500 | - | 59,500 | 64,000 | 2,729 | 2,154 | (575) | 0.99% | 0.88% | - |
| Habib Metro Bank Limited | - | 110,000 | - | 110,000 | - | - | - | - | - | - | - |
| Askari Bank Limited | - | 150,000 | - | 150,000 | - | - | - | - | - | - | - |
| | 1,164,500 | 2,620,300 | 23,050 | 2,526,400 | 1,281,450 | 69,578 | 63,477 | (6,101) | 29.15% | 25.85% | |
| **ENGINEERING** | | | | | | | | | | | |
| Amreli Steels Limited | 36,500 | 13,000 | - | 49,500 | - | - | - | - | - | - | - |
| Crescent Steel & Allied Product Limited | - | 30,000 | - | 30,000 | - | - | - | - | - | - | - |
| International Industries Limited | 12,600 | 57,400 | - | 70,000 | - | - | - | - | - | - | - |
| International Steels Limited | 30,200 | 47,100 | - | 77,300 | - | - | - | - | - | - | - |
| Mughal Iron & Steel Industries Limited | 46,500 | 21,000 | - | 67,500 | - | - | - | - | - | - | - |
| | 125,800 | 168,500 | - | 294,300 | - | - | - | - | - | - | |
| **FERTILIZERS** | | | | | | | | | | | |
| Engro Corporation Limited (6.1.1) | 47,000 | 75,100 | 4,930 | 71,100 | 55,930 | 16,092 | 14,855 | (1,237) | 6.82% | 6.05% | 0.01% |
| Engro Fertilizers Limited | 153,500 | 122,000 | - | 151,500 | 124,000 | 8,862 | 7,932 | (930) | 3.64% | 3.23% | 0.01% |
| Fauji Fertilizer Company Limited | 61,500 | 126,000 | - | 104,000 | 83,500 | 8,221 | 7,281 | (940) | 3.34% | 2.96% | 0.01% |
| Fauji Fertilizer Bin Qasim Limited | - | 79,000 | - | 79,000 | - | - | - | - | - | - | - |
| | 262,000 | 402,100 | 4,930 | 405,600 | 263,430 | 33,175 | 30,068 | (3,107) | 13.81% | 12.24% | |
| **OIL & GAS EXPLORATION** | | | | | | | | | | | |
| Mari Petroleum Company Limited | 9,890 | 6,920 | 969 | 3,320 | 14,459 | 18,521 | 14,594 | (3,927) | 6.70% | 5.94% | 0.01% |
| Oil & Gas Development Company Limited | 93,400 | 134,500 | - | 88,200 | 139,700 | 20,272 | 18,369 | (1,903) | 8.43% | 7.48% | - |
| Pakistan Oilfields Limited | 22,200 | 20,100 | 3,940 | 21,300 | 24,940 | 12,610 | 10,123 | (2,487) | 4.65% | 4.12% | 0.01% |
| Pakistan Petroleum Limited | 81,450 | 230,500 | 12,592 | 233,500 | 91,042 | 15,376 | 13,149 | (2,227) | 6.04% | 5.35% | - |
| | 206,940 | 392,020 | 17,501 | 346,320 | 270,141 | 66,779 | 56,235 | (10,544) | 25.82% | 22.90% | |
| **OIL & GAS MARKETING** | | | | | | | | | | | |
| Hascol Petroleum Limited | 11,100 | 1,100 | 2,550 | 14,750 | - | - | - | - | - | - | - |
| Pakistan State Oil Company Limited | 31,980 | 67,000 | 7,796 | 54,500 | 52,276 | 12,343 | 8,868 | (3,475) | 4.07% | 3.61% | 0.01% |
| Sui Northern Gas Pipeline Limited | 58,200 | 135,500 | - | 141,700 | 52,000 | 3,527 | 3,613 | 86 | 1.66% | 1.47% | 0.01% |
| | 101,280 | 203,600 | 10,346 | 210,950 | 104,276 | 15,870 | 12,481 | (3,389) | 5.73% | 5.08% | |
| **PAPER & BOARD** | | | | | | | | | | | |
| Century Paper & Board Mills Limited | - | 25,000 | - | - | 25,000 | 1,275 | 779 | (496) | 0.36% | 0.32% | 0.02% |
| **PHARMACEUTICALS** | | | | | | | | | | | |
| AGP Limited | - | 51,000 | - | 31,500 | 19,500 | 1,374 | 1,336 | (38) | 0.61% | 0.54% | - |
| The Searle Company Limited | 7,664 | 24,500 | 35 | 23,425 | 8,774 | 1,781 | 1,286 | (495) | 0.59% | 0.52% | - |
| | 7,664 | 75,500 | 35 | 54,925 | 28,274 | 3,155 | 2,622 | (533) | 1.20% | 1.07% | |
| **POWER GENERATION & DISTRIBUTION** | | | | | | | | | | | |
| The Hub Power Company Limited | 114,500 | 166,000 | 20,688 | 113,000 | 188,188 | 15,447 | 14,820 | (627) | 6.81% | 6.03% | 0.02% |
| The Hub Power Company Limited LOR *** | - | 20,688 | - | 20,688 | - | - | - | - | - | - | - |
| K-Electric Limited (Par value of Rs 3.5 per share) | 550,000 | 416,000 | - | 350,000 | 616,000 | 3,277 | 2,704 | (573) | 1.24% | 1.10% | - |
| Pakgen Power Limited | - | 100,000 | - | 10,000 | 90,000 | 1,305 | 1,276 | (29) | 0.59% | 0.52% | 0.02% |
| Nishat Power (Chunian) Limited | - | 72,000 | - | 72,000 | - | - | - | - | - | - | - |
| | 664,500 | 774,688 | 20,688 | 565,688 | 894,188 | 20,029 | 18,800 | (1,229) | 8.63% | 7.65% | |
| **TECHNOLOGY & COMMUNICATION** | | | | | | | | | | | |
| Systems Limited | 28,000 | - | 250 | 25,500 | 2,750 | 253 | 264 | 11 | 0.12% | 0.11% | - |
| Pakistan Telecommunication Company Limited | - | 150,000 | - | 150,000 | - | - | - | - | - | - | - |
| | 28,000 | - | 250 | 25,500 | 2,750 | 253 | 264 | 11 | 0.12% | 0.11% | |

| Name of the investee company (Sector wise) | As at July 1, 2018 | Purchases during the year | Bonus / right issues | Sales during the year | As at June 30, 2019 | Carrying value as at June 30, 2019 | Market value as at June 30, 2019 | Unrealised appreciation/ (diminution) on re-measurement | Market value as a percentage of total investments | Market value as a percentage of net assets | Par value as a percentage of issued capital of the Investee company |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | ------- Number of shares ------- | | | | | --------------------------Rupees in 000-------------------------- | | | | | |
| **TEXTILE COMPOSITE** | | | | | | | | | | | |
| Nishat (Chunian) Limited | - | 53,500 | - | 53,500 | - | - | - | - | - | - | - |
| Nishat Mills Limited | 49,200 | 58,300 | - | 54,500 | 53,000 | 6,568 | 4,947 | (1,621) | 2.27% | 2.01% | 0.02% |
| Interloop Limited | - | 85,436 | - | - | 85,436 | 3,786 | 3,782 | (4) | 1.74% | 1.54% | 0.01% |
| Kohinoor Textile Mills Limited | - | 65,000 | - | 65,000 | - | - | - | - | - | 0.00% | - |
| Gul Ahmed Textile Mills Limited | - | 30,000 | - | 30,000 | - | - | - | - | - | 0.00% | - |
| | 49,200 | 292,236 | - | 203,000 | 138,436 | 10,354 | 8,729 | (1,625) | 4.01% | 3.55% | |
| **TRANSPORT** | | | | | | | | | | | |
| Pakistan National Shipping Corporation Limited | - | 4,000 | - | - | 4,000 | 240 | 255 | 15 | 0.12% | 0.10% | - |
| **Glass & Ceramics** | | | | | | | | | | | |
| Shabbir Tiles & Ceramics Limited | - | 35,000 | - | 35,000 | - | - | - | - | - | - | - |
| **Insurance** | | | | | | | | | | | |
| Adamjee Insurance Company Limited | - | 70,000 | - | 4,000 | 66,000 | 2,858 | 2,313 | (545) | 1.06% | 0.94% | 0.02% |
| As at June 30, 2019 | 2,896,110 | 6,292,344 | 106,396 | 5,716,159 | 3,432,741 | 248,846 | 217,781 | (31,065) | 100% | 88.68% | |
| As at June 30, 2018 | 2,626,090 | 5,328,310 | 35,324 | 5,093,614 | 2,896,110 | 269,650 | 258,299 | (11,351) | 100% | 87.78% | |

* Sponsor of the Management Company
** a related party due to holding more than 10% units of the Fund.
*** During the year Fund exercised Letter of Right as follows:

- The Hub Power Company Limited issued 12 Right Shares for every 100 shares held at premium of Rs.40 per share. The transfer books of the Company was closed from April 23, 2019 to April 30, 2019. Fund exercised the right by making stipulated payment on May 31, 2019 and shares were credited to the CDC account of the Fund on June 28, 2019

- Engro Polymer & Chemicals Limited issued 37 Right Shares for every 100 shares held at premium of Rs.12 per share. The transfer books of the company was closed from June 11, 2018 to June 18, 2018. Fund exercised the right by making stipulated payment on July 20, 2018 and shares are credited to the CDC account of the fund on August 8, 2018

6.1.1 As at June 30, 2019 the Fund has pledged shares with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the SECP, of following companies

- Engro Corporation Limited (36,000 shares having market value of Rs. 9.561 million)
- MCB Bank Limited (25,000 shares having market value of Rs. 4.361 million)
- Habib Bank Limited (10,000 shares having market value of Rs. 1.132 million)

6.1.2 These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. 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% 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. 0.33 million at June 30, 2019 (June 30, 2018: Rs. 0.38 million) and not yet deposited on CDC account of department of Income tax. The final outcome of the case is pending however, management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end. Moreover, the requirement to deduct tax on bonus has been withdrawn through Finance Act, 2018.

**6.2** Net unrealized diminution on re-measurement of investments classified as financial assets at fair value through profit or loss

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| Market value of investments | 217,781 | 258,299 |
| Less: carrying value of investments | 248,846 | 269,650 |
| | (31,065) | (11,351) |

**7 DIVIDEND AND PROFIT RECEIVABLE**

| | | |
|---|---|---|
| Dividend receivable | 706 | 438 |
| Profit receivable on saving accounts | 250 | 236 |
| | 956 | 674 |

8 DEPOSITS AND OTHER RECEIVABLE

| | | | |
|---|---|---|---|
| Security deposits with: | | | |
| - National Clearing Company of Pakistan Limited | | 2,500 | 2,500 |
| - Central Depository Company of Pakistan Limited | | 100 | 100 |
| | | 2,600 | 2,600 |
| Prepaid expenses | | - | 67 |
| Advance tax | 8.1 | 191 | 138 |
| | | 2,791 | 2,805 |

**8.1** The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 150 and 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2019.

**9 PAYABLE TO THE MANAGEMENT COMPANY**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Remuneration payable of the Management Company | 9.1 | 415 | 489 |
| Sindh Sales Tax on Management Company's remuneration | 9.2 | 54 | 64 |
| Sales load payable | | 1 | 27 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 21 | 24 |
| Selling and Marketing expenses payable | 9.4 | 255 | 640 |
| | | 746 | 1,244 |

9.1 As per regulation 61 of NBFC Regulations and provision of the offering document of the Fund, the Management Company is entitled to a remuneration at the rate of 2% of the average annual net assets on daily basis of the Fund. The remuneration is paid to Management Company on monthly basis in arrears.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2018: 13 %) on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.

**9.3** As per Regulation 60(3)(s) of the NBFC Regulations, 2008, 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 aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year. However, SECP vide S.R.O. 639(I)/2019 dated June 20, 2019 has removed the maximum limit of 0.1%.

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

**10 PAYABLE TO THE TRUSTEE**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Trustee fee payable | 10.1 | 65 | 65 |
| CDS charges payable | | 5 | 4 |
| | | 70 | 69 |

**10.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision 6.2.2 the offering document, as per the tariff specified therein, based on the daily net assets of the Fund. The fee is paid to the Trustee on monthly basis in arrears.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2019 is as follows:

| | |
|---|---|
| Upto Rs. 1 billion | Rs. 0.7 million or 0.20% per annum of net assets value whichever is higher |
| Over Rs. 1 billion | Rs. 2.0 million plus 0.10% per annum of net assets value exceeding Rs. 1,000 million |

**11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Annual fee payable | 11.1 | 275 | 314 |

**11.1** Under the regulation 62 of the NBFC Regulations a collective investment scheme categorised as an equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrear.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Provision for Federal Excise Duty | 12.1 | 5,685 | 5,685 |
| Provision for Sindh Workers' Welfare Fund | 12.2 | 2,768 | 2,768 |
| Withholding tax payable | | 36 | 95 |
| Auditors' remuneration | | 264 | 306 |
| Printing and other related costs | | 154 | 187 |
| Brokerage payable | | 71 | 58 |
| Other payables | | 31 | 32 |
| | | 9,009 | 9,131 |

**12.1** 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 levied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan along-with Central Depository Company of Pakistan Limited with the Sindh High Court (SHC) on September 04, 2013.

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

The Finance Act, 2016 excluded the mutual Funds from the levy of FED with effect from July 01, 2016. therefore, no FED is levied since 2016 till now.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained provision on FED on remuneration of Management Company, aggregating to Rs. 5.685 million (2018: Rs. 5.685). Had the provision not been provided for, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 2.16 (2018: Rs. 2.14 ) per unit.

12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund

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

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn.

However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual Funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

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 remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

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

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

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

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 4.892 million. Further, the Fund had started recognising provision for SWWF.

During the year, the Fund has incurred loss as a result no provision against SWWF has been recorded in these financial statements.

As at June 30, 2019, the provision in relation to SWWF amounted to Rs. 2.768 million (2018: Rs. 2.768 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 1.05 (2018: Rs. 1.04) per unit.

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2019 (2018: Nil).

## 14 NUMBER OF UNITS IN ISSUE

| | 2019 | 2018 |
|---|---|---|
| | ----------(Number of Units)---------- | |
| Total units in issue at the beginning of the year | 2,663,116 | 3,761,312 |
| Units issued | 856,649 | 1,055,926 |
| Units redeemed | (889,879) | (2,154,122) |
| Total units in issue at the end of the year | 2,629,886 | 2,663,116 |

## 15 AUDITORS' REMUNERATION

| | 2019 | 2018 |
|---|---|---|
| Annual audit fee | 240 | 240 |
| Fee for half yearly review | 135 | 135 |
| Other certifications and out of pocket expenses | 55 | 61 |
| | 430 | 436 |

## 16 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 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. 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. The Fund has not recorded a tax liability in the current year as a result of loss incurred during the year.

## 17 EARNINGS PER UNIT

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

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

| | ------------------------- As at June 30, 2019 ------------------------------ | | |
|---|---|---|---|
| **Particulars** | **At fair value through profit or loss** | **At amortized cost** | **Total** |
| | -------------------- Rupees in '000 -------------------- | | |
| Financial assets | | | |
| Bank balances | - | 28,239 | 28,239 |
| Investments | 217,781 | - | 217,781 |
| Dividend and profit receivable | - | 956 | 956 |
| Receivable against sale of investments | - | 6,012 | 6,012 |
| Deposits | - | 2,600 | 2,600 |
| | 217,781 | 37,807 | 255,588 |

| | As at June 30, 2019 | | |
|---|---|---|---|
| **Particulars** | **At fair value through profit or loss** | **At amortized cost** | **Total** |
| | Rupees in '000 | | |
| Financial liabilities | | | |
| Payable to the Management Company | - | 692 | 692 |
| Payable to the Trustee | - | 63 | 63 |
| Accrued expenses and other liabilities | - | 505 | 505 |
| Payable against redemption of units | - | 82 | 82 |
| | - | 1,342 | 1,342 |

| | As at June 30, 2018 | | |
|---|---|---|---|
| **Particulars** | **At fair value through profit or loss** | **At amortized cost** | **Total** |
| | Rupees in '000 | | |
| Financial assets | | | |
| Bank balances | - | 43,148 | 43,148 |
| Investments | 258,299 | - | 258,299 |
| Dividend and profit receivable | - | 674 | 674 |
| Deposits | - | 2,600 | 2,600 |
| | 258,299 | 46,422 | 304,721 |

| | As at June 30, 2018 | | |
|---|---|---|---|
| **Particulars** | **At fair value through profit or loss** | **At amortized cost** | **Total** |
| | Rupees in '000 | | |
| Financial liabilities | | | |
| Payable to the Management Company | - | 1,180 | 1,180 |
| Payable to the Trustee | - | 62 | 62 |
| Accrued expenses and other liabilities | - | 583 | 583 |
| | - | 1,825 | 1,825 |

## 19. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

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

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

Transactions and balances with parties who were connected persons due to holding 10% or more units in the comparative period and not in the current period are not disclosed in the comparative period.

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

| | | 2019 | 2018 |
|---|---|---|---|
| **19.1** | **Transactions during the year** | ----------(Rupees in '000)---------- | |
| | **HBL Asset Management Limited - Management Company** | | |
| | Remuneration of the Management Company | 5,783 | 6,608 |
| | Sindh sales tax on remuneration of the Management Company | 752 | 859 |
| | Sales load paid | 88 | 301 |
| | Allocation of expenses related to registrar services, accounting, operation and valuation services | 289 | 330 |
| | Selling and marketing expenses | 1,157 | 1,322 |
| | Issue of 177,048 (2018: Nil) units | 20,000 | - |
| | Redemption of 311,621 (2018: 281,541) units | 34,000 | 31,099 |
| | **Habib Bank Limited - Sponsor** | | |
| | Dividend income | 503 | 361 |
| | Bank charges | 5 | 2 |
| | **MCB Bank Limited (Formerly NIB Bank Limited) - connected person due to holding more than 10% units** | | |
| | Profit on bank deposit | 196 | 2,438 |
| | Bank charges | 2 | 20 |
| | Dividend income | 864 | 1,025 |
| | **Central Depository Company of Pakistan Limited - Trustee** | | |
| | Remuneration | 791 | 812 |
| | Central Depository service charges | 39 | 42 |
| | **Directors and Executives of the Management Company** | | |
| | Issue of 44,351 (2018: Nil) units | 4,577 | - |
| | Redemption of 9,222 (2018: 399) units | 996 | 44 |
| **19.2** | **Amounts outstanding as at year end** | | |
| | **HBL Asset Management Limited - Management Company** | | |
| | Units held: 398,758 (2018: 533,331) | 37,239 | 58,912 |
| | Remuneration payable to the Management Company | 415 | 489 |
| | Sindh sales tax on remuneration of the Management Company | 54 | 64 |
| | Sales load payable | 1 | 27 |
| | Selling and marketing expense payable | 255 | 640 |
| | Allocation of expenses related to registrar services, accounting, operation and valuation services | 21 | 24 |
| | **Habib Bank Limited - Sponsor** | | |
| | Bank balances | 5,175 | 33 |

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **MCB Bank Limited (Formerly NIB Bank Limited) - connected person due to** | | |
| holding more than 10% units | | |
| Bank balance | 256 | 4,765 |
| Units held: 1,022,050 (2018: 1,022,050) | 95,446 | 112,896 |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Trustee fee payable | 70 | 58 |
| Security deposit | 100 | 100 |
| CDS charges payable | 5 | 4 |
| **Directors and Executives of the Management Company** | | |
| Units held: 36,471 (2018:Nil) | 3,406 | - |

## 20 FINANCIAL RISK MANAGEMENT

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

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

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 20.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

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

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

### 20.1.1 Currency risk

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

### 20.1.2 Interest rate risk

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

**a) Cash flow interest rate risk**

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 10.28% to 13.5% per annum.

The Fund's interest rate risk arises from the balances in savings accounts. The net loss for the year would have (decreased) / increased by Rs. 0.031 million (2018: Rs 0.026 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

| | | As at June 30, 2019 | | | | |
|---|---|---|---|---|---|---|
| | | Exposed to Yield / Interest rate risk | | | | |
| On-balance sheet financial instruments | Effective yield / interest rate | Upto three months | More than three months and upto one year | More than one year | Not exposed to Yield / Interestrate risk | Total |
| | % | ---------- Rupees in '000 ---------- | | | | |
| Financial assets | | | | | | |
| Balances with banks | 10.28 - 13.5 | 27,147 | - | - | 1,092 | 28,239 |
| Investments | | | | | | |
| Listed equity securities | | - | - | - | 217,781 | 217,781 |
| Dividend and profit receivable | | - | - | - | 956 | 956 |
| Deposits | | - | - | - | 2,600 | 2,600 |
| Receivable against sale of investments | | - | - | - | 6,012 | 6,012 |
| Sub total | | 27,147 | - | - | 228,441 | 255,588 |
| Financial liabilities | | | | | | |
| Payable to the Management Company | | - | - | - | 692 | 692 |
| Payable to the Trustee | | - | - | - | 63 | 63 |
| Payable against redemption of units | | - | - | - | 82 | 82 |
| Accrued expenses and other liabilities | | - | - | - | 505 | 505 |
| Sub total | | - | - | - | 1,342 | 1,342 |
| On-balance sheet gap (a) | | 27,147 | - | - | 227,099 | 254,246 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total interest rate sensitivity gap (a) + (b) | | 27,147 | - | - | - | - |
| Cumulative interest rate sensitivity gap | | 27,147 | - | - | | |

| | Effective yield / interest rate | As at June 30, 2018 — Exposed to Yield / Interest rate risk: Upto three months | More than three months and upto one year | More than one year | Not exposed to Yield / Interestrate risk | Total |
|---|---|---|---|---|---|---|
| | % | ------ Rupees in '000 ------ | | | | |
| **On-balance sheet financial instruments** | | | | | | |
| Financial assets | | | | | | |
| Balances with banks | 5.35 - 7.5 | 43,124 | - | - | 24 | 43,148 |
| Investments | | | | | | |
| Listed equity securities | | - | - | - | 258,299 | 258,299 |
| Dividend and profit receivable | | - | - | - | 674 | 674 |
| Deposits | | - | | - | 2,600 | 2,600 |
| Sub total | | 43,124 | - | - | 261,597 | 304,721 |
| Financial liabilities | | | | | | |
| Payable to the Management Company | | - | - | - | 1,180 | 1,180 |
| Payable to the Trustee | | - | - | - | 62 | 62 |
| Accrued expenses and other liabilities | | - | - | - | 583 | 583 |
| Sub total | | - | - | - | 1,825 | 1,825 |
| On-balance sheet gap (a) | | 43,124 | - | - | 259,772 | 302,896 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total interest rate sensitivity gap (a) + (b) | | 43,124 | - | - | 259,772 | 302,896 |
| Cumulative interest rate sensitivity gap | | 43,124 | - | - | | |

**20.1.3 Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified on the Statement of Assets and Liabilities as 'fair value through profit or loss. To manage it's price risk arising from investments in equity securities, the Fund diversifies it's portfolio within eligible stocks. The Fund's constitutive document / NBFC Regulations, 2008 also limit investment in individual equity securities of not more than 10% of net assets of the Fund or issued capital of the investee company and sector exposure limit to 35% of net assets.

In case of 5% increase / (decrease) in price of all shares held by Fund at the year end, net loss for the year would decrease/ increase by Rs 10.89 million (2018: Rs 12.91 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

**20.2 Credit risk**

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from saving with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

**Management of credit risk**

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled (paid) upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the balances in saving accounts with Banks with which the Fund has kept such balances as at June 30, 2019:

| Name of the bank | Balance as at June 30, 2019 | Latest available published rating as at June 30, 2019 | Rating agency |
|---|---|---|---|
| | Rupees in '000 | | |
| MCB Bank Limited | 256 | AAA | PACRA |
| Habib Bank Limited | 4,083 | AAA | JCR - VIS |
| JS Bank Limited | 22,749 | AA- | PACRA |
| Soneri Bank Limited | 59 | AA- | PACRA |
| | 27,147 | | |

| Name of the bank | Balance as at June 30, 2018 | Latest available published rating as at June 30, 2018 | Rating agency |
|---|---|---|---|
| | Rupees in '000 | | |
| MCB Bank Limited | 4,765 | AAA | PACRA |
| Habib Bank Limited | 33 | AAA | JCR - VIS |
| JS Bank Limited | 38,291 | AA- | PACRA |
| Soneri Bank Limited | 59 | AA- | PACRA |
| | 43,148 | | |

**20.2.1** The analysis below summarizes the credit quality of the Fund’s credit exposure:

| Rating by rating category | 2019 | 2018 |
|---|---|---|
| | ---------- (Percentage) ---------- | |
| AAA | 16 | 11 |
| AA- | 84 | 89 |

**Concentration of credit risk**

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's major bank balances are held with JS Bank Limited and MCB Bank Limited. Management believes that such bank are reputed institutions.

### 20.3 Liquidity risk

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

The Fund is exposed to daily cash redemption, if any, at the option of unit holders. The Fund's approach to manage liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation. It's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

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

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current year.
The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| Particulars | As at June 30, 2019 | | | |
|---|---|---|---|---|
| | Up to three months | Over three months and up to one year | Over one year | Total |
| | ----------- Rupees in '000 ------------ | | | |
| Financial liabilities | | | | |
| Payable to the Management Company | 692 | - | - | 692 |
| Payable to the Trustee | 63 | - | - | 63 |
| Accrued expenses and other liabilities | 351 | 154 | - | 505 |
| Payable against redemption of units | 82 | - | - | 82 |
| | 1,188 | 154 | - | 1,342 |

| Particulars | As at June 30, 2018 | | | |
|---|---|---|---|---|
| | Up to three months | Over three months and up to one year | Over one year | Total |
| | ----------- Rupees in '000 ------------ | | | |
| Financial liabilities | | | | |
| Payable to the Management Company | 1,180 | - | - | 1,180 |
| Payable to the Trustee | 62 | - | - | 62 |
| Accrued expenses and other liabilities | 583 | - | - | 583 |
| | 1,825 | - | - | 1,825 |

## 21 UNIT HOLDERS' FUND RISK MANAGEMENT

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

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unit holders;

- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and

- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

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

## 22 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 ( Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs).

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

| | Note | June 30, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | Fair Value | | | |
| | | Fair value through profit or loss - Held for trading | At amortized cost | Other financial assets / liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | | ----------(Rupees in '000)---------- | | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | | |
| Financial assets measured at fair value | 22.1 | | | | | | | | |
| Investments | | | | | | | | | |
| Listed equity securities | | 217,781 | - | 217,781 | 217,781 | - | - | 217,781 | |
| | | 217,781 | - | 217,781 | 217,781 | - | - | 217,781 | |
| Financial assets not measured at fair value | 22.2 | | | | | | | | |
| Bank balances | | - | 28,239 | 28,239 | | | | | |
| Dividend and profit receivable | | - | 956 | 956 | | | | | |
| Deposits | | - | 2,600 | 2,600 | | | | | |
| Receivable against sale of investments | | - | 6,012 | 6,012 | | | | | |
| | | - | 37,807 | 37,807 | | | | | |
| Financial liabilities not measured at fair value | 22.2 | | | | | | | | |
| Payable to the Management Company | | - | 692 | 692 | | | | | |
| Payable to the Trustee | | - | 63 | 63 | | | | | |
| Accrued expenses and other liabilities | | - | 505 | 505 | | | | | |
| Payable against redemption of units | | | 82 | 82 | | | | | |
| | | - | 1,342 | 1,342 | | | | | |

| | Note | June 30, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | Fair Value | | | |
| | | Fair value through profit or loss - Held for trading | Loans and receivables | Other financial assets / liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | | ----------(Rupees in '000)---------- | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | |
| Financial assets measured at fair value - Held for trading | 22.1 | | | | | | | | |
| Investments | | | | | | | | | |
| Listed equity securities | | 258,299 | - | - | 258,299 | 258,299 | - | - | 258,299 |
| | | 258,299 | - | | 258,299 | 258,299 | - | - | 258,299 |
| Financial assets not measured at fair value | 22.2 | | | | | | | | |
| Bank balances | | - | 43,148 | - | 43,148 | | | | |
| Dividend and profit receivable | | - | 674 | - | 674 | | | | |
| Deposits | | - | 2,600 | - | 2,600 | | | | |
| | | - | 46,422 | - | 46,422 | | | | |
| Financial liabilities not measured at fair value | 22.2 | | | | | | | | |
| Payable to the Management Company | | - | - | 1,180 | 1,180 | | | | |
| Payable to the Trustee | | - | - | 62 | 62 | | | | |
| Accrued expenses and other liabilities | | - | - | 583 | 583 | | | | |
| | | - | - | 1,825 | 1,825 | | | | |

## 22.1 Valuation techniques

For level 1 investments in respect of equity securities measured at fair value through profit or loss, Fund uses daily quotation rates, which are taken from Pakistan Stock Exchange Limited at reporting date.

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

## 22.3 Transfers during the year

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

## 23 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

**Top ten brokers during the year ended June 30, 2019**

1 Aba Ali Habib Securities (Private) Limited
2 AL Falah Securities (Private) Limited
3 Arif Habib Limited
4 BMA Capital Management Limited
5 DJM Securities (Private) Limited
6 EFG Hermes Pakistan Limited
7 Intermarket Securities Limited
8 JS Global Capital Limited
9 Optimus Capital Management (Private) Limited
10 Topline Securities (Private) Limited

Top ten brokers during the year ended June 30, 2018

1 IGI Finex Securities Limited
2 EFG Hermes Pakistan Limited
3 Al Falah Securities (Private) Limited
4 Habib Metropolitan Financial Services limited
5 Topline Securities (Private) Limited
6 BMA Capital Management Limited
7 Optimus Capital Management (Private) Limited
8 Intermarket Securities Limited
9 DJM Securities (Private) Limited
10 Insight Securities (Private) Limited

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

**Details of members of the investment committee of the Fund as on June 30, 2019 are as follows:**

| S.no. | Name | Designation | Qualification | Experience in years |
|---|---|---|---|---|
| 1 | Farid Ahmed Khan | Chief Executive Officer | CFA, MBA | 26+ years |
| 2 | Mohammad Imran | Chief Investment Officer | MBA - Finance | 19+ years |
| 3 | Jawad Naeem | Heaf of Equities | MBA | 11+ years |
| 4 | Adeel Abdul Wahab | Specialist - Equity | ACCA | 11+ years |
| 5 | Sateesh Balani | Head of Research | CFA, MBA | 8+ years |
| 6 | Noman Ameer * | Manager - Risk | MBA - Finance | 12+ years |

* Employee resigned from the service of the Management Company effective from June 10, 2019

## 25 PATTERN OF UNIT HOLDING

**Pattern of unit holding as at June 30, 2019 is as follows:**

| Category | Number of unit holders | Number of units held | Investment amount | Percentage |
|---|---|---|---|---|
| | As at June 30, 2019 | | | |
| Individuals | 131 | 928,879 | 86,745 | 35.32% |
| Associated Company and Director | 2 | 429,406 | 40,101 | 16.33% |
| Retirement Funds | 2 | 60,924 | 5,690 | 2.32% |
| Banks | 1 | 1,022,050 | 95,446 | 38.86% |
| Trust | 2 | 188,627 | 17,615 | 7.17% |
| Total | 138 | 2,629,886 | 245,597 | 100.00% |

Pattern of unit holding as at June 30, 2018 was as follows:

| Category | Number of unit holders | Number of units held | Investment amount | Percentage |
|---|---|---|---|---|
| | As at June 30, 2018 | | | |
| Individuals | 135 | 1,004,834 | 110,994 | 37.73% |
| Associated Company | 1 | 533,330 | 58,912 | 20.03% |
| Retirement Funds | 3 | 95,217 | 10,517 | 3.58% |
| Banks | 1 | 1,022,050 | 112,896 | 38.38% |
| Trust | 1 | 7,685 | 849 | 0.28% |
| Total | 141 | 2,663,116 | 294,168 | 100.00% |

## 26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

Six meetings of the Board of Directors were held during the year on July 04 ,2018, August 31 , 2018, October 17, 2018, November 14, 2018, February 08, 2019 and April 30, 2019 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

| S.No. | Name of Director | Number of meetings | | | Meetings not attended |
|---|---|---|---|---|---|
| | | Held | Attended | Leave | |
| 1 | Mr. Agha Sher Shah ** | 6 | 5 | 1 | November 14,2018 |
| 2 | Mr. Farid Ahmed Khan *** | 6 | 6 | - | - |
| 3 | Ms. Ava A. Cowasjee * | 6 | 6 | - | - |
| 4 | Mr. Rayomond H. Kotwal * | 6 | 5 | 1 | February 08,2019 |
| 5 | Mr. Rizwan Haider * | 6 | 5 | 1 | November 14,2018 |
| 6 | Mr. Shabbir Hussain Hashmi * | 6 | 6 | - | - |
| 7 | Mr. Shahid Ghaffar * | 6 | 6 | - | - |
| 8 | Mr. Aamir Hasan Irshad **** | 1 | 1 | - | - |

* Completed term and reappointed on April 26, 2019.
** Completed term and reappointed on April 26, 2019. Resigned on June 2, 2019.
*** Completed term and appointed as deemed director effective from April 26, 2019.
**** Appointed on April 26, 2019.

## 27 TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2019 is 3.94% (2018: 3.87%) (YTD) which includes 0.43% (2018: 0.4%) representing Government levy and SECP fee.

## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 29, 2019** by the Board of Directors of the Management Company.

## 29 CORRESPONDING FIGURES

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

## 30 GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

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

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |


# HBL Government Securities Fund

HBL AML Financial annual report 2018-19

**NAME OF FUND** HBL Government Securities Fund

**NAME OF TRUSTEE** Central Depository Company of Pakistan Limited

**NAME OF AUDITORS** BDO Ebrahim & Co. Chartered Accountants.

**NAME OF BANKERS**

Habib Bank Limited
Bank Al-Habib Limited
Habib Metropolitan Bank Limited
Bank Al Falah Limited
Allied Bank Limited
JS Bank Limited
Samba Bank Limited
Zarai Taraqiati Bank Limited
MCB Bank Limited
Soneri Bank Limited
United Bank Limited
Sindh Bank limited
NRSP Microfinance Bank Limited

**Type and Category of Fund**

Open end Sovereign Income Fund

**Investment Objective and Accomplishment of Objective**

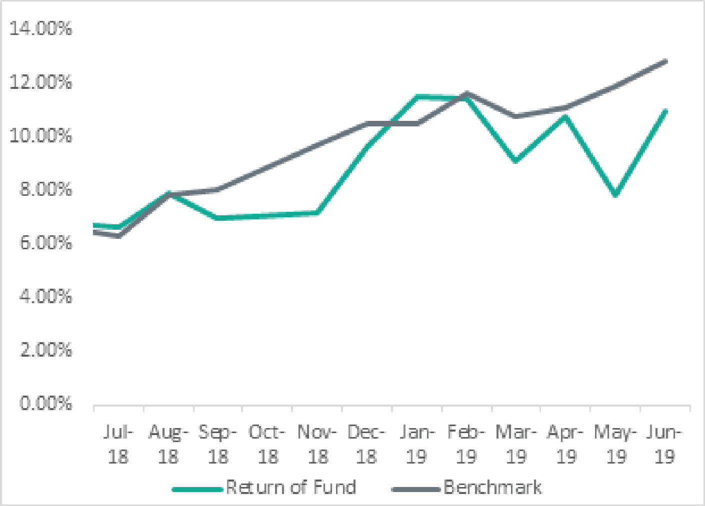
The investment objective of the Fund is to provide consistent returns to its investors through active investments in a blend of short, medium and long term securities issued and / or guaranteed by Government of Pakistan. The Fund will aim to provide superior risk adjusted returns through active duration and liquidity management tools. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is average Six (6) month PKRV Rates.

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

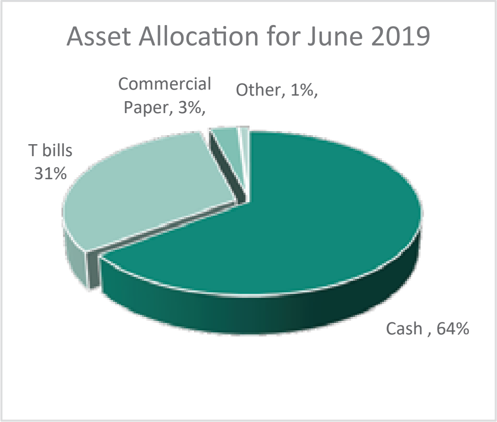
| Month | Return of Fund | Benchmark |
|---|---|---|
| Jun-19 | 10.97% | 12.83% |
| May-19 | 7.81% | 11.90% |
| Apr-19 | 10.74% | 11.07% |
| Mar-19 | 9.07% | 10.78% |
| Feb-19 | 11.43% | 11.63% |
| Jan-19 | 11.51% | 10.51% |
| Dec-18 | 9.59% | 10.49% |
| Nov-18 | 7.14% | 9.67% |
| Oct-18 | 7.87% | 9.00% |
| Sep-18 | 6.97% | 8.03% |
| Aug-18 | 7.89% | 7.85% |
| Jul-18 | 6.65% | 6.30% |




**Strategies and Policies employed during the Year**

During the year, the fund was majorly invested in Government Securities (T-Bills and PIBs) of various tenors. HBL Government Securities Fund posted an annualized return (YTD) of 9.35% compared to peer's average of 6.94% in FY19. HBL GSF was the top performing fund in Government Securities category owing to active portfolio management strategies. During the year, our focus was to take only short term trading positions in both fixed and floating rate PIBs to save the investors from interest rate risk. At the end of the year, exposure in GOP Securities was trimmed to deploy funds at higher profit rates in Daily Product bank accounts. As per the policy, HBL GSF maintained 70% (monthly average) exposure in government securities and remaining exposure in Cash at banks, placements, TFCs, Sukuk and Commercial Papers. Further, bank deposits were maintained only with the high rated banks.

## Asset Allocation




## Significant Changes in Asset Allocation during the Year

During the year under review, HBL Government Securities Fund maintained exposure of 70% on a monthly basis in T-bills and PIBs as per the regulatory requirement. However, towards the Fiscal Year end exposure in Government Securities was trimmed and shifted to Bank deposits to augment the Fund's Return. Exposure in Commercial Paper was also taken to the tune of 3%. Due to above changes in asset allocation, weighted average time to maturity increased to 60 days as compared to 1 day in June' 18. Going forward, we will also increase exposure in Floating Rate PIBs to augment the returns.

## Fund Performance

The total income and net income of the Fund was Rs. 102.24 million and Rs. 82.51 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs. 105.8419 per unit as on June 30, 2019 as compared to Rs. 110.4244 per unit as on June 30, 2018, after incorporating dividend of Rs. 14.45 (Rs. 4.75 for the year ended June 30, 2018 & Rs. 9.70 for the year ended June 30, 2019) per unit, thereby giving an annualized return of 9.35%. During the same year the benchmark (6 Month PKRV Rates) return was 10.01%.The size of Fund was Rs. 2.12 billion as on June 30, 2019 as compared to Rs. 314 million at the start of the year.

## Money Market Review

SBP continued monetary tightening in FY19 to control the rising current account deficit and anchor increasing inflationary pressures.

Yields across all the tenors increased by 469-601 bps during FY19 due to cumulative increase of 525 bps in SBP policy rate in FY19. Secondary market yields of 3, 5 and 10-year PIBs increased by 556, 511 and 469 bps respectively while yields of 3, 6 and 12 month T-Bills increased in tandem by 597, 595 and 593 bps respectively during FY19. Government further raised PKR 674bn through the PIBs auction during FY19 against a target of PKR 950bn due to increased interest from market participants at higher PIB yields. Latest cut-off yields stood at 13.69%, 13.80% and 13.70% for the 3-year, 5-year and 10-year PIBs, respectively.

During the FY19, Government largely managed its borrowing requirements through domestic sources, and largely from central bank. Government retired PKR 893bn from scheduled banks compared to retirement of PKR 210bn during same period last year. Meanwhile, Government borrowing from SBP increased by PKR 2,596bn during the period against borrowing of PKR 1,469bn during same period last year. Moreover, we expect that Government borrowing will shift from SBP towards Commercial banks under IMF program. It is important to note that IMF staff level report suggests that incremental borrowing requirements have to be met via commercial banks as borrowing from SBP will remain limited to avoid indirect inflationary pressures.

In the monetary policy held in May-19, SBP increased the policy rate by a further 150bps to 12.25%. Going forward, we expect that large part of monetary tightening has been done, however upward risk to inflation emanate from higher than expected impact of electricity and gas price hike.

## Distribution

The Fund has distributed cash dividend up-to Rs. 9.70 per unit for the year ended June 30, 2019.

## Significant Changes in the State of Affairs

There were no significant changes in state of affairs of the Fund.

## Breakdown of Unit Holding by Size

| From – To (Number of units) | Number of Unit Holders | Total Number of Units Held |
|---|---|---|
| 1 – 100 | 158 | 7,001 |
| 101 – 500 | 91 | 26,506 |
| 501 – 1,000 | 71 | 60,186 |
| 1,001 – 10,000 | 303 | 1,425,830 |
| 10,001 – 100,000 | 236 | 7,302,212 |
| 100,001 – 500,000 | 33 | 6,945,348 |
| 500,001 – 1,000,000 | 4 | 2,998,726 |
| 1,000,001 – 5,000,000 | 1 | 1,228,946 |
| 5,000,001 and above | - | - |
| **Total** | **897** | **19,994,755** |

**Unit Splits**

There were no unit splits during the year.

**Circumstances materially affecting the Interest of Unit Holders**

Investments are subject to market risk.

**Soft Commission**

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Net assets at the period end(Rs'000) | 2,116,284 | 313,637 | 1,369,950 | 2,114,271 | 1,324,011 | 2,436,787 |
| **NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES** | | | | | | |
| Class C Units | | | | | | |
| Redemption | 105.8419 | 110.4244 | 105.4266 | 105.2098 | 102.9612 | 100.1988 |
| Offer - Class C | 105.8419 | 110.4244 | 105.4265 | 105.2098 | 102.9612 | 100.1988 |
| Offer - Class D | 108.2339 | 112.2961 | 107.2135 | 106.5249 | 104.2482 | 101.4513 |
| **OFFER / REDEMPTION DURING THE PERIOD - RUPEES** | | | | | | |
| Highest offer price per unit - Class C | 115.393 | 110.4244 | 112.4052 | 110.7623 | 112.5040 | 103.0632 |
| Lowest offer price per unit - Class C | 105.7493 | 105.4759 | 105.2610 | 102.9154 | 100.2531 | 100.4070 |
| Highest offer price per unit - Class D | 117.9627 | 112.2482 | 112.6839 | 112.1468 | 113.9103 | 104.3515 |
| Lowest offer price per unit - Class D | 107.5855 | 107.2637 | 106.5768 | 104.2018 | 101.5063 | 101.6621 |
| Highest redemption price per unit | 115.3557 | 110.4244 | 110.8057 | 110.7623 | 112.5040 | 103.0632 |
| Lowest redemption price per unit | 105.7219 | 105.4759 | 105.2610 | 102.9154 | 100.2531 | 100.4070 |
| **RETURN ( % )** | | | | | | |
| Total return | 9.35% | 4.74% | 5.54% | 7.85% | 11.75% | 8.78% |
| Income distribution | 9.70% | 4.75% | 5.60% | 5.85% | 9.00% | 9.20% |
| Capital growth | -0.35% | -0.01% | -0.06% | 2.00% | 2.75% | -0.42% |
| **DISTRIBUTION** | | | | | | |
| First Interim dividend distribution (Rs) | - | - | - | - | - | 1.75 |
| Date of Income Distribution | | | | | | 26-Sep-13 |
| Second Interim dividend distribution (Rs) | - | - | - | - | - | 2.70 |
| Date of Income Distribution | | | | | | 26-Dec-13 |
| Third Interim dividend distribution (Rs) | - | - | - | - | - | 2.40 |
| Date of Income Distribution | | | | | | 28-Mar-14 |
| Fourth Interim dividend distribution (Rs) | - | - | - | 5.85 | 9.00 | 2.35 |
| Date of Income Distribution | | | | 30-Jun-16 | 24-Jun-15 | 25-Jun-14 |
| Final dividend distributation (Rs) | 9.70 | 4.75 | 5.60 | - | - | - |
| Date of Income Distribution | 25-Jun-19 | 04-Jul-18 | 19-Jun-17 | | | |
| Total dividend distribution for the year/ period (Rs) | 9.70 | 4.75 | 5.60 | 5.85 | 9.00 | 9.20 |
| **AVERAGE RETURNS ( % )** | | | | | | |
| Average annual return 1 year | 9.35% | 4.74% | 5.54% | 7.85% | 11.75% | 8.78% |
| Average annual return 2 year | 7.02% | 5.14% | 6.70% | 9.80% | 10.26% | 9.15% |
| Average annual return 3 year | 6.52% | 6.04% | 8.36% | 9.46% | 10.01% | 10.05% |
| **PORTFOLIO COMPOSITION - (%)** | | | | | | |
| Percentage of Total Assets as at 30 June: | | | | | | |
| Bank Balances | 63.60% | 98.68% | 32.35% | 45.00% | 24.00% | 5.00% |
| T-Bills | 31.09% | 0.00% | 2.05% | 3.00% | 3.00% | 10.00% |
| Placement with Banks and DFIs | 0.00% | 0.00% | 13.32% | 10.00% | 0.00% | 15.00% |
| PIBs | 0.00% | 0.00% | 49.46% | 18.00% | 61.00% | 54.00% |
| Commercial Papers | 3.14% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Corporate Sukuks / TFCs | 1.36% | 0.00% | 0.00% | 11.00% | 7.00% | 0.00% |
| MTS / Spread Transactions | 0.00% | 0.02% | 2.07% | 12.00% | 1.00% | 13.00% |
| Others Including receivables | 0.81% | 1.30% | 0.75% | 1.00% | 4.00% | 3.00% |
| Weighted average portfolio during (No. of days) | 1 | 1 | 714 | 406 | 1,023 | 516 |

**Note:**
The Launch date of the Fund is July 25, 2010
Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

Summary of Actual Proxy voted by CIS

| HBL GSF | Meetings | Resolutions | For | Against |
|---|---|---|---|---|
| Number | 7 | 10 | 10 | - |
| (%ages) | | 100% | 100% | - |

(h) AMC did not participate in shareholders' meetings

| Investee Company | AGM Meeting Dt | EOGM Meeting Dt |
|---|---|---|
| Allied Bank Ltd | 14/11/2018)(28/3/2019)(16/5/2019) | 27/08/2018 |
| Amreli Steels Limited | 23/10/2018 | |
| Askari Bank Ltd | 25/3/2019 | |
| AGP Limited | 17/4/2019 | |
| Bank of Punjab | 29/3/2019 | |
| Bank Al Habib Ltd | 27/3/2019 | |
| Bank Alfalah Ltd | 25/09/2018)(28/3/2019) | |
| DG Khan Cement Ltd | 27/10/2018 | 17/4/2019 |
| Engro Corporation Ltd | (3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019) | (25/09/2018)(28/5/2019) |
| Engro Fertilizer Ltd | (2/10/2018)(26/11/2018)(28/3/2019) | 27/5/2019 |
| Engro Polymer & Chemicals Ltd | (18/09/2018)(1/4/2019) | |
| Exide Pakistan Ltd | | |
| Fauji Fertilizer Bin Qasim Ltd | 29/3/2019 | |
| Fauji Fertilizer Co Ltd | (28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019) | |
| Faysal Bank Limited | 28/3/2019 | 07-10-18 |
| Highnoon Lab | 29/4/2019 | 31/08/2018 |
| Habib Bank Limited | (19/09/2018)(17/12/2018)(27/3/2019)(21/6/2019) | 21/6/2019 |
| Hub Power Company Ltd | (5/10/2018)(30/4/2019) | (22/6/2018)(16/4/2019) |
| Hascol Petroleum | (18/09/2018)(19/11/2018)(29/4/2019) | 10-10-18 |
| Indus Motor Company Limited | (16/10/2018)(19/11/2018)(18/3/2019)(17/5/2019) | |
| International Industries Ltd | (28/09/2018)(22/3/2019) | |
| International Steels Limited | (25/09/2018)(22/3/2019) | |
| Kohat Cement Co Ltd | 25/10/2018 | 29/6/2019 |
| Kohinoor Textile Mill Ltd | 27/10/2018)(21/3/2019) | |
| Lucky Cement Ltd | (28/09/2018)(27/10/2018) | |
| Lotte Chemical Pakistan Ltd | (19/11/2018)(18/4/2019) | |
| Maple Leaf Cement Factory | 27/10/2018 | |
| Mughal Iron & Steel Industries | 27/10/2018 | |
| Mari Petroleum Company Ltd | 18/10/2018)(20/3/2019) | |
| Meezan Bank Ltd | 2/10/2018)(28/3/2019)(20/5/2019 | 17/11/2018 |
| MCB Bank Ltd | (28/08/2018)(22/11/2018)(29/3/2019)(23/5/2019) | |
| Mughal iron & Steel | 27/10/2018 | |
| Nishat (Chunian) Ltd | 26/10/2018)(17/4/2019) | 20/08/2018 |
| Nishat Mills Ltd | 27/10/2018)(17/4/2019) | |
| Nishat Chunian Power Ltd | 26/10/2018)(2/4/2019)(23/6/2019) | |
| Oil & Gas Development Co Ltd | (25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019) | |
| Pakgen Power Ltd | 30/4/2019 | 25/10/2018 |
| Pakistan Petroleum Ltd | 26/10/2018 | |
| Pakistan Oilfields Ltd | (25/09/2018)(20/3/2019) | |
| Pakistan State Oil Company Ltd | (02/10/2018)(16/10/2018)(19/6/2019) | |
| Sitara Chemical Ind. | 27/10/2018 | 20/6/2019 |
| Sui Northern Gas Pipeline Ltd | 23/5/2019 | |
| TPL Insurance | (27/09/2018)(16/10/2018)(12/11/2018)(17/4/2019) | |
| Thal Limited | (22/10/2018)(20/3/2019) | |
| The Searle Company Ltd | 22/11/2018 | |
| United Bank Ltd | (18/09/2018)(19/11/2018)(28/3/2019)(16/6/2019)(18/6/2019) | |

**CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED**

**Head Office**
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# TRUSTEE REPORT TO THE UNIT HOLDERS

## HBL GOVERNMENT SECURITIES 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 Government Securities Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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.

**Badiuddin Akber**
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 16, 2019

CENTRAL DEPOSITORY COMPANY

BDO

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## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### Report on the audit of the financial statements

### Opinion

We have audited the financial statements of HBL Government Securities Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Basis for opinion

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

### Key Audit Matters

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

**Following are the Key audit matters:**

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| 1. | **Adoption of IFRS 9**<br><br>Effective July 01, 2018, the Fund changed its accounting policies due to the application of the International Financial Reporting Standard: IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement". | Our audit procedures included the following:<br><br>• Obtained an understanding of the analysis performed by management to identify all significant differences between previous accounting standard and the new accounting standard which can impact the financial statements;<br><br>• Reviewed 'Investment Classification Model' of the management for analysis of 'Business Model' assessment and 'Contractual Cash Flow Characteristics' test for classification of financial assets; |

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| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Management has determined that the significant impact of the new standard on the Fund's financial statements relates to the disclosures required to be made by the new accounting standard in the financial statements.<br><br>The Fund has used the exemption available in IFRS 9 not to restate comparative periods. Accordingly, comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 1, 2018.<br><br>We considered this as a key audit matter since the adoption of the new accounting standard has a significant impact on the financial statements from recognition, classification & measurement and disclosure perspective.<br><br>Refer to note 4.2, which explains the impact of the adoption of the new accounting standard. | • Reviewed management's assessment of the impact of new accounting standard on the Fund's financial statements;<br><br>• Evaluated the key decisions made by the Fund with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standard and assessed their appropriateness based on our understanding of the Fund's business and its operations;<br><br>• Evaluated the adequacy and appropriateness of disclosures made in the financial statements in relation to adoption of the new accounting standard. |
| 2. | **Existence and valuation of investments**<br><br>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2019, the investments held by the Fund comprised of debt instruments amounting to Rs. 1,127.529 million which represent 36% of the total assets of the Fund as at the year end. | Our audit procedures included the following:<br><br>• We tested controls over acquisition, disposals and periodic valuation of debt instruments portfolio and performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement, and related reconciliations and re-performance of debt instruments valuations on the basis of prices provided by the Mutual Fund Association of Pakistan (MUFAP). |

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BDO Ebrahim & Co. Chartered Accountants
BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund.<br><br>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter. | • We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and constitutive documents in relation to the concentration of debt instruments and exposure limits prescribed in such Regulations and documented and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.<br><br>• We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the debt instruments portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of debt instruments are compliant with the relevant accounting standards. |
| 3. | **Recognition, measurement and presentation of 'Element of Income'**<br><br>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.<br><br>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.<br><br>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed. | Our audit procedures included the following:<br><br>• We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".<br><br>• We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.<br><br>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund. |

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realised or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.<br><br>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the NBFC Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter. | • We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto. |

**Other matter**

The financial statements of the Fund for the year ended June 30, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 19, 2018.

**Information other than the financial statements and auditor's report thereon**

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Management Company and its Board of Directors**

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Management Company is responsible for overseeing the Fund's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.

- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

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

KARACHI
DATED: 29 AUG 2019

BDO Ebrahim & Co.
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

## Statement of Assets and Liabilities
*As at June 30, 2019*

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **ASSETS** | | | |
| Bank balances | 5 | 2,013,539 | 332,785 |
| Investments | 6 | 1,127,529 | - |
| Receivable against Margin Trading System | | - | 77 |
| Profit / interest receivable | 7 | 23,146 | 2,054 |
| Deposits, prepayments and other receivables | 8 | 1,718 | 2,310 |
| **TOTAL ASSETS** | | 3,165,932 | 337,226 |
| **LIABILITIES** | | | |
| Payable to the Management Company | 9 | 10,329 | 344 |
| Payable to the Trustee | 10 | 224 | 24 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | 670 | 514 |
| Payable against redemption of units | | 20,774 | 523 |
| Accrued expenses and other liabilities | 12 | 1,017,653 | 22,184 |
| **TOTAL LIABILITIES** | | 1,049,650 | 23,589 |
| **NET ASSETS** | | 2,116,282 | 313,637 |
| **UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)** | | 2,116,282 | 313,637 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | | |
| | | **------- Number of units -------** | |
| Number of units in issue | 14 | 19,994,755 | 2,840,288 |
| | | **------------ Rupees ------------** | |
| Net assets value per unit | | 105.8419 | 110.4244 |

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

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

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Income** | | | |
| Capital gain / (loss) on sale of investments - net | | 1,159 | (135) |
| Income from Government securities | | 18,736 | 14,313 |
| Income from term finance certificates and sukuk bonds | | 2,220 | - |
| Income from commercial papers / term deposit receipts | | 4,468 | 7,535 |
| Income from Margin Trading System | | 153 | 1,892 |
| Profit on bank deposits | | 75,450 | 21,646 |
| | | 102,186 | 45,251 |
| Unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net | 6.3 | 53 | - |
| | | 102,239 | 45,251 |
| **Expenses** | | | |
| Remuneration of the Management Company | 9.1 | 10,705 | 9,262 |
| Sindh Sales Tax on remuneration of the Management Company | 9.2 | 1,392 | |
| Remuneration of the Trustee | 10.1 | 1,273 | 1,049 |
| Annual fee to Securities and Exchange Commission of Pakistan | 11.1 | 670 | 514 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 893 | 685 |
| Selling and marketing expense | 9.4 | 943 | - |
| Auditors' remuneration | 15 | 443 | 443 |
| Fee and subscription | | 388 | 466 |
| Securities transaction cost | | 976 | 1,194 |
| Bank charges | | 361 | 73 |
| Printing charges | | - | 284 |
| | | 18,044 | 13,970 |
| **Net income for the year from operating activities** | | 84,195 | 31,281 |
| Provision for Sindh Workers' Welfare Fund | 12.2 | (1,684) | (626) |
| **Net income for the year before taxation** | | 82,511 | 30,655 |
| Taxation | 16 | - | - |
| **Net income for the year after taxation** | | 82,511 | 30,655 |
| **Allocation of net income for the year** | | | |
| Income already paid on redemption of units | | 25,416 | 16,669 |
| Accounting income available for distribution: | | | |
| Relating to capital gains | | 439 | - |
| Excluding capital gains | | 56,656 | 13,986 |
| | | 57,095 | 13,986 |
| | | 82,511 | 30,655 |
| Earnings per unit | 17 | | |

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

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

**Chief Financial Officer** | **Chief Executive Officer** | **Director**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Net income for the year after taxation** | | 82,511 | 30,655 |
| Other comprehensive income | | | |
| Items that may be reclassified subsequently to income statement | | - | - |
| "Items that will not be reclassified subsequently to income statement" | | - | - |
| **Total comprehensive income for the year** | | 82,511 | 30,655 |

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

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

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Capital value | Undistributed income | Total | Capital value | Undistributed income | Total |
| | -----------------------(Rupees in '000)----------------------- | | | | | |
| **Net assets at beginning of the year** | 229,135 | 84,502 | 313,637 | 1,299,434 | 70,516 | 1,369,950 |
| Issuance of 36,463,226 units (2018: 284,355 units) | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year) | 3,853,322 | - | 3,853,322 | 29,979 | - | 29,979 |
| Element of income | 191,579 | - | 191,579 | 328 | - | 328 |
| **Total proceeds on issuance of units** | 4,044,901 | - | 4,044,901 | 30,307 | - | 30,307 |
| Redemption of 19,308,759 units (2018: 10,438,416 units) | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year) | (2,040,500) | - | (2,040,500) | (1,100,487) | - | (1,100,487) |
| Income already paid on redemption of units | - | (25,416) | (25,416) | - | (16,669) | (16,669) |
| Element of loss | (69,050) | - | (69,050) | (119) | - | (119) |
| **Total payments on redemption of units** | (2,109,550) | (25,416) | (2,134,966) | (1,100,606) | (16,669) | (1,117,275) |
| **Total comprehensive income for the year** | - | 82,511 | 82,511 | - | 30,655 | 30,655 |
| Annual distribution | | | | | | |
| Rs. 4.75 per unit declared on July 04, 2018 as cash dividend | | | | | | |
| Refund of capital | (196) | - | (196) | - | - | - |
| Distribution during the year | - | (13,295) | (13,295) | - | - | - |
| Interim distribution | | | | | | |
| Rs. 9.70 per unit declared on June 25, 2019 as cash dividend | | | | | | |
| Refund of capital | (122,633) | - | (122,633) | - | - | - |
| Distribution during the year | - | (53,677) | (53,677) | - | - | - |
| | (122,829) | 15,539 | (107,290) | - | 30,655 | 30,655 |
| **Net assets at end of the year** | 2,041,657 | 74,625 | 2,116,282 | 229,135 | 84,502 | 313,637 |
| **Undistributed income brought forward** | | | | | | |
| Realised income | | 84,502 | | | 69,776 | |
| Unrealised income | | - | | | 740 | |
| | | 84,502 | | | 70,516 | |
| **Accounting income available for distribution** | | | | | | |
| Relating to capital gains | | 439 | | | - | |
| Excluding capital gains | | 56,656 | | | 13,986 | |
| | | 57,095 | | | 13,986 | |
| **Distributions during the year:** | | | | | | |
| Annual distribution of Rs. 4.75 per unit declared on July 04, 2018 as cash dividend | | (13,295) | | | - | |
| Interim distribution of Rs. 9.70 per unit declared on June 25, 2019 as cash dividend | | (53,677) | | | - | |
| | | (66,972) | | | - | |
| **Undistributed income carried forward** | | 74,625 | | | 84,502 | |
| **Undistributed income carried forward** | | | | | | |
| Realised income | | 74,572 | | | 84,502 | |
| Unrealised income | | 53 | | | - | |
| | | 74,625 | | | 84,502 | |
| | | | (Rupees) | | | (Rupees) |
| Net assets value per unit at beginning of the year | | | 110.4244 | | | 105.4266 |
| Net assets value per unit at end of the year | | | 105.8419 | | | 110.4244 |

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

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

**Chief Financial Officer** | **Chief Executive Officer** | **Director**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| **Net income for the year before taxation** | | 82,511 | 30,655 |
| **Adjustments for:** | | | |
| Income from Government securities | | (18,736) | (14,313) |
| Income from term finance certificates and sukuk bonds | | (2,220) | - |
| Income from commercial papers / term deposit receipts | | (4,468) | (7,535) |
| Income from Margin Trading System | | (153) | (1,892) |
| Profit on bank deposits | | (75,450) | (21,646) |
| Unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net | | (53) | - |
| Capital (gain) / loss on sale of investments - net | | (1,159) | 135 |
| | | (19,728) | (14,596) |
| **(Increase) / decrease in assets** | | | |
| Investments - net | | (125,946) | 1,167,710 |
| Receivable against Margin Trading System | | 77 | 37,184 |
| Deposits, prepayments and other receivables | | 592 | (1,478) |
| | | (125,277) | 1,203,416 |
| **Increase / (decrease) in liabilities** | | | |
| Payable to the Management Company | | 9,985 | (1,529) |
| Payable to the Trustee | | 200 | (448) |
| Payable to Securities and Exchange Commission of Pakistan | | 156 | (938) |
| Accrued expenses and other liabilities | | 9,559 | (6,547) |
| | | 19,900 | (9,462) |
| **Cash (used in) / generated from operations** | | (125,105) | 1,179,358 |
| Income received from Government securities | | 5,494 | 24,005 |
| Income received from term finance certificates and sukuk bonds | | 982 | - |
| Income from commercial papers / term deposit receipts | | 2,245 | 9,008 |
| Income received from Margin Trading System | | 154 | 2,272 |
| Bank profits received | | 55,597 | 20,784 |
| | | 64,472 | 56,069 |
| **Net cash (used in) / generated from operating activities** | | (60,633) | 1,235,427 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Receipts from issue of units | | 4,044,901 | 30,307 |
| Payment against redemption of units | | (2,114,715) | (1,479,572) |
| Dividend paid | | (188,799) | - |
| Net cash generated from / (used in) financing activities | | 1,741,387 | (1,449,265) |
| **Net increase / (decrease) in cash and cash equivalents** | | 1,680,754 | (213,838) |
| **Cash and cash equivalents at the beginning of the year** | | 332,785 | 546,623 |
| **Cash and cash equivalents at end of the year** | 5 | 2,013,539 | 332,785 |

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

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

**Chief Financial Officer** **Chief Executive Officer** **Director**

## 1 LEGAL STATUS AND NATURE OF BUSINESS

HBL Government Securities Fund ("the Fund") was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. NBFC-II/DD/PICICIF/199 dated March 10, 2010 and the Trust Deed was executed on March 17, 2010.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016, HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund For Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

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

The Fund is an open-ended sovereign income scheme and is listed on Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par value of Rs. 100 per unit from December 11, 2010 to December 13, 2010. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The Fund has been categorised as a sovereign income scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.

JCR-VIS Credit Rating Company has assigned a management quality rating of 'AM2+' (AM Two Plus) to the Management Company and assigned stability rating of A+(f) to the Fund as at December 28, 2018 and December 26, 2018, respectively.

Title to the assets of the Fund is 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** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984 and the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except certain investments which are measured at fair value. These financial statements have been prepared by following accrual basis of accounting except for cash flows information.

**2.3 Functional and presentation currency**

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

**2.4 Use of judgments and estimates**

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

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

Classification and valuation of investments

For details please refer notes 4.2.1.1 and 18 to these financial statements.

Impairment of investment

For details please refer notes 4.2.1.2 to these financial statements.

Provision for taxation

For details please refer notes 4.4 and 16 to these financial statements.

Other assets

Judgement is involved in assessing the realisability of other assets balances.

**3 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS**

**3.1 Amendments that are effective in current year and relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

| | | **Effective date (annual periods beginning on or after)** |
|---|---|---|
| Conceptual Framework for Financial Reporting 2018 - Original Issue | | |
| IFRS 7 | Financial Instruments : Disclosures - additional hedge accounting disclosures(and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | March 01, 2018 |

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 9 | Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9 | July 01, 2018 |
| IFRS 9 | Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition | July 01, 2018 |
| IAS 39 | Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception | July 01, 2018 |

**3.2 Amendments that are effective in current year and not relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| IFRS 2 | Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 | Insurance Contracts - amendments regarding the interaction of IFRS 4 and IFRS 9 | January 01, 2018 |
| IFRS 5 | Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | July 01, 2018 |
| IFRS 8 | Amendments regarding the interaction of IFRS 4 and IFRS 9 | January 01, 2018 |
| IFRS 15 | Original issue | July 01, 2018 |
| IFRS 15 | Clarifications to IFRS 15 | July 01, 2018 |
| IAS 40 | Investment Property - amendments to clarify transfers of property to, or from, investment property | January 01, 2018 |

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

| | Effective date (annual periods beginning on or after) |
|---|---|
| Annual Improvements to IFRSs (2014 – 2016) Cycle: | |
| IFRS 1 First-time Adoption of International Financial Reporting Standards | July 01, 2018 |
| IAS 28 Investments in Associates and Joint Ventures | July 01, 2018 |

**3.3 Amendments not yet effective**

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38,IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.

| | | |
|---|---|---|
| IFRS 3 | Business Combinations - amendments to clarify the definition of a business | January 01, 2020 |
| IFRS 8 | Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2020 |
| IFRS 9 | Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities | January 01, 2019 |
| IAS 1 | Presentation of Financial Statements - amendments regarding the definition of materiality | January 01, 2019 |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality | January 01, 2020 |
| IAS 19 | Employee benefits - amendments regarding plan amendments, curtailments or settlements | January 01, 2020 |
| IAS 17 | Amendments regarding plan amendments, curtailments or settlements | January 01, 2019 |
| IAS 28 | Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures | January 01, 2019 |

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual improvements to IFRSs (2015 – 2017) Cycle:

| | | |
|---|---|---|
| IFRS 3 | Business Combinations | January 01, 2019 |
| IFRS 11 | Joint Arrangements | January 01, 2019 |
| IAS 12 | Income Taxes | January 01, 2019 |
| IAS 23 | Borrowing Costs | January 01, 2019 |

**3.4 Standards or interpretations not yet effective**

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

| | | |
|---|---|---|
| IFRS 16 | Leases | January 01, 2019 |

The Funds expects that the adoption of IFRS 16 will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

| | |
|---|---|
| IFRS 1 | First Time Adoption of International Financial Reporting Standards |
| IFRS 14 | Regulatory Deferral Accounts |
| IFRS 17 | Insurance Contracts |

The Funds expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

**4 SIGNIFICANT ACCOUNTING POLICIES**

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

**4.1 Cash and cash equivalents**

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

**4.2 Financial instruments**

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for reporting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

**4.2.1 Financial assets**

**4.2.1.1 Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |

| | |
|---|---|
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at July 1, 2018.

| | Note | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Bank balances | (a) | Loans and receivables | Amortised cost | 332,785 | 332,785 |
| Receivable against Margin Trading System (MTS) | (a) | Loans and receivables | Amortised cost | 77 | 77 |
| Profit / interest receivable | (a) | Loans and receivables | Amortised cost | 2,054 | 2,054 |
| Deposits | (a) | Loans and receivables | Amortised cost | 2,310 | 2,310 |
| | | | | 337,226 | 337,226 |

(a) These financial assets classified as 'loans and receivables' have been classified as 'at amortised cost'.

**4.2.1.2 Impairment of financial assets**

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

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012 dated October 24, 2012 in relation to impairment of debt securities.

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

For financial assets classified as 'at amortized cost', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**4.2.1.3 Transition**

The Fund has used the exemption not to restate comparative periods. Comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 1, 2018. Accordingly, the comparative information does not reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The revocation of previous designations of certain financial assets as measured at FVTPL.

**4.2.1.4 Regular way contracts**

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

**4.2.1.5 Derecognition**

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

**4.2.2 Financial liabilities**

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities.

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**4.2.3 Offsetting of financial assets and liabilities**

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

**4.3 Provisions**

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

**4.4 Taxation**

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

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

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

**4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

**4.6 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received and fund are realized during business hours on that day. The offer price represents the net assets value per unit as of the are close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

**4.7 Element of income**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

**4.8 Net assets value per unit**

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

**4.9 Revenue recognition**

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

- Mark-up / return on Government securities, bank profits and investment in debt securities are recognized at a time apportionment basis using the effective interest method.

- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

- Income on transactions under Margin Trading System is recognised on accrual basis.

**4.10 Expenses**

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

**4.11 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

**4.12 Transactions with related parties / connected persons**

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| **5** | **BANK BALANCES** | | ----------(Rupees in '000)---------- | |
| | Cash at bank | | | |
| | In savings accounts | 5.1 | 2,009,536 | 332,776 |
| | In current account | | 4,003 | 9 |
| | | | 2,013,539 | 332,785 |

**5.1** These accounts carry mark-up at rates ranging between 8.0% and 13.6% (2018: 3.75% and 7.50%) per annum. This includes an amount held by a related party (Habib Bank Limited) amounting to Rs. 140.432 million (2018: Rs. 1.851 million) on which return is earned at 13.6% (2018: 3.75%) per annum.

| | | Note | 2018 | 2017 |
|---|---|---|---|---|
| **6** | **INVESTMENTS** | | ----------(Rupees in '000)---------- | |
| | Financial assets | | | |
| | At fair value through profit or loss | 6.1 | 1,028,205 | - |
| | At amortized cost | 6.2 | 99,324 | - |
| | | | 1,127,529 | - |
| **6.1** | **Financial assets at fair value through profit or loss** | | | |
| | Government securities | | | |
| | Market Treasury Bills | 6.1.1 | 984,996 | - |
| | Pakistan Investment Bonds | 6.1.3 | 89 | - |
| | GoP Ijara Sukuk Certificates | 6.1.5 | - | - |
| | | | 985,085 | - |
| | Term Finance Certificates and Sukuk Bonds | 6.1.6 | 43,120 | - |
| | | | 1,028,205 | - |

### 6.1.1 Financial assets at fair value through profit or loss:
### - Market Treasury Bills

| Issue date | Tenure | Face value | | | | Balance as at June 30, 2019 | | | Market value as a percentage of net assets | Market value as a percentage of total investments |
|---|---|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2018 | Purchases during the year | Sales / matured during the year | As at June 30, 2019 | Carrying value | Market value | Appreciation / (diminution) | | |
| | | -----Rupees in '000----- | | | | | | | | |
| April 26, 2018 | 3 Month | - | 500,000 | 500,000 | - | - | - | - | - | - |
| June 7, 2018 | 3 Month | - | 1,100,000 | 1,100,000 | - | - | - | - | - | - |
| July 19, 2018 | 3 Month | - | 4,813,000 | 4,813,000 | - | - | - | - | - | - |
| August 2, 2018 | 3 Month | - | 3,725,000 | 3,725,000 | - | - | - | - | - | - |
| October 11, 2018 | 3 Month | - | 4,230,000 | 4,230,000 | - | - | - | - | - | - |
| December 6, 2018 | 3 Month | - | 4,950,000 | 4,950,000 | - | - | - | - | - | - |
| January 3, 2019 | 3 Month | - | 300,000 | 300,000 | - | - | - | - | - | - |
| January 17, 2019 | 3 Month | - | 297,000 | 297,000 | - | - | - | - | - | - |
| January 31, 2019 | 3 Month | - | 600,000 | 600,000 | - | - | - | - | - | - |
| February 14, 2019 | 3 Month | - | 8,050,000 | 8,050,000 | - | - | - | - | - | - |
| February 28, 2019 | 3 Month | - | 750,000 | 750,000 | - | - | - | - | - | - |
| May 9, 2019 | 3 Month | - | 2,200,000 | 2,200,000 | - | - | - | - | - | - |
| May 23, 2019 | 3 Month | - | 18,189,400 | 17,189,400 | 1,000,000 | 984,910 | 984,996 | 86 | 46.54% | 87.36% |
| June 10, 2019 | 3 Month | - | 1,000,000 | 1,000,000 | - | - | - | - | - | - |
| Total - as at June 30, 2019 | | - | 50,704,400 | 49,704,400 | 1,000,000 | 984,910 | 984,996 | 86 | 46.54% | 87.36% |
| Total - as at June 30, 2018 | | 37,000 | 29,951,360 | 29,988,360 | - | - | - | - | - | - |

**6.1.2** As at June 30, 2019, Market Treasury Bills (T-bills) had a face value of Rs. 1000 million (2018: Rs. Nil) carrying effective yield of 12.70% per annum (2018: Nil).

### 6.1.3 Financial assets at fair value through profit or loss:
### - Pakistan Investment Bonds

| Issue date | Tenure | Face value | | | | Balance as at June 30, 2019 | | | Market value as a percentage of net assets | Market value as a percentage of total investments |
|---|---|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2018 | Purchases during the year | Sales / matured during the year | As at June 30, 2019 | Carrying value | Market value | Appreciation / (diminution) | | |
| | | -----Rupees in '000----- | | | | | | | | |
| July 17, 2014 | 5 Years | - | 1,400,000 | 1,400,000 | - | - | - | - | - | - |
| April 21, 2016 | 3 Years | - | 2,000,000 | 2,000,000 | - | - | - | - | - | - |
| December 29, 2016 | 3 Years | - | 39,500 | 39,500 | - | - | - | - | - | - |
| May 31, 2018 | 10 Years | - | 50,000 | 50,000 | - | - | - | - | - | - |
| July 12, 2018 | 3 Years | - | 2,262,500 | 2,262,400 | 100 | 91 | 89 | (2) | 0.004% | 0.008% |
| July 12, 2018 | 5 Years | - | 200,000 | 200,000 | - | - | - | - | - | - |
| July 12, 2018 | 10 Years | - | 37,500 | 37,500 | - | - | - | - | - | - |
| August 9, 2018 | 10 Years | - | 800,000 | 800,000 | - | - | - | - | - | - |
| February 21, 2019 | 10 Years | - | 150,000 | 150,000 | - | - | - | - | - | - |
| Total - as at June 30, 2019 | | - | 6,939,500 | 6,939,400 | 100 | 91 | 89 | (2) | 0.004% | 0.008% |
| Total - as at June 30, 2018 | | 850,000 | 1,900,000 | 2,750,000 | - | - | - | - | - | - |

**6.1.4** As at June 30, 2019, face value of investment in Pakistan Investment Bonds (PIBs) was Rs. 0.1 million (2018: Rs. Nil) carrying effective yield of 11.90% per annum (2018: Nil).

### 6.1.5 Financial assets at fair value through profit or loss:
### - GoP Ijara Sukuk Certificates

| Issue details | Tenure | Face value | | | | Balance as at June 30, 2019 | | | Market value as a percentage of net assets | Market value as a percentage of total investments |
|---|---|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2018 | Purchases during the year | Sales / matured during the year | As at June 30, 2019 | Carrying value | Market value | Appreciation / (diminution) | | |
| | | -----Rupees in '000----- | | | | | | | | |
| GOP Ijarah 17 | 3 Years | - | 510,000 | 510,000 | - | - | - | - | - | - |
| GOP Ijarah 18 | 3 Years | - | 125,000 | 125,000 | - | - | - | - | - | - |
| GOP Ijarah 19 | 3 Years | - | 100,000 | 100,000 | - | - | - | - | - | - |
| Total - as at June 30, 2019 | | - | 735,000 | 735,000 | - | - | - | - | - | - |
| Total - as at June 30, 2018 | | - | 665,200 | 665,200 | - | - | - | - | - | - |

**6.1.6 Financial assets at fair value through profit or loss:**
**- Term Finance Certificates and Sukuk Bonds**

| Name of the investee company | Number of units: As at July 1, 2018 | Number of units: Purchases during the year | Number of units: Sales during the year | Number of units: As at June 30, 2019 | As at June 30, 2019: Carrying value | As at June 30, 2019: Market value | As at June 30, 2019: Appreciation / (diminution) | Market value as a percentage of net assets | Market value as a percentage of total investments |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | ---- (Rupees in '000) ---- | | | | |
| **Term finance certificates - unlisted** | | | | | | | | | |
| Water and Power Development Authority | - | 5,040 | 5,040 | - | - | - | - | - | - |
| Askari Bank Limited | - | 7,000 | - | 7,000 | 34,151 | 34,150 | (1) | 1.614% | 3.029% |
| | - | 12,040 | 5,040 | 7,000 | 34,151 | 34,150 | (1) | 1.614% | 3.029% |
| **Sukuk bonds - listed** | | | | | | | | | |
| Dawood Hercules Corporation Limited * | - | 100 | - | 100 | 9,000 | 8,970 | (30) | 0.424% | 0.796% |
| **Sukuk bonds - unlisted** | | | | | | | | | |
| Dawood Hercules Corporation Limited * | - | 150 | 150 | - | - | - | - | - | - |
| Pakistan Energy Sukuk - I | - | 5,000 | 5,000 | - | - | - | - | - | - |
| | - | 5,150 | 5,150 | - | - | - | - | - | - |
| Total - as at June 30, 2019 | - | 17,290 | 10,190 | 7,100 | 43,151 | 43,120 | (31) | 2.038% | 3.825% |
| Total - as at June 30, 2018 | - | - | - | - | - | - | - | - | - |

* Related party (associated company) due to common directorship.

**6.1.7** These Term Finance Certificates and Sukuk Bonds carry mark-up at the rate ranging from 12.30% to 12.67% per annum (2018: Nil).

**6.1.8** Significant terms and conditions of Term Finance Certificates and Sukuk Bonds as at June 30, 2019 are as follows:

| Name of the investee company | Remaining principal (per certificate) | Mark-up rate (per annum) | Issue date | Maturity date |
|---|---|---|---|---|
| | (Rupees in '000) | | | |
| **Term finance certificates - unlisted** | | | | |
| Askari Bank Limited | 4,991 | 6 months KIBOR + 1.20% | 30-Sep-14 | 30-Sep-24 |
| **Sukuk bonds - listed** | | | | |
| Dawood Hercules Corporation Limited | 90,000 | 3 months KIBOR + 1.00% | 16-Nov-17 | 16-Nov-22 |

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| **6.2** | **Financial assets at amortized cost** | | ----------(Rupees in '000)---------- | |
| | Commercial paper | 6.2.1 | 99,324 | - |

**6.2.1 Financial assets at amortized cost :**
**- Commercial paper**

| Name of the investee company | As at July 1, 2018 | Placement made during the year | Income accrued | Matured during the year | As at June 30, 2019 | Percentage of net assets | Percentage of total investment |
|---|---|---|---|---|---|---|---|
| | ---- (Rupees in '000) ---- | | | | | | |
| K - Electric Limited | - | 49,755 | 2,245 | 52,000 | - | - | - |
| The Hub Power Company Limited | - | 97,101 | 2,223 | - | 99,324 | 4.693% | 8.809% |
| Total - as at June 30, 2019 | - | 146,856 | 4,468 | 52,000 | 99,324 | 4.693% | 8.809% |
| Total - as at June 30, 2018 | - | - | - | - | - | - | - |

**6.2.2** Commercial paper issued by The Hub Power Company Limited carries mark-up at the rate of 12.11% (2018: Nil) and will be matured by July 22, 2019.

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| **6.3** | **Net unrealized appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss** | | ----------(Rupees in '000)---------- | |
| | Market value of investments | | 1,028,205 | - |
| | less: Carrying value of investments | | (1,028,152) | - |
| | | | 53 | - |

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| 7 | **PROFIT / INTEREST RECEIVABLE** | | ----------(Rupees in '000)---------- | |
| | Profit / interest receivable on: | | | |
| | Bank deposits | | 21,905 | 2,052 |
| | Pakistan Investment Bonds | | 3 | - |
| | Margin Trading System | | - | 2 |
| | Term Finance Certificates and Sukuk Bonds | 7.1 | 1,238 | - |
| | | | 23,146 | 2,054 |

**7.1** This includes Rs. 0.144 million (2018: Rs. Nil) receivable from Dawood Hercules Corporation Limited, which is a related party due to common directorship.

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| 8 | **DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES** | | ----------(Rupees in '000)---------- | |
| | Security deposits with: | | | |
| | Central Depository Company of Pakistan Limited | | 100 | 100 |
| | National Clearing Company of Pakistan limited | | 767 | 1,450 |
| | | | 867 | 1,550 |
| | Prepaid expenses | 8.1 | 460 | 460 |
| | Advance tax | 8.2 | 391 | 300 |
| | | | 1,718 | 2,310 |

**8.1** This includes prepaid expenses recognized in respect of payment made for rating and MTS fee.

**8.2** The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001.

The Federal Board of Revenue through a circular “C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R” dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2019.

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| 9 | **PAYABLE TO THE MANAGEMENT COMPANY** | | ----------(Rupees in '000)---------- | |
| | Remuneration payable of the Management Company | 9.1 | 2,233 | 262 |
| | Sindh Sales Tax on Management Company's remuneration | 9.2 | 290 | 34 |
| | Sales load payable | | 6,684 | 22 |
| | Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 179 | 26 |
| | Selling and marketing expense payable | 9.4 | 943 | - |
| | | | 10,329 | 344 |

**9.1** As per regulation 61 of NBFC Regulations, 2008 and provision of offering document of the Fund, the Management Company charges a fee at the rate of 1.25% of the average annual net assets on daily basis of the Scheme subject to the guidelines issued by the Commission from time to time.

However, on December 28, 2017, second supplement to the offering document was issued according to which the Management Company was to charge a fee at the rate of 12.5% of gross earnings with floor of 1.00% and cap of 1.25% of the average annual net assets on daily basis of the Scheme effective from January 15, 2018. During the year, the fee is charged at the rate of 1.20% of the daily annual net assets of the Fund. The management fee is being charged accordingly and the fee is payable monthly in arrears.

**9.2** The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2018: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

**9.3** As per regulation 60 (3)(s) of the amended NBFC Regulations 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 the aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year. However, SECP vide S.R.O. 639(I)/2019 dated June 20, 2019 has removed the maximum limit of 0.1%.

**9.4** SECP vide Circular No. 5 of 2018 dated June 4, 2018 prescribed certain conditions on Asset Management Companies (AMC) for charging of selling and marketing expenses to certain collective investment schemes managed by them. Pursuant to the circular, the AMCs are allowed to charge selling and marketing expenses for an initial period of three years (from January 01, 2017 till December 31, 2019) at a maximum cap of 0.4% per annum of net assets of the Fund or actual expenses, whichever is lower. Accordingly, the Management Company has charged 0.4% of the daily net assets of the Fund from May 22, 2019, being the lower amount.

| **10 PAYABLE TO THE TRUSTEE** | **Note** | **2019** | **2018** |
|---|---|---|---|
| | | **----------(Rupees in '000)----------** | |
| Trustee fee payable | 10.1 | 221 | 17 |
| CDS charges payable | | 3 | 7 |
| | | 224 | 24 |

**10.1** The Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff structure specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

**10.2** As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the Trustee fee during the year ended June 30, 2019 is as follows:

| | |
|---|---|
| Up to Rs. 1 billion | 0.15% p.a. of net assets |
| Rs. 1 billion to Rs. 10 billion | Rs. 1.5 million plus 0.075% p.a. of net assets exceeding Rs. 1 billion |
| Over Rs. 10 billion | Rs. 8.25 million plus 0.06% p.a. of net assets exceeding Rs. 10 billion |

**10.3** The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2018: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| | | | ----------(Rupees in '000)---------- | |
| **11** | **PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN** | | | |
| | Annual fee payable | 11.1 | 670 | 514 |

**11.1** Under the provisions of the NBFC Regulations, a collective investment scheme classified as income scheme is required to pay as annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the Fund. The fee is payable annually in arrears.

**12 ACCRUED EXPENSES AND OTHER LIABILITIES**

| | Note | 2019 | 2018 |
|---|---|---|---|
| Provision for Federal Excise Duty | 12.1 | 15,531 | 15,531 |
| Provision for Sindh Workers' Welfare Fund | 12.2 | 7,648 | 5,964 |
| Withholding tax payable | | 7,708 | 10 |
| Auditors' remuneration | | 282 | 312 |
| Printing charges | | 183 | 216 |
| Payable against purchase of investment | | 984,910 | - |
| Zakat payable | | 232 | 142 |
| Dividend payable | | 1,002 | - |
| Others | | 157 | 9 |
| | | 1,017,653 | 22,184 |

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

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

The Finance Act, 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no FED is levied for the years ended June 30, 2019, June 30, 2018 and June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has retained a provision for FED on remuneration of Management Company, aggregating to Rs. 15.531 million (2018: Rs. 15.531 million). Had the provision not been provided for, the net asset value per unit as at June 30, 2019 would have been higher by Re. 0.7767 (2018: Rs. 5.4681) per unit.

**12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund**

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

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which were issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

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

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

- The Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and

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

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

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

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

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 14.183 million and started recognising provision for SWWF.

As at June 30, 2019, the provision in relation to SWWF amounted to Rs. 7.648 million (2018: Rs. 5.964 million). Had the provision not been provided for, the net asset value per unit as at June 30, 2019 would have been higher by Re. 0.3825 (2018: Rs. 2.10) per unit.

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2019 (2018: Nil).

| 14 NUMBER OF UNITS IN ISSUE | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Total units in issue at the beginning of the year | | 2,840,288 | 12,994,349 |
| Add: Units issued | | 36,463,226 | 284,355 |
| Less: Units redeemed | | (19,308,759) | (10,438,416) |
| Total units in issue at the end of the year | | 19,994,755 | 2,840,288 |

| 15 AUDITORS' REMUNERATION | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Annual audit fee | | 240 | 240 |
| Fee for half yearly review | | 135 | 135 |
| Other certifications and out of pocket expenses | | 68 | 68 |
| | | 443 | 443 |

## 16 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 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. 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. The Fund has not recorded a tax liability in the current year, as the Management Company has distributed at least 90 percent of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) to its unit holders.

## 17 EARNINGS PER UNIT

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

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

| Particulars | ---------------- As at June 30, 2019 ---------------- | | |
|---|---|---|---|
| | Fair value through profit or loss | Amortized cost | Total |
| | ----------------------Rupees in '000'---------------------- | | |
| Financial assets | | | |
| Bank balances | - | 2,013,539 | 2,013,539 |
| Investments | | | |
| Market treasury bills | 984,996 | - | 984,996 |
| Pakistan investment bonds | 89 | - | 89 |
| Term finance certificates and corporate sukuk bonds | 43,120 | - | 43,120 |
| Commercial paper | - | 99,324 | 99,324 |
| Profit / interest receivable | - | 23,146 | 23,146 |
| Deposits | - | 867 | 867 |
| | 1,028,205 | 2,136,876 | 3,165,081 |

| Particulars | ---------------- As at June 30, 2019 ---------------- | | |
|---|---|---|---|
| | Fair value through profit or loss | Amortized cost | Total |
| | ----------------------Rupees in '000'---------------------- | | |
| Financial liabilities | | | |
| Payable to the Management Company | - | 10,039 | 10,039 |
| Payable to the Trustee | - | 199 | 199 |
| Payable against redemption of units | - | 20,774 | 20,774 |
| Accrued expenses and other liabilities | - | 986,529 | 986,529 |
| | - | 1,017,541 | 1,017,541 |

| Particulars | ---------------- As at June 30, 2018 ---------------- | | |
|---|---|---|---|
| | Fair value through profit or loss | Loans and receivables | Total |
| | ----------------------Rupees in '000'---------------------- | | |
| Financial assets | | | |
| Bank balances | - | 332,785 | 332,785 |
| Receivable against Margin Trading System | - | 77 | 77 |
| Profit / interest receivable | - | 2,054 | 2,054 |
| Deposits | - | 1,550 | 1,550 |
| | - | 336,466 | 336,466 |

| Particulars | Fair value through profit or loss | Other financial liabilities | Total |
|---|---|---|---|
| | ---------------- As at June 30, 2018 ---------------- | | |
| Financial liabilities | ----------------------Rupees in '000'---------------------- | | |
| Payable to the Management Company | - | 310 | 310 |
| Payable to the Trustee | - | 24 | 24 |
| Payable against redemption of units | - | 523 | 523 |
| Accrued expenses and other liabilities | - | 537 | 537 |
| | - | 1,394 | 1,394 |

## 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

Transactions and balances with parties who were connected persons due to holding 10% or more units in the comparative period and not in the current period are not disclosed in the comparative period.

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

| 19.1 Transactions during the year | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **HBL Asset Management Limited - Management Company** | | |
| Remuneration of Management Company | 9,473 | 8,196 |
| Sindh Sales Tax on remuneration of the Management Company | 1,232 | 1,066 |
| Sales load paid | 7,813 | - |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 893 | 685 |
| Selling and marketing expense | 943 | - |
| Issue of 1,798,049 (2018: Nil) units | 197,195 | - |
| Redemption of 2,714,922 (2018: 847,699) units | 299,608 | 90,000 |
| Dividend paid | 4,355 | - |
| **HBL Asset Management Limited - Employees' Gratuity Fund** | | |
| Redemption of Nil (2018: 3,966) units | - | 428 |
| **HBL Asset Management Limited - Employees' Provident Fund** | | |
| Redemption of Nil (2018: 3,823) units | - | 413 |

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **Jubilee Life Insurance Company Limited - Associated Company due to common Directorship** | | |
| Sale of GoP ijara sukuk | - | 100,000 |
| **Habib Bank Limited - Sponsor** | | |
| Bank charges paid | 290 | 7 |
| Profit on bank deposits earned | 1,328 | 1,509 |
| **HBL Financial Planning Fund Strategic Allocation Plan - Fund under common management** | | |
| Issue of 511,665 (2018: Nil) units | 57,773 | - |
| Redemption of 199,586 (2018: Nil) units | 22,700 | - |
| Dividend paid | 2,773 | - |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Remuneration | 1,273 | 1,049 |
| Central Depository service charges | 18 | 32 |
| **Executives of the Management Company** | | |
| Issue of 158,780 (2018: Nil) units | 17,741 | - |
| Redemption of 135,669 (2018: Nil) units | 15,387 | - |
| Dividend paid | 206 | - |

**19.2 Balance outstanding as at year end**

| | 2019 | 2018 |
|---|---|---|
| **HBL Asset Management Limited - Management Company** | | |
| Remuneration payable to the Management Company | 2,233 | 262 |
| Sindh Sales Tax payable on remuneration of the Management Company | 290 | 34 |
| Sales load payable | 6,684 | 22 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 179 | 26 |
| Selling and marketing expense payable | 943 | - |
| Units held: Nil (2018: 916,873) | - | 101,245 |
| **Habib Bank Limited - Sponsor** | | |
| Bank balances | 144,445 | 1,905 |
| Profit receivable | 343 | - |
| **HBL Financial Planning Fund Strategic Allocation Plan - Fund under common management** | | |
| Units held: 312,079 (2018: Nil) | 33,031 | - |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Remuneration payable | 221 | 17 |
| CDC charges payable | 3 | 7 |
| Security deposit | 100 | 100 |
| **Executives of the Management Company** | | |
| Units held: 23,111 (2018: Nil) | 2,446 | - |

## 20 FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as Government securities, spread transactions and in other money market instruments. These activities expose the Fund to a variety of financial risks, such as: market risk, credit risk and liquidity risk.

### 20.1 Market risk

Market risk is a risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

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

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

#### 20.1.1 Currency risk

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

#### 20.1.2 Interest rate risk

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

**a) Cash flow interest rate risk**

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 8.0% to 13.6% per annum, and certain investments.

In case of 100 basis points increase / decrease in interest rates on June 30, 2019, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 20.536 million (2018: Rs. 3.328 million).

**b) Fair value interest rate risk**

The Fund's investment in Market Treasury Bills, GoP Ijara Sukuk and Pakistan Investment Bonds, Term Finance Certificates and Sukuk Bonds expose it to fair value interest rate risk.

In case of 100 basis points increase in rates announced by the Financial Market Association on June 30, 2019, with all other variables held constant, the net income for the year and the net assets would be lower by Rs. 10.282 million (2018: Nil). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2018, with all other variables held constant, the net income for the year and the net assets would be higher by Rs. 10.282 million (2018: Nil).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

| | | As at June 30, 2019 | | | | |
|---|---|---|---|---|---|---|
| | | Exposed to Yield / Interest rate risk | | | | |
| | Effective yield / interest rate | Upto three months | More than three months and upto one year | More than one year | Not exposed to Yield / Interestrate risk | Total |
| | | (Rupees in '000) | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 8.0 - 13.6 | 2,009,536 | - | - | 4,003 | 2,013,539 |
| Investments | | | | | | |
| Market treasury bills | 10.70 | 984,996 | - | - | - | 984,996 |
| Pakistan investment bonds | 12.16 | - | - | 89 | | 89 |
| Term finance certificates and corporate sukuk bonds | 12.30 - 12.67 | - | - | 43,120 | - | 43,120 |
| Commercial paper | 12.11 | 99,324 | - | - | - | 99,324 |
| Profit / interest receivable | | - | - | - | 23,146 | 23,146 |
| Deposits | | - | - | - | 867 | 867 |
| Sub total | | 3,093,856 | - | 43,209 | 28,016 | 3,165,081 |
| Financial liabilities | | | | | | |
| Payable to the Management Company | | - | - | - | 10,039 | 10,039 |
| Payable to the Trustee | | - | - | - | 199 | 199 |
| Payable against redemption of units | | - | - | - | 20,774 | 20,774 |
| Accrued expenses and other liabilities | | - | - | - | 986,529 | 986,529 |
| Sub total | | - | - | - | 1,017,541 | 1,017,541 |
| On-balance sheet gap (a) | | 3,093,856 | - | 43,209 | (989,525) | 2,147,540 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total interest rate sensitivity gap (a) + (b) | | 3,093,856 | - | 43,209 | (989,525) | 2,147,540 |
| Cumulative interest rate sensitivity gap | | 3,093,856 | - | 43,209 | | |

| | | As at June 30, 2018 | | | | |
|---|---|---|---|---|---|---|
| | | Exposed to Yield / Interest rate risk | | | | |
| | Effective yield / interest rate | Upto three months | More than three months and upto one year | More than one year | Not exposed to Yield / Interestrate risk | Total |
| | | (Rupees in '000) | | | | |
| On-balance sheet financial instruments | | | | | | |
| Financial assets | | | | | | |
| Bank balances | 3.75 - 7.50 | 332,776 | - | - | 9 | 332,785 |
| Investments | | | | | | |
| Market treasury bills | | - | - | - | - | - |
| Pakistan investment bonds | | - | - | - | - | - |
| Term finance certificates and corporate | | | | | | - |
| sukuk bonds | | - | - | - | - | - |
| Commercial paper | | - | - | - | - | - |
| Receivable against Margin Trading System | | - | - | - | 77 | 77 |
| Profit / interest receivable | | - | - | - | 2,054 | 2,054 |
| Deposits | | - | - | - | 1,550 | 1,550 |
| Sub total | | 332,776 | - | - | 3,690 | 336,466 |
| Financial liabilities | | | | | | |
| Payable to the Management Company | | - | - | - | 310 | 310 |
| Payable to the Trustee | | - | - | - | 24 | 24 |
| Payable against redemption on units | | - | - | - | 523 | 523 |
| Accrued expenses and other liabilities | | - | - | - | 537 | 537 |
| Sub total | | - | - | - | 1,394 | 1,394 |
| On-balance sheet gap (a) | | 332,776 | - | - | 2,296 | 335,072 |
| Off-balance sheet financial instruments | | - | - | - | - | - |
| Off-balance sheet gap (b) | | - | - | - | - | - |
| Total interest rate sensitivity gap (a) + (b) | | 332,776 | - | - | 2,296 | 335,072 |
| Cumulative interest rate sensitivity gap | | 332,776 | - | - | | |

**20.1.3 Price risk**

Price risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk as at reporting date.

**20.2 Credit risk**

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to loans and receivables and bank balances. Bank balances are maintained with a reasonably high credit rated banks. All transactions for receivables against Margin Trading System are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein.

**20.2.1** The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2019:

| | ---------------- As at June 30, 2019 ---------------- | | |
|---|---|---|---|
| **Particulars** | **Balances held by the Fund as at June 30, 2019** | **Latest available published rating as at June 30, 2019** | **Rating agency** |
| Balances with banks by rating category | ----------------------Rupees in '000'---------------------- | | |
| Allied Bank Limited | 337 | AAA | PACRA |
| Bank Al Falah Limited | 25 | AA+ | JCR-VIS |
| Habib Metro Bank Limited | 10 | AA+ | PACRA |
| JS Bank Limited | 389,414 | AA- | PACRA |
| Zarai Taraqiati Bank Limited | 1,447,231 | AAA | JCR-VIS |
| Samba Bank Limited | 11 | AA | JCR-VIS |
| Sindh Bank Limited | 10 | A+ | JCR-VIS |
| NRSP Bank Limited | 11 | A+ | PACRA |
| United Bank Limited | 34 | AAA | JCR-VIS |
| Soneri Bank Limited | 31,956 | AA- | PACRA |
| MCB Bank Limited | 45 | AAA | PACRA |
| Habib Bank Limited | 144,445 | AAA | JCR-VIS |
| Bank Al Habib Limited | 10 | AA+ | PACRA |
| | 2,013,539 | | |
| Investments by rating category | | | |
| Term finance certificates - unlisted | | | |
| Askari Bank Limited | 34,150 | AA+ | PACRA |
| Corporate sukuk bonds - listed | | | |
| Dawood Hercules Corporation Limited | 8,970 | AA | PACRA |
| | 43,120 | | |
| Total | 2,056,659 | | |

| Particulars | ---------------- As at June 30, 2018 ---------------- | | |
|---|---|---|---|
| | Balances held by the Fund as at June 30, 2019 | Latest available published rating as at June 30, 2018 | Rating agency |
| Balances with banks by rating category | ----------------------Rupees in '000'---------------------- | | |
| Allied Bank Limited | 14 | AAA | PACRA |
| Bank Al Falah Limited | 137 | AA+ | JCR-VIS |
| Habib Metro Bank Limited | 3 | AA+ | PACRA |
| JS Bank Limited | 330,211 | AA- | PACRA |
| Zarai Taraqiati Bank Limited | 42 | AAA | JCR-VIS |
| Samba Bank Limited | 22 | AA | JCR-VIS |
| Sindh Bank Limited | 10 | AA | JCR-VIS |
| NRSP Bank Limited | 10 | AAA | PACRA |
| United Bank Limited | 33 | AAA | JCR-VIS |
| Soneri Bank Limited | 141 | AA- | PACRA |
| MCB Bank Limited | 214 | AAA | PACRA |
| Habib Bank Limited | 1,905 | AAA | JCR-VIS |
| Bank Al Habib Limited | 43 | AA+ | PACRA |
| | 332,785 | | |

**20.2.2** The analysis below summarizes the credit quality of the Fund’s credit exposure:

| Rating by rating category | **2019** | **2018** |
|---|---|---|
| | **---------- (Percentage) ----------** | |
| AAA | 77.41 | 0.67 |
| AA+ | 1.663 | 0.05 |
| AA | 0.437 | 0.01 |
| AA- | 20.49 | 99.27 |
| A+ | 0.001 | - |

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in Government securities and bank balances, while the remaining transactions are entered into with diverse credit-worthy counterparties, thereby mitigating any significant concentration of credit risk to counterparties other than the Government.

**20.3 Liquidity risk**

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in Government securities and term deposit receipts which can be readily disposed / encashed and are considered readily realisable.

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

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

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

| | **--------------As at June 30, 2019 --------------** | | | |
|---|---|---|---|---|
| | **Upto three months** | **More than three months and upto one year** | **More than one year** | **Total** |
| | **-----------------(Rupees in '000)-----------------** | | | |
| Financial liabilities | | | | |
| Payable to the Management Company | 10,039 | - | - | 10,039 |
| Payable to the Trustee | 199 | - | - | 199 |
| Payable against redemption of units | 20,774 | - | - | 20,774 |
| Accrued expenses and other liabilities | 986,529 | - | - | 986,529 |
| | 1,017,541 | - | - | 1,017,541 |

| | --------------As at June 30, 2018 -------------- | | | |
|---|---|---|---|---|
| | Upto three months | More than three months and upto one year | More than one year | Total |
| | -----------------(Rupees in '000)----------------- | | | |
| Financial liabilities | | | | |
| Payable to the Management Company | 310 | - | - | 310 |
| Payable to the Trustee | 24 | - | - | 24 |
| Payable against redemption of units | 523 | - | - | 523 |
| Accrued expenses and other liabilities | 537 | - | - | 537 |
| | 1,394 | - | - | 1,394 |

## 21 UNITS HOLDERS' FUND RISK MANAGEMENT

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

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unit holders;

- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and

- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

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

## 22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 ( Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and

- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

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

| | Note | June 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | Fair Value | | | |
| | | Fair value through profit or loss - Held for trading | Amortized cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | | ----------(Rupees in '000)---------- | | | | | | |
| On-balance sheet financial instruments | | | | | | | | |
| Financial assets measured at fair value | 22.1 | | | | | | | |
| Market treasury bills | | 984,996 | - | 984,996 | - | 984,996 | - | 984,996 |
| Pakistan investment bonds | | 89 | - | 89 | - | 89 | - | 89 |
| Term finance certificates and corporate sukuk bonds | | 43,120 | - | 43,120 | - | 43,120 | - | 43,120 |
| | | 1,028,205 | - | 1,028,205 | - | 1,028,205 | - | 1,028,205 |
| Financial assets not measured at fair value | 22.2 | | | | | | | |
| Bank balances | | - | 2,013,539 | 2,013,539 | | | | |
| Commercial paper | | - | 99,324 | 99,324 | | | | |
| Profit / interest receivable | | - | 23,146 | 23,146 | | | | |
| Deposits | | - | 867 | 867 | | | | |
| | | - | 2,136,876 | 2,136,876 | | | | |
| Financial liabilities not measured at fair value | 22.2 | | | | | | | |
| Payable to Management Company | | - | 10,039 | 10,039 | | | | |
| Payable to the Trustee | | - | 199 | 199 | | | | |
| Payable against redemption of units | | - | 20,774 | 20,774 | | | | |
| Accrued expenses and other liabilities | | - | 986,529 | 986,529 | | | | |
| | | - | 1,017,541 | 1,017,541 | | | | |

| | Note | June 30, 2018 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | Fair Value | | |
| | | Fair value through profit or loss - Held for trading | Amortized cost | Other financial liabilities | Total | Level 2 | Level 3 | Total |
| | | ----------(Rupees in '000)---------- | | | | | | |
| On-balance sheet financial instruments | | | | | | | | |
| Financial assets not measured at fair value | 22.2 | | | | | | | |
| Bank balances | | - | 332,785 | - | 332,785 | | | |
| Receivable against margin trading system | | - | 77 | - | 77 | | | |
| Profit / interest receivable | | - | 2,054 | - | 2,054 | | | |
| Deposits | | - | 1,550 | - | 1,550 | | | |
| | | - | 336,466 | - | 336,466 | | | |
| Financial liabilities not measured at fair value | 22.2 | | | | | | | |
| Payable to the Management Company | | - | - | 310 | 310 | | | |
| Payable to the Trustee | | - | - | 24 | 24 | | | |
| Payable against redemption of units | | - | - | 523 | 523 | | | |
| Accrued expenses and other liabilities | | - | - | 537 | 537 | | | |
| | | - | - | 1,394 | 1,394 | | | |

## 22.1 Valuation techniques

For level 2 investments at fair value through profit or loss - investment in respect of Treasury Bills, and Pakistan Investment Bonds, Fund uses the rates which are derived from PKRV rates at reporting date per certificate multiplied by the number of certificates held as at period end and for investment in respect of Term Finance Certificates and Sukuk Bonds, Fund uses the rates prescribed by MUFAP.

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

**22.3 Transfers during the year**

No transfers were made between various levels of fair value hierarchy during the year.

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

Top ten brokers during the year ended June 30, 2019

1 Arif Habib Limited
2 BIPL Securities Limited
3 BMA Capital Management Limited
4 Bright Capital (Private) Limited
5 Invest One Markets Limited
6 JS Global Capital Limited
7 Magenta Capital (Private) Limited
8 Next Capital Limited
9 Optimus Markets (Private) Limited
10 Paramount Capital (Private) Limited

Top ten brokers during the year ended June 30, 2018

1 Paramount Capital (Private) Limited
2 Bright Capital (Private) Limited
3 JS Global Capital Limited
4 Invest Capital Markets Limited
5 Next Capital Limited
6 C & M Management (Private) Limited
7 Invest One Markets Limited
8 BIPL Securities Limited
9 Icon Securities (Private) Limited
10 Summit Capital (Private) Limited

**24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2019 are as follows:

| S.no. | Name | Designation | Qualification | Experience in years |
|---|---|---|---|---|
| 1 | Farid Ahmed Khan | Chief Executive Officer | CFA, MBA | 26+ |
| 2 | Muhammad Imran | Chief Investment Officer | MBA - Finance | 19+ |
| 3 | Faizan Saleem | Head of Fixed Income | MBA - Finance | 11+ |
| 4 | M. Wamiq Sakrani | Specialist - Fixed Income | MBA | 10+ |
| 5 | Sateesh Balani | Head of Research | CFA, MBA | 8+ |
| 6 | Noman Ameer * | Manager Risk | MBA - Finance | 12+ |

* Employee resigned from the service of the company effective from June 10, 2019

## 25 PATTERN OF UNITHOLDING

| Category | Number of unit holders | Unit holding or investment amount | Percentage |
|---|---|---|---|
| | --- As at June 30, 2019 --- | | |
| Individuals | 869 | 1,578,530 | 74.59% |
| Associated Companies and Directors | 1 | 8 | 0.0004% |
| Retirement Funds | 13 | 153,330 | 7.25% |
| Others | 5 | 122,851 | 5.81% |
| Trust | 9 | 261,563 | 12.36% |
| | | 2,116,282 | 100% |

| Category | Number of unit holders | Unit holding or investment amount | Percentage |
|---|---|---|---|
| | --- As at June 30, 2018 --- | | |
| Individuals | 172 | 163,797 | 52.23% |
| Associated Companies and Directors | 1 | 101,245 | 32.28% |
| Retirement Funds | 2 | 8,283 | 2.64% |
| Others | 2 | 36,343 | 11.58% |
| Trust | 1 | 3,969 | 1.27% |
| | | 313,637 | 100% |

## 26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Six meetings of the Board of Directors were held during the year on July 04, 2018, August 31, 2018, October 17, 2018, November 14, 2018, February 08, 2019 and April 30, 2019 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

| S.No | Name of Director | Number of meetings | | | Meetings not attended |
|---|---|---|---|---|---|
| | | Held | Attended | Leave | |
| 1 | Mr. Agha Sher Shah ** | 6 | 5 | 1 | November 14, 2018 |
| 2 | Mr. Farid Ahmed Khan *** | 6 | 6 | 0 | - |
| 3 | Ms. Ava A. Cowasjee * | 6 | 6 | 0 | - |
| 4 | Mr. Rayomond H. Kotwal * | 6 | 5 | 1 | February 8, 2019 |
| 5 | Mr. Rizwan Haider * | 6 | 5 | 1 | November 14, 2018 |
| 6 | Mr. Shabbir Hussain Hashmi * | 6 | 6 | 0 | - |
| 7 | Mr. Shahid Ghaffar * | 6 | 6 | 0 | - |
| 8 | Mr. Aamir Hasan Irshad **** | 1 | 1 | 0 | - |

* Completed term and reappointed on April 26, 2019.
** Completed term and reappointed on April 26, 2019. Resigned on June 2, 2019.
*** Completed term and appointed as deemed director effective from April 26, 2019.
**** Appointed on April 26, 2019.

## 27 TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2019 is 2.21% (2018: 2.13%) which includes 0.44% (2018: 0.34%) representing Government levy and SECP fee.

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 29, 2019** by the Board of Directors of the Management Company.

## 29 CORRESPONDING FIGURES

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

## 30 GENERAL

Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|


# HBL Stock Fund

HBL AML Financial annual report 2018-19

| | |
|---|---|
| **NAME OF FUND** | HBL Stock Fund |
| **NAME OF TRUSTEE** | Central Depository Company of Pakistan Limited |
| **NAME OF AUDITORS** | Deloitte Yousuf Adil, Chartered Accountants. |
| **NAME OF BANKERS** | Habib Bank Limited<br>Allied Bank Limited<br>MCB Bank Limited<br>JS Bank Limited |

**Type and Category of Fund**

Open end Equity Fund

**Investment Objective and Accomplishment of Objective**

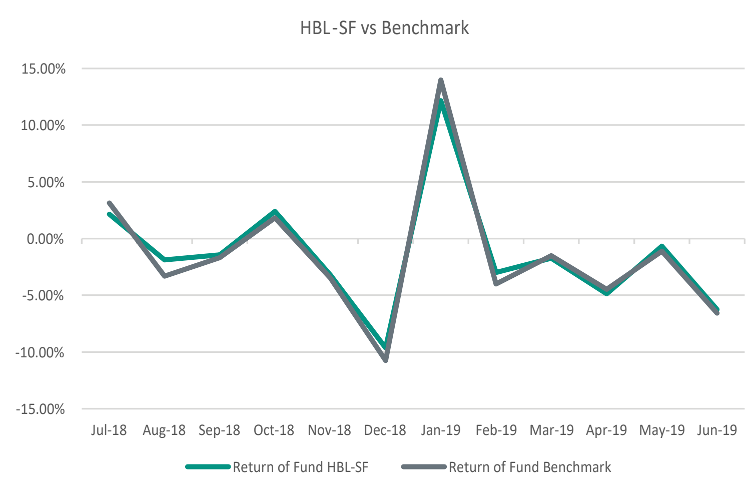
The investment objective of the Fund is to provide long term capital growth by investing primarily in a diversified pool of equities and equity related instruments. The objective of the Fund has been achieved.

**Benchmark and Performance Comparison with Benchmark**

KSE30 (Total Return) Index

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

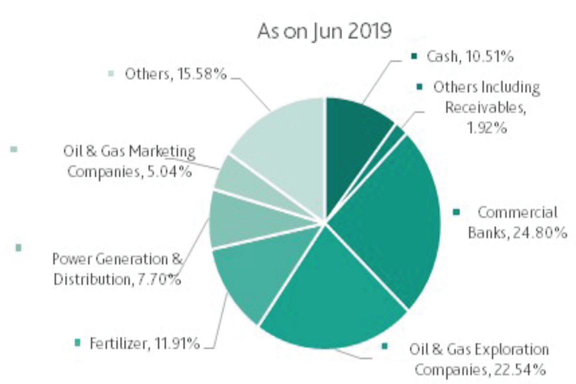
| Month | Return of Fund | |
|---|---|---|
| | HBL-SF | Benchmark |
| Jun-19 | -6.26% | -6.58% |
| May-19 | -0.67% | -1.10% |
| Apr-19 | -4.86% | -4.48% |
| Mar-19 | -1.73% | -1.50% |
| Feb-19 | -3.00% | -4.01% |
| Jan-19 | 12.17% | 14.00% |
| Dec-18 | -9.64% | -10.75% |
| Nov-18 | -3.21% | -3.49% |
| Oct-18 | 2.39% | 1.82% |
| Sep-18 | -1.44% | -1.67% |
| Aug-18 | -1.88% | -3.30% |
| Jul-18 | 2.16% | 3.15% |

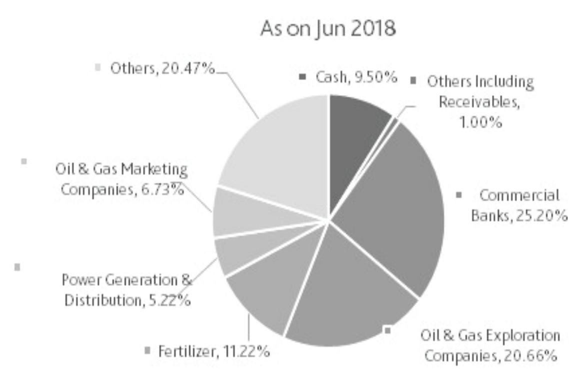



**Strategies and Policies employed during the Year**

During the year under review, the Fund decreased its exposure in equity from 90% of total assets as on June 30, 2018 to 88% of total assets as on June 2019. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in oil & gas exploration companies, fertilizers and power generation & distribution were increased; however exposure in oil & gas marketing companies and commercial banks were decreased.

## Allocation



## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2019 and June 30, 2018:

| Sector Name | As on Jun 2019 | As on Jun 2018 |
|---|---|---|
| Cash | 10.51% | 9.50% |
| Others Including Receivables | 1.92% | 1.00% |
| Commercial Banks | 24.80% | 25.20% |
| Oil & Gas Exploration Companies | 22.54% | 20.66% |
| Fertilizer | 11.91% | 11.22% |
| Power Generation & Distribution | 7.70% | 5.22% |
| Oil & Gas Marketing Companies | 5.04% | 6.73% |
| Others | 15.58% | 20.47% |
| **Total** | **100.00%** | **100.00%** |

## Fund Performance

The Fund incurred a total and net loss of Rs. 542.26 million and Rs. 696.27 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs 89.7221 per unit as on June 30, 2019 as compared to Rs 107.0620 per unit as on June 30, 2018, thereby giving a negative return of 16.20%. During the same year the benchmark KSE 30 index yielded a negative return of 18.18%.The size of Fund was Rs 2.15 billion as on June 30, 2019 as compared to Rs. 5.96 billion at the start of the year.

## Market Review

The market remained under pressure throughout the year owing to weak macroeconomic environment and massive adjustment in currency and interest rates. Lack of clarity on the economic and political front weakened the investors' sentiment leading to flows towards risk free avenues like National Savings schemes and fixed income funds. Investors were also spooked by the FY20 Budget which envisions massive increase in tax revenue, fiscal consolidation and abolishment of subsidies.

The benchmark KSE-100 index recorded 8,009 points decline (-19%) during FY19 to close at 33,902 level. Major decline in the index was contributed by Oil & Gas (Exploration & Production), Cement and Banking sector stocks which caused cumulative attrition of 3,356pts due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive returns during the year. On the flows side, foreigners were the net sellers during the FY19 and sold shares of worth USD356mn, compared to net selling of USD290mn during FY18. However, it is important to note that foreign selling was skewed towards 1HFY19 as foreigners were net buyers in 2HFY19.

Moving ahead, Pakistan equities are expected to remain range bound due to tough macroeconomic environment. However, index heavyweights (Banks E&Ps, and Power) would remain in limelight as results of macroeconomic changes over the last 18 months (50% PKR depreciation and 750 bps cumulative interest rate hike) would start to reflect in earnings in FY20. Thus, we will maintain our strategy focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2019.

## Significant Changes in the State of Affairs

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

Breakdown of Unit Holding by Size

| From – To (No. of units) | No. of Unit Holders | Total No. of Units Held |
|---|---|---|
| 1 – 100 | 89 | 5,084 |
| 101 – 500 | 62 | 18,986 |
| 501 – 1,000 | 31 | 24,666 |
| 1,001 – 10,000 | 112 | 461,778 |
| 10,001 – 100,000 | 57 | 1,533,406 |
| 100,001 – 500,000 | 10 | 2,348,553 |
| 500,001 – 1,000,000 | 2 | 1,112,762 |
| 1,000,001 – 5,000,000 | 2 | 2,677,220 |
| 5,000,001 and above | 2 | 15,741,607 |
| **Total** | **367** | **23,924,062** |

**Unit Splits**

There were no unit splits during the year.

**Circumstances materially affecting the Interest of Unit Holders**

Investments are subject to market risk.

**Soft Commission**

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Net assets at the period end (Rs'000) | 2,146,517 | 5,958,370 | 6,354,672 | 4,519,241 | 4,385,904 | 4,075,082 |
| **NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES** | | | | | | |
| Redemption | 89.7221 | 107.0620 | 121.4498 | 103.6764 | 102.5537 | 105.1183 |
| Offer | 92.2567 | 110.0865 | 124.8822 | 107.1039 | 105.9441 | 108.7203 |
| **OFFER / REDEMPTION DURING THE PERIOD - RUPEES** | | | | | | |
| Highest offer price per unit | 114.7399 | 124.9877 | 149.3050 | 112.7096 | 119.6740 | 150.9164 |
| Lowest offer price per unit | 90.1337 | 98.8279 | 107.4647 | 92.6803 | 99.2063 | 107.9699 |
| Highest redemption price per unit | 111.5876 | 121.5538 | 145.2030 | 109.1027 | 115.8117 | 145.9164 |
| Lowest redemption price per unit | 87.6574 | 96.1127 | 104.5122 | 89.7143 | 96.0045 | 104.4560 |
| **RETURN ( % )** | | | | | | |
| Total return | -16.20% | -11.85% | 23.89% | 2.43% | 8.04% | 27.40% |
| Income distribution | 0.00% | 0.00% | 7.00% | 1.50% | 25.00% | 36.00% |
| Capital growth | -16.20% | -11.85% | 16.89% | 0.93% | -16.96% | -8.60% |
| **DISTRIBUTION** | | | | | | |
| First Interin dividend distribution | | | | | | - |
| Second Interin dividend distribution | | | | | | - |
| Third Interin dividend distribution | | | | | | - |
| Final dividend distributation (Rs) | - | - | 7.00 | 1.50 | 25.00 | 36.00 |
| Date of Income Distribution | - | - | 20-Jun-17 | 27-Jun-16 | 30-Jun-15 | 27-Jun-14 |
| Total dividend distribution for the year/ period (Rs) | - | - | 7.00 | 1.50 | 25.00 | 36.00 |
| **AVERAGE RETURNS ( % )** | | | | | | |
| Average annual return 1 year | -16.20% | -11.85% | 23.89% | 2.43% | 8.04% | 27.40% |
| Average annual return 2 year | -14.05% | 4.51% | 12.67% | - | - | - |
| Average annual return 3 year | -2.91% | 3.82% | 11.15% | - | - | - |
| **PORTFOLIO COMPOSITION - (%)** | | | | | | |
| Percentage of Total Assets as at 30 June: | | | | | | |
| Bank Balances | 11% | 10% | 8% | 1% | 7% | 3% |
| Stock / Equities | 88% | 89% | 87% | 95% | 93% | 74% |
| Placement with Banks and DFIs | 0% | 0% | 0% | 4% | 0% | 0% |
| Others Including Receivables | 2% | 1% | 6% | 0% | 0% | 23% |

**Note:**
The Launch date of the Fund is August 29, 2007

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

Summary of Actual Proxy voted by CIS

| HBL SF | Meetings | Resolutions | For | Against |
|---|---|---|---|---|
| Number | 8 | 10 | 10 | - |
| (%ages) | | 100% | 100% | - |

(h) AMC did not participate in shareholders' meetings

| Investee Company | AGM Meeting Dt | EOGM Meeting Dt |
|---|---|---|
| Allied Bank Ltd | 14/11/2018)(28/3/2019)(16/5/2019) | |
| Adamjee Insurance Co | 27/09/2018)(29/4/2019) | 25/02/2019 |
| Amreli Steels Limited | 23/10/2018 | |
| Askari Bank Ltd | 25/3/2019 | |
| AGP Limited | 17/4/2019 | |
| Bank of Punjab | 29/3/2019 | |
| Bank Al Habib Ltd | 27/3/2019 | |
| Bank Alfalah Ltd | 25/09/2018)(28/3/2019) | |
| DG Khan Cement Ltd | 27/10/2018 | |
| Engro Corporation Ltd | (3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019) | (25/09/2018)(28/5/2019) |
| Engro Fertilizer Ltd | (2/10/2018)(26/11/2018)(28/3/2019) | 27/5/2019 |
| Engro Polymer & Chemicals Ltd | (18/09/2018)(1/4/2019) | |
| Fauji Fertilizer Bin Qasim Ltd | 29/3/2019 | |
| Fauji Fertilizer Co Ltd | (28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019) | |
| Faysal Bank Limited | 28/3/2019 | 07/10/18 |
| Habib Bank Limited | (19/09/2018)(17/12/2018)(27/3/2019)(21/6/2019) | 21/6/2019 |
| Hub Power Company Ltd | (5/10/2018)(30/4/2019) | (16/4/2019) |
| Hascol Petroleum | (19/11/2018) | |
| International Industries Ltd | (28/09/2018)(22/3/2019) | |
| International Steels Limited | (25/09/2018)(22/3/2019) | |
| Kohat Cement Co Ltd | | 29/6/2019 |
| Kohinoor Textile Mill Ltd | 27/10/2018)(21/3/2019) | |
| Lucky Cement Ltd | (28/09/2018)(27/10/2018) | |
| Lotte Chemical Pakistan Ltd | (18/4/2019) | |
| Maple Leaf Cement Factory | 27/10/2018 | |
| Mughal Iron & Steel Industries | 27/10/2018 | |
| Mari Petroleum Company Ltd | 18/10/2018)(20/3/2019) | |
| Meezan Bank Ltd | 2/10/2018) | |
| MCB Bank Ltd | (28/08/2018) | |
| Mughal iron & Steel | 27/10/2018 | |
| Nishat (Chunian) Ltd | 26/10/2018) | 20/08/2018 |
| Nishat Mills Ltd | 27/10/2018)(17/4/2019) | |
| Nishat Chunian Power Ltd | 26/10/2018)(2/4/2019)(23/6/2019) | |
| Oil & Gas Development Co Ltd | (25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019) | |
| Pakgen Power Ltd | 30/4/2019 | |
| Pakistan Petroleum Ltd | 26/10/2018 | |
| Pakistan Oilfields Ltd | (25/09/2018)(20/3/2019) | |
| Pakistan State Oil Company Ltd | (02/10/2018)(16/10/2018)(19/6/2019) | |
| Sitara Chemical Ind. | | 20/6/2019 |
| Sui Northern Gas Pipeline Ltd | 23/5/2019 | |
| Thal Limited | (22/10/2018)(20/3/2019) | |
| The Searle Company Ltd | 22/11/2018 | |
| United Bank Ltd | (18/09/2018)(19/11/2018)(28/3/2019)(16/6/2019)(18/6/2019) | |

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OF PAKISTAN LIMITED
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Karachi - 74400. Pakistan.
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Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

## TRUSTEE REPORT TO THE UNIT HOLDERS

## HBL 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 Stock Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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.

**Badiuddin Akber**
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019

Deloitte.

**Deloitte Yousuf Adil**
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
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# INDEPENDENT AUDITORS' REPORT
# TO THE UNIT HOLDERS OF HBL STOCK FUND

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **HBL Stock Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

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

### Key Audit Matters

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

| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| 1 | **Valuation and existence of investments**<br><br>As disclosed in note 6 to the financial statements, investments amounted to Rs. 1,967 million as at June 30, 2019.<br><br>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and their valuation and existence is a significant area during our audit. There is a risk that appropriate quoted prices may not be used to determine fair value. | We performed the following steps during our audit of investments:<br><br>• independent testing of valuations by obtaining quoted market prices from the Pakistan Stock Exchange Limited and ensuring the existence of number of securities held at reporting date by comparing the internal records with Central |

RM

Member of
**Deloitte Touche Tohmatsu Limited**

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Deloitte Yousuf Adil
Chartered Accountants

| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| | Further, the Fund may have included investments in its financial statements which were not owned by Fund. | Depository Company (CDC) statement;<br>• performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding the weightage average cost of the securities; and<br>• any differences identified during our testing that were over our acceptable threshold were investigated further and reported, if required. |
| 2 | **Adoption of IFRS 9 "Financial Instruments".**<br><br>As disclosed in note 4.2 of the financial statements, from July 01, 2018, the Fund has changed its accounting policies due to the application of the IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement"<br><br>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.<br><br>Management has determined that the most significant impact of the new standard on the Fund's financial statements relates to classification of investment according the business model of the Fund. The requirements relating to impairment model have been deferred by SECP letter SCD/AMCW/RS/MUFAP/2017-148.<br><br>Management also assessed the additional disclosure required to be made by the new accounting standard in the financial statement.<br><br>We considered this as a key audit matter since the adoption of the new accounting standards has a material impact on the financial statements due to the judgments involved in the assessment of classification of financial assets. | We have performed the following audit procedures:<br><br>• Reviewed management's impact assessment and evaluated the management key decisions with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standards and assessed their appropriateness based on business model;<br>• Reviewed the classification of investment by management and ensured that it is in accordance with the business model;<br>• Evaluate and tested the adjustment, if any, recorded in financial statement in accordance with the change; and<br>• Evaluated the adequacy and appropriateness of disclosure made in the financial statements. |

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

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

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Deloitte Touche Tohmatsu Limited

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.

- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going

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**Deloitte Yousuf Adil**
Chartered Accountants

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

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

Deloitte Yousuf Adil
**Chartered Accountants**

**Date:** September 27, 2019
**Place:** Karachi

Member of
**Deloitte Touche Tohmatsu Limited**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Assets** | | | |
| Bank balances | 5 | 236,034 | 577,518 |
| Investments | 6 | 1,967,158 | 5,442,731 |
| Dividend receivable and accrued mark-up | 7 | 4,340 | 15,470 |
| Receivable against sale of investments | | 36,022 | 43,063 |
| Advances and deposits | 8 | 3,029 | 3,029 |
| **Total assets** | | 2,246,583 | 6,081,811 |
| **Liabilities** | | | |
| Payable to the Management Company | 9 | 7,124 | 23,982 |
| Payable to the Trustee | 10 | 302 | 658 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | 4,181 | 5,547 |
| Payable against purchase of investments | | 13,603 | 17,010 |
| Accrued expenses and other liabilities | 12 | 74,856 | 76,244 |
| **Total liabilities** | | 100,066 | 123,441 |
| **Net assets** | | 2,146,517 | 5,958,370 |
| **Unit holders' fund (as per statement attached)** | | 2,146,517 | 5,958,370 |
| **Contingencies and commitments** | 13 | | |
| | | **------- Number of units -------** | |
| **Number of units in issue** | 17 | 23,924,062 | 55,653,438 |
| | | **------------ Rupees ------------** | |
| **Net assets value per unit** | | 89.7221 | 107.0620 |

The annexed notes 1 to 31 form an integral part of these financial statements.

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

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |

## Income Statement

*For the year ended June 30, 2019*

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Income** | | | |
| Dividend income | | 190,545 | 262,957 |
| Mark-up on deposits with banks | | 46,647 | 48,219 |
| Mark-up / return on investments | | 535 | 761 |
| Capital loss on sale of investments - net | | (433,840) | (34,660) |
| Unrealised diminution on re-measurement of investments classified 'at fair value through profit or loss - net | | (346,147) | (74,961) |
| | | (542,260) | 202,316 |
| Impairment loss on equity securities classified as available-for-sale | | - | (294,671) |
| **Total loss** | | (542,260) | (92,355) |
| **Expenses** | | | |
| Remuneration of the Management Company | 9.1 & 9.2 | 99,456 | 131,917 |
| Remuneration of the Trustee | 10.2 | 6,103 | 7,726 |
| Annual fee to Securities and Exchange Commission of Pakistan | 11.1 | 4,181 | 5,547 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 4,401 | 5,837 |
| Selling and marketing expenses | 9.4 | 17,603 | 23,349 |
| Securities transaction costs | | 17,195 | 10,936 |
| Auditors' remuneration | 14 | 656 | 611 |
| Settlement and bank charges | | 2,152 | 2,065 |
| Fee and subscription | | 2,262 | 1,448 |
| Printing and stationary | | - | 174 |
| Other advisory fee | | - | 62 |
| **Total expenses** | | 154,009 | 189,672 |
| **Net loss from operating activities** | | (696,269) | (282,027) |
| Element of income and capital gains included in prices of units issued less those in units redeemed - net | | - | - |
| Reversal of provision for Workers' Welfare Fund | 12.2 | - | - |
| Provision for Sindh Workers' Welfare Fund | 12.2 | - | - |
| | | - | - |
| Net loss for the year before taxation | | (696,269) | (282,027) |
| Taxation | 15 | - | - |
| Net loss for the year after taxation | | (696,269) | (282,027) |
| Allocation of income for the year | | | |
| Income already paid on redemption of units | | - | - |
| Accounting income available for distribution: | | | |
| - Relating to capital gains | | - | - |
| - Excluding capital gains | | - | - |
| | | - | - |
| | | (696,269) | (282,027) |
| **Earnings per unit** | 16 | | |

The annexed notes 1 to 31 form an integral part of these financial statements.

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

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **Net loss for the year after taxation** | (696,269) | (282,027) |
| **Other comprehensive income for the year** | | |
| **Items that will be reclassified subsequently to income statement in subsequent year** | | |
| Unrealised loss on re-measurement of investments classified as available-for-sale | - | (12,398) |
| Net reclassification adjustments relating to available-for-sale financial assets | - | (472,835) |
| | | (485,233) |
| **Total comprehensive loss for the year** | (696,269) | (767,260) |

The annexed notes 1 to 31 form an integral part of these financial statements.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

| | For the year ended June 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2019 | | | | 2018 | | | |
| | (Rupees in '000) | | | | | | | |
| | **Capital value** | **Undistributed income (Accumulated loss)** | **Unrealised income / (loss) on investment** | **Total** | Capital value | Undistributed income (Accumulated loss) | Unrealised income / (loss) on investment | Total |
| **Net assets at beginning of the year** | 6,270,547 | (378,651) | 66,474 | 5,958,370 | 5,899,589 | (96,624) | 551,707 | 6,354,672 |
| Adoption of IFRS 9 | | 66,474 | (66,474) | - | | | | |
| Issuance of 10,306,937 units (2018: 16,694,964 units) | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | 1,103,482 | - | - | 1,103,482 | 2,027,600 | - | - | 2,027,600 |
| - Element of loss | (56,117) | - | - | (56,117) | (191,455) | - | - | (191,455) |
| Total proceeds on issuance of units | 1,047,364 | - | - | 1,047,364 | 1,836,145 | | | 1,836,145 |
| Redemption of 42,036,313 units (2018: 13,364,987 units) | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | (4,500,493) | - | - | (4,500,493) | (1,623,175) | - | - | (1,623,175) |
| - Element of income | 337,545 | - | - | 337,545 | 157,988 | - | - | 157,988 |
| Total payment on redemption of units | (4,162,948) | - | - | (4,162,948) | (1,465,187) | | - | (1,465,187) |
| Element of loss and capital gain included in prices of units issued less those in units redeemed - net | - | - | - | - | - | - | | |
| Net loss for the year after taxation | - | (696,269) | - | (696,269) | - | (282,027) | - | (282,027) |
| Other comprehensive loss for the year | - | - | - | - | - | - | (485,233) | (485,233) |
| Total comprehensive loss for the year | - | (696,269) | - | (696,269) | - | (282,027) | (485,233) | (767,260) |
| **Net assets at end of the year** | 3,154,963 | (1,008,446) | - | 2,146,517 | 6,270,547 | (378,651) | 66,474 | 5,958,370 |
| **(Accumulated loss) / undistributed income brought forward** | | | | | | | | |
| - Realised | | (378,651) | | | | (96,624) | | |
| - Unrealised | | - | | | | - | | |
| | | (378,651) | | | | (96,624) | | |
| Adoption of IFRS 9 | | 66,474 | | | | | | |
| Net loss for the year | | (696,269) | | | | (282,027) | | |
| Element of income and capital gains included in prices of units issued less those in units redeemed - transferred to distribution statement | | - | | | | | | |
| **Accumulated loss carried forward** | | (1,008,446) | | | | (378,651) | | |
| Accumulated loss carried forward | | | | | | | | |
| - Realised | | (1,008,446) | | | | (378,651) | | |
| - Unrealised | | - | | | | - | | |
| | | (1,008,446) | | | | (378,651) | | |
| | | | | | ---(Rupees)--- | | | |
| **Net assets value per unit at beginning of the year** | | | | 107.0620 | | | | 121.4498 |
| **Net assets value per unit at end of the year** | | | | 89.7221 | | | | 107.0620 |

The annexed notes 1 to 31 form an integral part of these financial statements.

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

**Chief Financial Officer** | **Chief Executive Officer** | **Director**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Cash flows from operating activities** | | | |
| Net loss for the year after taxation | | (696,269) | (282,027) |
| **Adjustments for:** | | | |
| Impairment loss on investments classified as available-for-sale | | - | 294,671 |
| Profit on bank deposits | | (46,647) | (48,219) |
| Dividend income | | (190,545) | (262,957) |
| Mark-up / return on investments | | (535) | (761) |
| Capital loss on sale of investments - net | | 433,840 | 34,660 |
| Unrealised diminution on re-measurement of investments classified 'at fair value through profit or loss - held-for-trading' - net | | 346,147 | 74,961 |
| Element of income and capital gains inlcuded in prices of units issued less those in units redeemed - net | | - | - |
| | | (154,009) | (189,672) |
| **Decrease / (increase) in assets** | | | |
| Investments - net | | 2,699,220 | (608,401) |
| Advances and deposits | | - | (429) |
| | | 2,699,220 | (608,830) |
| **Decrease in liabilities** | | | |
| Payable to the Management Company | | (16,858) | 2,479 |
| Payable to the Trustee | | (356) | (760) |
| Payable to Securities and Exchange Commission of Pakistan | | (1,366) | 144 |
| Accrued expenses and other liabilities | | (1,388) | (2,149) |
| | | (19,968) | (285) |
| **Net cash generated from / (used in) operations** | | 2,525,243 | (798,787) |
| Profit on bank deposits received | | 48,421 | 49,201 |
| Dividend received | | 199,901 | 279,998 |
| Mark-up / return on investments received | | 535 | 761 |
| | | 248,857 | 329,960 |
| **Net cash generated from / (used in) operating activities** | | 2,774,100 | (468,828) |
| **Cash flows from financing activities** | | | |
| Amount received on issue of units | | 1,047,364 | 2,048,014 |
| Payments against redemption of units | | (4,162,948) | (1,647,051) |
| Cash dividend paid | | - | (5,331) |
| **Net cash (used in) / generated from financing activities** | | (3,115,584) | 395,632 |
| **Net decrease in cash and cash equivalents** | | (341,484) | (73,195) |
| Cash and cash equivalents at beginning of the year | | 577,518 | 650,713 |
| Cash and cash equivalents at end of the year | 5 | 236,034 | 577,518 |

The annexed notes 1 to 31 form an integral part of these financial statements.

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

**Chief Financial Officer** **Chief Executive Officer** **Director**

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

HBL Stock Fund (the Fund) was established under a Trust Deed, dated August 09, 2007, executed between HBL Asset Management Limited (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 August 21, 2007.

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

The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par from August 29, 2007 to August 31, 2007.

The principal activity of the Fund is to provide long-term capital growth by investing primarily in a diversified pool of equities and equities related instruments.

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

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

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.1.2** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that these financial statements gives a true and fair view of the state of the Fund’s affairs as at June 30, 2019.

### 2.2 Basis of measurement

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

### 2.3 Functional and presentation currency

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

### 2.4 Critical accounting estimates and judgments

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

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

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

### 3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements except as otherwise disclosed.

| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | **Effective date (annual periods beginning on or after)** |
|---|---|
| IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9. | January 01, 2018 |
| IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. | January 01, 2018 |
| IFRS 15 'Revenue from contract with customer' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date. | July 01, 2018 |
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property | January 01, 2018 |
| | July 01, 2018 |
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | July 01, 2018 |
| | January 01, 2018 |

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

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

| | Effective date (annual periods beginning on or after) |
|---|---|
| Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business | January 01, 2020 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture | Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted. |
| IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date. | January 01, 2019 |
| Amendments to References to the Conceptual Framework in IFRS Standards | January 01, 2020 |
| Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material | January 01, 2020 |
| Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements. | January 01, 2019 |
| Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. | January 01, 2019 |
| IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. | January 01, 2019 |

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

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 4.2.

### 4.1 Cash and cash equivalents

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

### 4.2 IFRS 9 'Financial Instruments

On application of IFRS - 9 'Financial Instruments', there is no material change in the Fund's financial risk management objectives and policies and are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2018.

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures for the year ended June 30, 2019.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities;
2) Impairment of financial assets; and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

### 4.2.1 (a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the aforegoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- the Fund's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been reclassified as at FVTPL. The change in fair value on these equity instruments will be recorded in the profit or loss account;

- there is no change in the measurement of the Fund's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

**(b) Impairment of financial assets**

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

**(c) Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the Fund does not have any financial liabilities designated as FVTPL.

**(d) Disclosures in relation to the initial application of IFRS 9**

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

| Financial assets | Carrying amount as per IAS 39 as on June 30, 2018 | Reclassification | Remeasurements | Carrying amount on initial adoption of IFRS 9 on July 01, 2018 | Effect on July 01, 2018 on Retained Earnings |
|---|---|---|---|---|---|
| Fair Value through Profit or Loss | | | | | |
| From available for sale (IAS 39) | 887,003 | 887,003 | - | 887,003 | - |
| Total | 887,003 | 887,003 | - | 887,003 | |

**4.3 Financial instruments as per IAS 39**

**4.3.1 Financial assets**

**4.3.1.1 Classification**

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

**a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading.

**b) Loans and receivables**

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

**c) Available for sale**

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

**4.3.1.2 Regular way contracts**

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

**4.3.1.3 Initial recognition and measurement**

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

**4.3.1.4 Subsequent measurement**

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

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

Basis of valuation of government securities

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

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

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

**b) Loans and receivables**

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

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

**4.3.1.5 Impairment**

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

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management

**4.3.1.6 Derecognition**

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

**4.3.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.3.3 Offsetting of financial assets and liabilities

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

**4.4 Provisions**

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

**4.5 Taxation**

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

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

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

**4.6 Proposed distributions**

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

**4.7 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

**4.8 Net assets value per unit**

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

**4.9 Revenue recognition**

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

- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

- Dividend income from equity securities is recognised when the right to receive dividend is established.

- Mark-up / return on government securities, bank profits and investment in debt securities are recognised on a time apportionment basis using the effective interest method.

**4.10 Expenses**

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

| | Note | **2019** | 2018 |
|---|---|---|---|
| **5. BANK BALANCES** | | ----------(Rupees in '000)---------- | |
| Savings accounts | 5.1 | 236,034 | 575,068 |
| Current account | | - | 2,450 |
| | | 236,034 | 577,518 |

**5.1** This represent bank accounts held with different banks. Mark-up rates on these accounts range between 8% - 13.6% (June 30, 2018: 4% - 8.25%) per annum.

**6. INVESTMENTS - At fair value through profit or loss**

| | Note | 2019 | 2018 |
|---|---|---|---|
| - Listed equity securities | 6.1 | 1,967,158 | 5,442,731 |
| | | 1,967,158 | 5,442,731 |

## 6.1 Listed equity securities - At fair value through profit or loss

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

| Name of the Investee Company | ---Number of shares--- | | | | | Market value as at June 30, 2019 (Rupees in '000) | Market value as a percentage of | | Par value as a percentage of issued capital of the investee company |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 01, 2018 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30, 2019 | | Total Investments | Net Assets | |
| **TEXTILE COMPOSITE** | | | | | | | | | |
| Gul Ahmed Textile Mills Limited | - | 350,000 | - | 350,000 | - | - | - | - | - |
| Interloop Limited | - | 855,250 | - | 104,000 | 751,250 | 33,258 | 1.69% | 1.55% | 8.64% |
| Kohinoor Textile Mills Limited | - | 927,000 | - | 596,000 | 331,000 | 8,292 | 0.42% | 0.39% | 0.31% |
| Nishat (Chunian) Limited | - | 1,006,000 | - | 1,006,000 | - | - | - | - | - |
| Nishat Mills Limited | 1,058,600 | 401,500 | - | 963,600 | 496,500 | 46,343 | 2.36% | 2.16% | 0.14% |
| | **1,058,600** | **3,539,750** | **-** | **3,019,600** | **1,578,750** | **87,893** | | | |
| **CEMENT** | | | | | | | | | |
| Cherat Cement Company Limited. | - | 778,100 | - | 778,100 | - | - | - | - | - |
| D G Khan Cement Company Limited | - | 1,245,000 | - | 1,245,000 | - | - | - | - | - |
| Kohat Cement Limited | 222,300 | 452,200 | - | 475,000 | 199,500 | 10,480 | 0.53% | 0.49% | 0.15% |
| Lucky Cement Limited | 361,050 | 404,400 | - | 621,800 | 143,650 | 54,655 | 2.78% | 2.55% | 0.04% |
| Maple Leaf Cement Factory Limited | - | 4,886,000 | - | 4,886,000 | - | - | - | - | - |
| Pioneer Cement Limited | 488,500 | 150,000 | - | 638,500 | - | - | - | - | - |
| | **1,071,850** | **7,915,700** | **-** | **8,644,400** | **343,150** | **65,135** | | | |
| **POWER GENERATION & DISTRIBUTION** | | | | | | | | | |
| Hub Power Company Limited | 3,093,400 | 2,132,963 | - | 3,558,500 | 1,667,863 | 131,344 | 6.68% | 6.12% | 0.14% |
| K-Electric Limited | 5,724,500 | 13,702,500 | - | 14,897,000 | 4,530,000 | 19,887 | 1.01% | 0.93% | 0.02% |
| Nishat Chunian Power Limited | - | 1,194,500 | - | 606,000 | 588,500 | 10,246 | 0.52% | 0.48% | 0.16% |
| Pakgen Power Limited | - | 1,652,000 | - | 864,000 | 788,000 | 11,174 | 0.57% | 0.52% | 0.21% |
| Hub Power Comoany Limited - LOR | - | 256,992 | - | 256,992 | - | - | - | - | - |
| | **8,817,900** | **18,938,955** | **-** | **20,182,492** | **7,574,363** | **172,651** | | | |
| **ENGINEERING** | | | | | | | | | |
| Amreli Steels Limited | 847,200 | 282,000 | - | 1,129,200 | - | - | - | - | - |
| Crescent Steels & Allied Products Limited | - | 235,000 | - | 235,000 | - | - | - | - | - |
| International Industries Limited | 251,300 | 553,800 | - | 805,100 | - | - | - | - | - |
| International Steels Limited | 587,000 | 886,800 | - | 1,473,800 | - | - | - | - | - |
| Mughal Iron & Steel Inds Limited | 983,165 | 383,000 | - | 1,348,000 | 18,165 | 457 | 0.02% | 0.02% | 0.01% |
| | **2,668,665** | **2,340,600** | **-** | **4,991,100** | **18,165** | **457** | | | |
| **AUTOMOBILE PARTS & ACCESSOR** | | | | | | | | | |
| Honda Atlas Cars (Pakistan) Limited | 104,950 | - | - | 104,950 | - | - | - | - | - |
| Indus Motor Company Limited | 55,160 | 2,840 | - | 58,000 | - | - | - | - | - |
| Millat Tractors Limited | 101,670 | 3,000 | - | 104,670 | - | - | - | - | - |
| Thal Limited | 278,650 | 174,100 | - | 247,950 | 204,800 | 74,559 | 3.79% | 3.47% | 0.25% |
| | **540,430** | **179,940** | **-** | **515,570** | **204,800** | **74,559** | | | |
| **TECHNOLOGY & COMMUNICATIO** | | | | | | | | | |
| Systems Limited | **629,000** | **45,800** | **-** | **674,800** | **-** | **-** | - | - | - |
| **PHARMACEUTICALS** | | | | | | | | | |
| AGP Limited | - | 913,500 | - | 720,500 | 193,000 | 13,226 | 0.67% | 0.62% | 0.01% |
| Highnoon Laboratories Limited | - | 5,000 | | - | 5,000 | 1,266 | 0.06% | 0.06% | - |
| The Searle Company Limited | 167,984 | 174,500 | 1,197 | 255,000 | 88,681 | 12,997 | 0.66% | 0.61% | 0.05% |
| | **167,984** | **1,093,000** | **1,197** | **975,500** | **286,681** | **27,489** | | | |
| **OIL & GAS EXPLORATION COMPANIES** | | | | | | | | | |
| Mari Petroleum Company Limited | 198,960 | 60,300 | 18,778 | 143,380 | 134,658 | 135,914 | 6.91% | 6.33% | 0.12% |
| Oil & Gas Development Company Limited | 1,919,400 | 1,744,900 | - | 2,417,200 | 1,247,100 | 163,981 | 8.34% | 7.64% | 0.03% |
| Pakistan Oilfields Limited | 448,800 | 210,450 | 75,960 | 513,800 | 221,410 | 89,868 | 4.57% | 4.19% | 0.09% |
| Pakistan Petroleum Limited | 1,658,600 | 1,220,200 | 240,345 | 2,312,400 | 806,745 | 116,518 | 5.92% | 5.43% | 0.04% |
| | **4,225,760** | **3,235,850** | **335,083** | **5,386,780** | **2,409,913** | **506,281** | | | |

## 6.1 Listed equity securities - At fair value through profit or loss

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

| Name of the Investee Company | ----------Number of shares---------- | | | | | Market value as at June 30, 2019 (Rupees in '000) | Market value as a percentage of | | Par value as a percentage of issued capital of the investee company |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 01, 2018 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30, 2019 | | Total Investments | Net Assets | |
| **OIL & GAS MARKETING COMPANIES** | | | | | | | | | |
| Hascol Petroleum Limited | 246,200 | 25,000 | 55,300 | 326,500 | - | | - | - | - |
| Pakistan State Oil Company Limited | 661,140 | 940,200 | 152,328 | 1,284,300 | 469,368 | 79,619 | 4.05% | 3.71% | 0.14% |
| Sui Northern Gas Pipeline Limited | 1,210,900 | 832,000 | - | 1,557,500 | 485,400 | 33,730 | 1.71% | 1.57% | 0.08% |
| | **2,118,240** | **1,797,200** | **207,628** | **3,168,300** | **954,768** | **113,349** | | | |
| **COMMERCIAL BANKS** | | | | | | | | | |
| Allied Bank Limited | - | 1,228,000 | - | 557,700 | 670,300 | 70,395 | 3.58% | 3.28% | 0.06% |
| Askari Bank Limited | - | 350,000 | - | 350,000 | - | - | - | - | - |
| Bank Alfalah Limited | 4,994,500 | 2,037,500 | 372,100 | 4,841,500 | 2,562,600 | 111,704 | 5.68% | 5.20% | 0.16% |
| Bank Al Habib Limited | 1,885,500 | 2,809,000 | - | 3,743,000 | 951,500 | 74,579 | 3.79% | 3.47% | 0.09% |
| Bank of Punjab Limited | 9,666,500 | 11,922,500 | - | 16,878,000 | 4,711,000 | 43,106 | 2.19% | 2.01% | 0.89% |
| Faysal Bank Limited | 2,298,350 | 433,500 | - | 2,705,832 | 26,018 | 560 | 0.03% | 0.03% | - |
| Habib Bank Limited | 1,811,619 | 2,152,000 | - | 3,047,400 | 916,219 | 103,771 | 5.28% | 4.83% | 0.06% |
| Habib Metropolitan Bank Limited | - | 711,000 | - | 711,000 | - | - | - | - | - |
| MCB Bank Limited | 1,574,300 | 624,400 | - | 1,903,400 | 295,300 | 51,515 | 2.62% | 2.40% | 0.03% |
| Meezan Bank Limited | 437,000 | 294,500 | 66,400 | 797,900 | - | - | - | - | - |
| National Bank of Pakistan Limited | - | 1,290,500 | - | 798,000 | 492,500 | 16,578 | 0.84% | 0.77% | 0.02% |
| United Bank Limited | 1,761,500 | 2,066,400 | - | 3,250,700 | 577,200 | 85,068 | 4.32% | 3.96% | 0.05% |
| | **24,429,269** | **25,919,300** | **438,500** | **39,584,432** | **11,202,637** | **557,276** | | | |
| **FERTILIZER** | | | | | | | | | |
| Engro Corporation Limited | 972,100 | 869,200 | 53,050 | 1,399,200 | 495,150 | 131,511 | 6.69% | 6.13% | 0.09% |
| Engro Fertilizers Limited | 3,439,000 | 1,375,000 | - | 3,681,000 | 1,133,000 | 72,478 | 3.68% | 3.38% | 0.08% |
| Fauji Fertilizer Bin Qasim Limited | - | 1,273,000 | - | 1,273,000 | - | - | - | 0.00% | - |
| Fauji Fertilizer Company Limited | 1,210,000 | 726,000 | - | 1,206,000 | 730,000 | 63,656 | 3.24% | 2.97% | 0.06% |
| | **5,621,100** | **4,243,200** | **53,050** | **7,559,200** | **2,358,150** | **267,645** | | | |
| **CHEMICAL** | | | | | | | | | |
| Engro Polymer & Chemicals Limited | 2,056,500 | 3,934,079 | - | 4,304,000 | 1,686,579 | 45,470 | 2.31% | 2.12% | 0.14% |
| Engro Polymer & Chemicals Limited - LOR | 640,579 | - | - | 640,579 | - | - | 0.00% | - | - |
| Lotte Chemical Pakistan Limited | - | 1,650,000 | - | 901,500 | 748,500 | 11,415 | 0.58% | 0.53% | 0.05% |
| Sitara Chemical Industries Limited | - | 13,700 | - | - | 13,700 | 4,190 | 0.21% | 0.20% | 0.06% |
| | **2,697,079** | **5,597,779** | **-** | **5,846,079** | **2,448,779** | **61,075** | | | |
| **TRANSPORT** | | | | | | | | | |
| Pakistan National Shipping Corp Limited | **-** | **66,500** | **-** | **-** | **66,500** | **4,245** | 0.22% | 0.20% | 0.05% |
| **PAPER & BOARD** | | | | | | | | | |
| Century Paper & Board Mills Limited | **-** | **190,500** | **-** | **-** | **190,500** | **5,934** | 0.30% | 0.28% | 0.13% |
| **GLASS & CERAMICS** | | | | | | | | | |
| Shabbir Tiles & Ceramics Limited | **481,500** | **335,500** | **-** | **817,000** | **-** | **-** | - | - | - |
| **CABLE & ELECTRICAL GOODS** | | | | | | | | | |
| Pak Elektron Limited | **1,619,800** | **1,136,500** | **-** | **2,756,300** | **-** | **-** | - | - | - |
| **INSURANCE** | | | | | | | | | |
| Adamjee Insurance Company Limited | **-** | **1,330,000** | **-** | **669,000** | **661,000** | **23,169** | 1.18% | 1.08% | 0.19% |
| **Total as at June 30, 2019** | **56,147,177** | **77,906,074** | **1,035,458** | **101,232,709** | **33,856,000** | **1,967,158** | | | |
| **Carrying value as at June 30, 2019** | | | | | | **2,313,304** | | | |

6.1.1 Investments include shares having market value aggregating to Rs. 268.127 million (June 30, 2018: Rs. 324.348 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

6.1.2 This includes gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in 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 mutual funds based on the premise of exemption available to mutual funds under clause 99 of Part I and clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having fair market value of Rs. 2.59 million at June 30, 2019 (June 30, 2018: Rs. 4.7 million) and not yet deposited on CDC account of department of Income tax. Management Company 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 Fund's investments at year end.

**6.2 Government Securities - Fair value through profit or loss**

| Issue Date | Tenure | Face value | | | | Market Value as at June 30, 2019 | Market value as a percentage of | |
|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2018 | Purchases during the year | Sales / Matured during the year | As at June 30, 2018 | | Total Investments | Net Assets |
| | | -------------------------- (Rupees in '000) -------------------------- | | | | | | |
| Treasury bill | | | | | | | | |
| May 9, 2019 | 3 month | - | 60,000 | 60,000 | - | - | - | - |
| Cost of investment at June 30, 2019 | | | | | | | - | |

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

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Dividend receivable | | 1,588 | 10,944 |
| Mark-up accrued on deposits with banks | | 2,752 | 4,526 |
| | | 4,340 | 15,470 |

**8. ADVANCES AND DEPOSITS**

| | Note | 2019 | 2018 |
|---|---|---|---|
| Security deposit with: | | | |
| - National Clearing Company of Pakistan Limited | | 2,500 | 2,500 |
| - Central Depository Company of Pakistan Limited | | 100 | 100 |
| Advance tax | | 429 | 429 |
| Advance against subscription of Term Finance Certificates (TFC) | 8.1 | 25,000 | 25,000 |
| | | 28,029 | 28,029 |
| Less: Provision in respect of advance against subscription of term finance certificates | 27 | 25,000 | 25,000 |
| | | 3,029 | 3,029 |

**8.1** The Fund had subscribed towards the Term Finance Certificates of Dewan Cement Limited as Pre-IPO investor on January 9, 2008. Under the agreement, the issuer was required to complete the public offering by October 9, 2008. However, no public offering has been carried out by the issuer till June 30, 2019. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As at June 30, 2019, the advance against subscription has been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the Management Company.

| **9. PAYABLE TO THE MANAGEMENT COMPANY** | **2019** | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| Management fee | 3,701 | 10,009 |
| Sindh Sales Tax | 481 | 1,301 |
| Sales load payable | 160 | 77 |
| Selling and marketing payable | 2,597 | 12,094 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 185 | 501 |
| | 7,124 | 23,982 |

**9.1** Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding 2% of average annual net assets. The Management Company has charged its remuneration at the rate of 2% per annum (June 30, 2018: 2% per annum) of the average annual net assets of the Fund for the current year.

**9.2** The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2018: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

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

**9.4** The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements except as otherwise disclosed.

| **10. PAYABLE TO THE TRUSTEE** | **2019** | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| Trustee fee | 267 | 582 |
| Sindh Sales Tax | 35 | 76 |
| | 302 | 658 |

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

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

| Amount of Funds Under Management [Average Net Assets Value (NAV)] | Tariff per annum |
|---|---|
| Up to Rs. One billion | Rs 0.7 million or 0.2% p.a. of NAV, whichever is higher |
| Exceeding Rs. One billion | Rs 2.0 million plus 0.10% of NAV, exceeding Rs. 1,000 million |

The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2018: 13%) on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011.

| **11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN** | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Annual fee | 11.1 | 4,181 | 5,547 |

**11.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as as equity scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

| **12. ACCRUED EXPENSES AND OTHER LIABILITIES** | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Federal Excise Duty | 12.1 | 37,838 | 37,838 |
| Provision for Sindh Workers' Welfare Fund | 12.2 | 34,381 | 34,381 |
| Withholding tax payable | | 838 | 849 |
| Auditors' remuneration | | 459 | 543 |
| Payable to brokers | | 558 | 1,764 |
| Others | | 782 | 870 |
| | | 74,856 | 76,244 |

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

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

The finance act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2019.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of the Management Company with effect from June 13, 2013 till June 30, 2016, aggregating to Rs. 37.838 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 1.58 (June 30, 2018: Rs. 0.68) per unit.

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

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that “Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid”.

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry’s letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

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

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

- The Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and

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

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

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

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

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 56.825 million and started recognising provision for SWWF.

As at June 30, 2019, the provision in relation to SWWF amounted to Rs. 34.381 million (2018: Rs. 34.381 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 1.4371 (June 30, 2018: Rs. 0.6178) per unit.

## 13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

## 14. AUDITORS' REMUNERATION

| | **2019** | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| Annual audit fee | 520 | 460 |
| Fee for half yearly review | 84 | 55 |
| Out of pocket | 52 | 96 |
| | 656 | 611 |

## 15. TAXATION

No provision for taxation has been made as the Fund has incurred a net loss and as such is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the 'Income statement' and 'Statement of comprehensive income'.

## 16. EARNING PER UNIT

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

## 17. NUMBER OF UNITS IN ISSUE

| | 2019 | 2018 |
|---|---|---|
| | ----------(Number of units)---------- | |
| Opening units in issue | 55,653,438 | 52,323,461 |
| Units issued during the year | 10,306,937 | 16,694,964 |
| Less: Units redeemed | (42,036,313) | (13,364,987) |
| Total units in issue at the end of the year | 23,924,062 | 55,653,438 |

## 18. FINANCIAL INSTRUMENTS BY CATEGORY

| | -------------- As at June 30, 2019 -------------- | | |
|---|---|---|---|
| | Fair value through profit or loss | At amortised cost | Total |
| | -------------- Rupees in '000 -------------- | | |
| **Financial Assets** | | | |
| Bank balances | - | 236,034 | 236,034 |
| Investments | 1,967,158 | - | 1,967,158 |
| Dividend and profit receivable | - | 4,340 | 4,340 |
| Receivable against sale of Investment | - | 36,022 | 36,022 |
| Deposits | - | 2,600 | 2,600 |
| | 1,967,158 | 278,996 | 2,246,154 |

| | -------------- As at June 30, 2019 -------------- | | |
|---|---|---|---|
| | Fair value through profit or loss | At amortised cost | Total |
| | -------------- Rupees in '000 -------------- | | |
| **Financial Liabilities** | | | |
| Payable to the Management Company | - | 7,124 | 7,124 |
| Payable to Trustee | - | 656 | 656 |
| Payable against purchase of investments | - | 13,603 | 13,603 |
| Accrued expenses and other liabilities | - | 1,799 | 1,799 |
| | - | 23,182 | 23,182 |

| | ------------------ As at June 30, 2018 ------------------ | | | |
|---|---|---|---|---|
| | Loans and receivables | Available for sale | Other financial liabilities | Total |
| | -------------- Rupees in '000 -------------- | | | |
| **Financial Assets** | | | | |
| Bank balances | 577,518 | - | - | 577,518 |
| Investments | - | 887,003 | 4,555,728 | 5,442,731 |
| Dividend and profit receivable | 15,470 | - | - | 15,470 |
| Receivable against sale of Investment | 26,053 | - | - | 26,053 |
| Deposits | 2,600 | - | - | 2,600 |
| | 621,641 | 887,003 | 4,555,728 | 6,064,372 |

| | As at June 30, 2018 | | | |
|---|---|---|---|---|
| | Loans and receivables | Available for sale | Held-for -trading | Total |
| | Rupees in '000 | | | |
| **Financial Liabilities** | | | | |
| Payable to the Management Company | - | - | 23,982 | 23,982 |
| Payable to Trustee | - | - | 658 | 658 |
| Payable against purchase of investments | - | - | 17,010 | 17,010 |
| Accrued expenses and other liabilities | - | - | 3,177 | 3,177 |
| | - | - | 44,827 | 44,827 |

## 19. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons.

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

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

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

### 19.1 Transactions during the year

| | **2019** | 2018 |
|---|---|---|
| | (Rupees in '000) | |
| **HBL Asset Management Limited - Management Company** | | |
| Management Fee including sales tax thereon | 99,456 | 131,917 |
| Selling and marketing expenses | 17,603 | 23,349 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 4,401 | 5,837 |
| **Habib Bank Limited - Sponsor** | | |
| Redemption of 29,138,481 units (2018: Nil units) | 2,869,286 | - |
| Bank charges paid | 33 | 30 |
| Mark-up earned during the year | 2,633 | 3,582 |
| Dividend income earned | 6,836 | 3,530 |
| Dividend income received | 6,836 | 3,530 |

**Directors and Executives of the Management Company and their relatives**

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| Issue of 54,808 units (2018: 65,710 units) | 5,251 | 6,863 |
| Redemption of 12,887 units (2018: 21,599 units) | 1,382 | 2,304 |
| Dividend paid | - | - |
| **MCBFSL Trustee HBL Financial Planning Fund Active Allocation Plan - Associate** | | |
| Issue of 320,521 units (2018: 2,387,508 units) | 33,100 | 257,133 |
| Redemption of 1,703,198 units (2018: 582,385 units) | 170,847 | 64,000 |
| **MCBFSL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Associate** | | |
| Issue of 43,349 units (2018: 370,166 units) | 4,400 | 37,700 |
| Redemption of 149,780 units (2018: 76,351 units) | 15,418 | 8,210 |
| **MCBFSL Trustee HBL Financial Planning Fund Strategic Allocation Plan - Associate** | | |
| Issue of 464,108 units (2018: 1,326,349 units) | 46,916 | 141,300 |
| Redemption of 986,912 units (2018: 363,022 units) | 96,640 | 40,000 |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Remuneration | 6,103 | 7,726 |

**19.2 Balances outstanding as at year end**

| | 2019 | 2018 |
|---|---|---|
| **HBL Asset Management Limited - Management Company** | | |
| Management fee | 3,701 | 10,009 |
| Sindh Sales Tax | 481 | 1,301 |
| Sales load payable | 160 | 77 |
| Selling and marketing | 2,597 | 12,094 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 185 | 501 |
| **Habib Bank Limited - Sponsor** | | |
| Investment held in the Fund: 8,616,219 units (2018: 37,754,700 units) | 773,065 | 4,042,095 |
| Bank balances | 40,102 | 14,079 |
| Mark-up receivable | 238 | 107 |
| **Directors and Executives of the Management Company and their relatives** | | |
| Investment held in the Fund: 131,486 units (2018: 89,565 units) | 11,797 | 9,589 |
| **HBL Employees Provident Fund - Associated Entity** | | |
| Investment held in the Fund: 7,125,389 units (2018: 7,125,389 units) | 639,305 | 762,859 |

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **MCBFSL Trustee HBL Financial Planning Fund Active Allocation Plan - Associate** | | |
| Investment held in the Fund : 468,065 units (2018: 1,850,743 units) | 41,996 | 198,144 |
| **MCBFSL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Associate** | | |
| Investment held in the Fund : 141,765 units (2018: 248,195 units) | 12,719 | 26,572 |
| **MCBFSL Trustee HBL Financial Planning Fund Strategic Allocation Plan - Associate** | | |
| Investment held in the Fund : 440,522 units (2018: 963,327 units) | 39,525 | 103,136 |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Remuneration payable | 267 | 582 |
| Sindh Sales tax | 35 | 76 |
| Security deposit | 100 | 100 |

## 20. FINANCIAL RISK MANAGEMENT

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

### 20.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

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

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

### 20.1.1 Currency risk

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

### 20.1.2 Interest rate risk

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

**a) Cash flow interest rate risk**

Presently, the Fund holds balances in savings bank accounts as at June 30, 2019, that could expose the Fund to cash flow interest rate risk. The net income for the year would have increased / (decreased) by Rs. 2.36 million (2018: Rs.5.78 million) had the interest rates on savings accounts with the banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

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

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

| | As at June 30, 2019 | | | | |
|---|---|---|---|---|---|
| | | Exposed to Yield / Interest rate risk | | | |
| | Total | Upto three months | More than three months and upto one year | More than one year | Not exposed to Yield / Interest rate risk |
| | ------------- Rupees in '000 ------------- | | | | |
| **On-balance sheet financial instruments** | | | | | |
| **Financial assets** | | | | | |
| Bank balances | 236,034 | 236,034 | - | - | - |
| Investments | 1,967,158 | - | - | - | 1,967,158 |
| Dividend receivable and accrued mark-up | 4,340 | - | - | - | 4,340 |
| Receivable against sale of investment | 36,022 | - | - | - | 36,022 |
| Advances and deposits | 3,029 | - | - | - | 3,029 |
| | 2,246,583 | 236,034 | - | - | 2,010,549 |
| **Financial liabilities** | | | | | |
| Payable to the Management Company | 7,124 | - | - | - | 7,124 |
| Payable to the Trustee | 656 | - | - | - | 656 |
| Payable against purchase of investments | 13,603 | - | - | - | 1,799 |
| Accrued expenses and other liabilities | 1,799 | - | - | - | 1,799 |
| | 23,182 | - | - | - | 11,378 |

| | As at June 30, 2018 | | | | |
|---|---|---|---|---|---|
| | Exposed to Yield / Interest rate risk | | | | |
| | Total | Upto three months | More than three months and upto one year | More than one year | Not exposed to Yield / Interest rate risk |
| | ------------- Rupees in '000 ------------- | | | | |
| On-balance sheet financial instruments | | | | | |
| **Financial assets** | | | | | |
| Bank balances | 577,518 | 577,518 | - | - | - |
| Investments | 5,442,731 | - | - | - | 5,442,731 |
| Dividend receivable and accrued mark-up | 15,470 | - | - | - | 15,470 |
| Advances and deposits | 3,029 | - | - | - | 3,029 |
| Receivable against sale of investment | 43,063 | - | - | - | 43,063 |
| | 6,081,811 | 577,518 | - | - | 5,504,293 |
| **Financial liabilities** | | | | | |
| Payable to the Management Company | 23,982 | - | - | - | 23,982 |
| Payable to the Trustee | 658 | - | - | - | 658 |
| Payable against purchase of investments | 17,010 | - | - | - | 17,010 |
| Accrued expenses and other liabilities | 3,177 | - | - | - | 3,177 |
| | 44,827 | - | - | - | 44,827 |

### 20.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund’s equity securities are primarily exposed to equity price risk because of investments held and classified by the Fund on the statement of assets and liabilities as ‘available for sale’and 'held for trading'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Fund's constitutive documents. The Fund's constitutive documents / NBFC Regulations also limit investment in individual equity securities to not more than 15% of its net assets, or 15% of the issued capital of the investee company and the sector exposure limit to 35% of net assets.

In case of 5% increase / decrease in the fair value of the Fund's equity securities on June 30, 2018, net assets of the Fund would increase / decrease by Rs. 98.358 million (2018: Rs. 272.137 million) as a result of gains / losses on equity securities in "available for sale" and 'held for trading' category.

### 20.2 Credit risk

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

The Fund's credit risk is primarily attributable to balances with banks, deposits with and other receivables from National Clearing Company of Pakistan Limited and Central Depository Company of Pakistan Limited, respectively. The Fund also carries credit risk in respect of dividend receivable (if any) on equity securities. The credit risk of the Fund with respect to bank accounts is limited as the balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Further, credit risk in respect of deposits and other receivables is also minimal as the counter parties are well reputed and financially sound. Credit risk on dividend receivable is also minimal due to the statutory protection.

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 is the carrying amount of the financial assets as follows:

| | **2019** | 2018 |
|---|---|---|
| **Bank balances by rating category** | ----------(Rupees in '000)---------- | |
| AA- (PACRA) | 195,791 | 410,234 |
| AA+ (PACRA) | - | 151,769 |
| AAA (JCR-VIS) | 40,102 | 14,079 |
| AAA (PACRA) | 141 | 1,436 |
| | 236,034 | 577,518 |
| **Dividend and profit receivable** | 4,340 | 15,470 |
| **Deposits** | 2,600 | 2,600 |

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in equity securities which are primarily subject to price risk. The Fund's portfolio of other financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

**20.3 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

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

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

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

| | ------------------ As at June 30, 2019 ------------------ | | | |
|---|---|---|---|---|
| | Number of unit holders | Upto three months | Over three months and upto one year | Over one year |
| | ------------- Rupees in '000 ------------- | | | |
| **Liabilities** | | | | |
| Payable to the Management Company | 7,124 | - | - | 7,124 |
| Payable to the Trustee | 656 | - | - | 656 |
| Payable against purchase of investments | 13,603 | - | - | 13,603 |
| Accrued expenses and other liabilities | 1,799 | - | - | 1,799 |
| | 23,182 | - | - | 23,182 |

| | ------------------ As at June 30, 2018 ------------------ | | | |
|---|---|---|---|---|
| | Number of unit holders | Upto three months | Over three months and upto one year | Over one year |
| | ------------- Rupees in '000 ------------- | | | |
| **Liabilities** | | | | |
| Payable to the Management Company | 23,982 | - | - | 23,982 |
| Payable to the Trustee | 658 | - | - | 658 |
| Payable against purchase of investments | 17,010 | - | - | 17,010 |
| Accrued expenses and other liabilities | 3,177 | - | - | 3,177 |
| | 44,827 | - | - | 44,827 |

## 21. FAIR VALUE AND CATAGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and

- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

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

| | | June 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | Fair Value | | | |
| | Note | Fair value through profit or loss | At amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **On-balance sheet financial instruments** | | ---- (Rupees in '000) ---- | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | |
| Investments - Listed equity securities | | 1,967,158 | - | 1,967,158 | 1,967,158 | - | - | 1,967,158 |
| | | 1,967,158 | - | 1,967,158 | 1,967,158 | - | - | 1,967,158 |
| **Financial assets not measured at fair value** | 21.1 | | | | | | | |
| Bank balances | | - | 236,034 | 236,034 | | | | |
| Dividend receivable and accrued mark-up | | - | 4,340 | 4,340 | | | | |
| Receivable against sale of investments | | - | 36,022 | 36,022 | | | | |
| Deposits | | - | 2,600 | 2,600 | | | | |
| | | - | 278,996 | 278,996 | | | | |
| **Financial liabilities not measured at fair value** | 21.1 | | | | | | | |
| Payable to Management Company | | - | 7,124 | 7,124 | | | | |
| Payable to Trustee | | - | 656 | 656 | | | | |
| Payable against purchase of investments | | - | 13,603 | 13,603 | | | | |
| Accrued expenses and other liabilities | | - | 1,799 | 1,799 | | | | |
| | | - | 23,182 | 23,182 | | | | |

| | | June 30, 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | | Fair Value | | | |
| On-balance sheet financial instruments | Note | Available -for-sale | Held-for-trading | Loans and receivables | Other financial assets/ liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | | (Rupees in '000) | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | | |
| **Investments** | | | | | | | | | | |
| - Listed equity securities | | 887,003 | 4,555,728 | - | - | 5,442,731 | 5,442,731 | - | - | 5,442,731 |
| | | 887,003 | 4,555,728 | - | - | 5,442,731 | 5,442,731 | - | - | 5,442,731 |
| **Financial assets not measured at fair value** | 21.1 | | | | | | | | | |
| Bank balances | | - | - | 577,518 | - | 577,518 | | | | |
| Dividend receivable and accrued mark-up | | - | - | 15,470 | - | 15,470 | | | | |
| Receivable against sale of investments | | - | - | 43,063 | - | 43,063 | | | | |
| Deposits | | - | - | 2,600 | - | 2,600 | | | | |
| | | - | - | 638,651 | - | 638,651 | | | | |
| **Financial liabilities not measured at fair value** | 21.1 | | | | | | | | | |
| Payable to Management Company | | - | - | - | 23,982 | 23,982 | | | | |
| Payable to Trustee | | - | - | - | 658 | 658 | | | | |
| Payable against purchase of investments | | - | - | - | 17,010 | 17,010 | | | | |
| Accrued expenses and other liabilities | | - | - | - | 3,177 | 3,177 | | | | |
| | | - | - | - | 44,827 | 44,827 | | | | |

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

### 21.2 Transfers during the year

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

## 22. UNIT HOLDERS' FUND RISK MANAGEMENT

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

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;

- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and

- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

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

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

**Top ten brokers during the year ended June 30, 2019**

1 AKD Securities Limited
2 AL Falah Securities (Pvt) Ltd.
3 Arif Habib Ltd
4 BMA Capital Management Limited
5 DJM Securities (Pvt) Ltd
6 EFG Hermes Pakistan Limited
7 Intermarket Securities Ltd.
8 JS Global Capital Ltd
9 Optimus Capital Management (Pvt.) Ltd.
10 Topline Securities (Private) Ltd.

Top ten brokers during the year ended June 30, 2018

1 Intermarket Securities Ltd.
2 AL Falah Securities (Pvt) Ltd.
3 EFG Hermes Pakistan Limited
4 Optimus Capital Management (Pvt.) Ltd.
5 Next Capital Limited
6 JS Global Capital Ltd
7 DJM Securities (Pvt) Ltd
8 BMA Capital Management Limited
9 Insight Securities (Pvt) Ltd
10 Shajar Capital Pakistan (Pvt) Ltd

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

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

| S.no. | Name | Designation | Qualification | Experience in years |
|---|---|---|---|---|
| 1 | Farid Ahmed Khan | Chief Executive Officer | MBA , CFA | 26+ years |
| 2 | Muhammad Imran | Chief Investment Officer | MBA - Finance | 19+ years |
| 3 | Jawad Naeem | Specialist - Equity | MBA, CFA Level 1 | 11+ years |
| 4 | Adeel Abdul Wahab | Specialist - Equity | ACCA | 11+ years |
| 5 | Noman Ameer * | Manager Risk | MBA - Finance | 12+ years |
| 6 | Sateesh Balani | Head of Research | MBA, CFA | 8+ years |

* Employee resigned from the service of the company effective from June 10, 2019.

## 25. PATTERN OF UNIT HOLDING

| | 2019 | | | |
|---|---|---|---|---|
| | Number of unit holders | Number of units held | Investment amount | Percentage investment |
| | | | Rupees in '000 | |
| Director | 2 | 116,559 | 10,458 | 0.49% |
| Associated Companies | 2 | 15,741,608 | 1,412,370 | 65.80% |
| Trust | 4 | 1,610,412 | 144,491 | 6.73% |
| Insurance companies | 6 | 1,725,777 | 154,840 | 7.21% |
| Banks/DFIs | 1 | 1,604,623 | 143,970 | 6.71% |
| Retirement Funds | 2 | 160,991 | 14,444 | 0.67% |
| Other Corporate | 5 | 266,486 | 23,910 | 1.11% |
| Individuals | 344 | 2,692,641 | 241,589 | 11.25% |
| Foreign Individual | 1 | 4,964 | 445 | 0.02% |
| | 367 | 23,924,062 | 2,146,517 | 100% |

| | 2018 | | | |
|---|---|---|---|---|
| | Number of unit holders | Number of units held | Investment amount | Percentage investment |
| | | | Rupees in '000 | |
| Individuals | 281 | 2,405,837 | 257,574 | 4.32% |
| Associated companies | 5 | 47,942,354 | 5,132,806 | 86.14% |
| Directors | 1 | 67,338 | 7,209 | 0.12% |
| Insurance companies | 8 | 1,644,850 | 176,101 | 2.96% |
| Banks | 1 | 1,604,623 | 171,794 | 2.88% |
| Retirement Funds | 3 | 583,051 | 62,423 | 1.05% |
| Others | 1 | 962,735 | 103,072 | 1.73% |
| | 2 | 442,650 | 47,391 | 0.80% |
| | 302 | 55,653,438 | 5,958,370 | 100% |

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

Six meetings of the Board of Directors were held on July 04,2018 ,August 31, 2018, October 17, 2018, November 14, 2018, February 08, 2019 and April 30, 2019 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

| | | Number of meetings | | | |
|---|---|---|---|---|---|
| S.No. | Name of Director | Held | Attended | Leave granted | Meetings not attended |
| 1 | Mr. Agha Sher Shah [1-2] | 6 | 5 | 1 | November 14,2018 |
| 2 | Mr. Farid Ahmed Khan [3] | 6 | 6 | - | - |
| 3 | Ms. Ava A. Cowasjee [1] | 6 | 6 | - | - |
| 4 | Mr. Rayomond H. Kotwal [1] | 6 | 5 | 1 | February 08,2019 |
| 5 | Mr. Rizwan Haider [1] | 6 | 5 | 1 | November 14,2018 |
| 6 | Mr. Shabbir Hussain Hashmi [1] | 6 | 6 | - | - |
| 7 | Mr. Shahid Ghaffar [1] | 6 | 6 | - | - |

1 Completed term and reappointed on April 26, 2019.
2 Resigned on June 02, 2019.
3 Completed term and appointed as deemed director effective from April 26, 2019.
4 Appointed on April 26, 2019.

**27. 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 categorization criteria laid down in the circular. HBL Asset Management Limited (Management Company) classified HBL Stock Fund (the Fund) as 'Equity Scheme' in accordance with the said circular. As at June 30, 2019, 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 Gross Assets |
|---|---|---|---|---|---|
| Dewan Cement Limited | TFC | 25,000 | 25,000 | - | - |

**28. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2019 is 3.50% (YTD) which includes 0.37% representing Sindh Worker's Welfare Fund, government levy and SECP fee.

**29. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on **August 29, 2019** by the Board of Directors of the Management Company.

**30. CORRESPONDING FIGURES**

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

**31. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|


# HBL Cash Fund

HBL AML Financial annual report 2018-19

# FUND INFORMATION

| | |
|---|---|
| **NAME OF FUND** | HBL Cash Fund |
| **NAME OF AUDITORS** | BDO Ebrahim & Co. Chartered Accountants. |
| **NAME OF BANKERS** | Habib Bank Limited<br>Bank Al-Habib Limited<br>Habib Metropolitan Bank Limited<br>Bank Al Falah Limited<br>Faysal Bank Limited<br>Allied Bank Limited<br>MCB Bank Limited<br>United Bank Limited<br>Samba Bank Limited<br>Zarai Taraqiati Bank Limited<br>JS Bank Limited<br>Sindh Bank Limited |
| **FUND RATING** | 'AA(f)' (JCR-VIS) |

**Type and Category of Fund**

Open end Money Market Fund

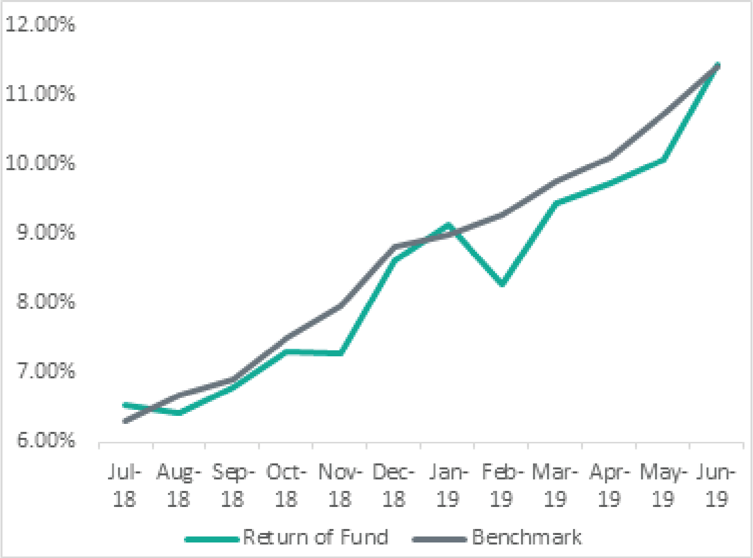
**Investment Objective and Accomplishment of Objective**

The investment objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity. The Fund will aim to maximize returns through efficient utilization of investment and liquidity management tools. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is 70% (3Month PKRV) + 30% (3Month Avg. Deposit Rate of 3 AA rated Banks) as per MUFAP The comparison of the fund return with benchmark is given below:

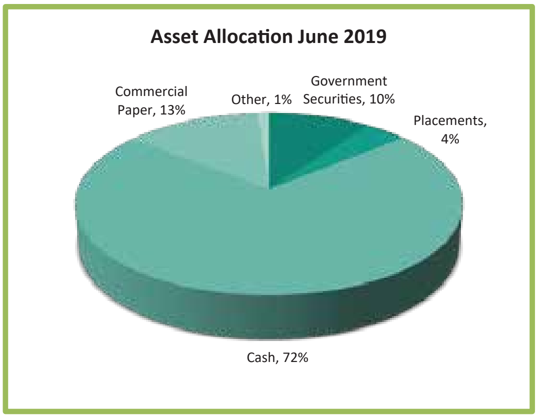
| Month | Return of Fund | Benchmark |
|---|---|---|
| Jun-19 | 11.45% | 11.41% |
| May-19 | 10.06% | 10.72% |
| Apr-19 | 9.74% | 10.11% |
| Mar-19 | 9.43% | 9.75% |
| Feb-19 | 8.26% | 9.27% |
| Jan-19 | 9.13% | 8.99% |
| Dec-18 | 8.62% | 8.83% |
| Nov-18 | 7.27% | 7.97% |
| Oct-18 | 7.30% | 7.50% |
| Sep-18 | 6.78% | 6.89% |
| Aug-18 | 6.41% | 6.66% |
| Jul-18 | 6.53% | 6.30% |

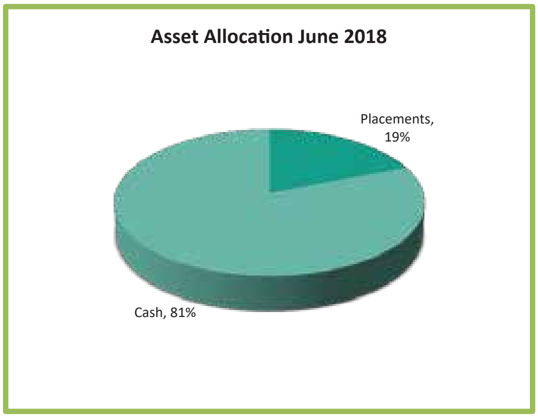



**Strategies and Policies employed during the Year**

In line with the investment policy of the Fund, the Fund continued to hold major investments in the form of short maturity T-Bills and placements with Commercial Banks and DFIs in Daily Product Accounts, TDRs and LOPs. During the year, fresh exposure was initiated in short term commercial papers to support bottom line which stood at 13.26% of total assets at year end. Average exposure of cash and T-Bills were recorded at 44.78% and 34.25% of total assets respectively. However on quarter and year end, better opportunities were offered in Bank Deposits and Placements which were utilized to optimize Fund returns.

## Asset Allocation



## Significant Changes in Asset Allocation during the Year

No major changes were made in asset allocation during the year due to nature of the fund. The investment in Government Securities was trimmed and the exposure was diverted towards Bank Deposits and Placements in June 2019. At the end of the year, 71.60% assets were deployed in Cash at bank and 4.05% were deployed as placement with banks as they were offering better returns compared to T-Bills. Other asset allocation comprises of investment in commercial papers and T-Bills at 13.26% and 9.98% of total assets respectively.

## Fund Performance

The total income and net income of the Fund was Rs.  1.14 billion and Rs. 996.07 million respectively during the year ended June 30, 2019. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 100.8886 per unit as on June 30, 2019 as compared to Rs 106.0021 per unit as on June 30, 2018, after incorporating dividend of Rs. 13.7758 per unit, thereby giving an annualized return of 8.89%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 8.70%.The size of Fund was Rs 8.81 billion as on June 30, 2019 as compared to Rs. 12.04 billion at the start of the year.

## Market Review

SBP continued monetary tightening in FY19 to control the rising current account deficit and anchor increasing inflationary pressures.

Yields across all the tenors increased by 469-601 bps during FY19 due to cumulative increase of 525 bps in SBP policy rate in FY19. Secondary market yields of 3, 5 and 10-year PIBs increased by 556, 511 and 469 bps respectively while yields of 3, 6 and 12 month T-Bills increased in tandem by 597, 595 and 593 bps respectively during FY19. Government further raised PKR 674bn through the PIBs auction during FY19 against a target of PKR 950bn due to increased interest from market participants at higher PIB yields. Latest cut-off yields stood at 13.69%, 13.80% and 13.70% for the 3-year, 5-year and 10-year PIBs, respectively.

During the FY19, Government largely managed its borrowing requirements through domestic sources, and largely from central bank. Government retired PKR 893bn from scheduled banks compared to retirement of PKR 210bn during same period last year. Meanwhile, Government borrowing from SBP increased by PKR 2,596bn during the period against borrowing of PKR 1,469bn during same period last year. Moreover, we expect that Government borrowing will shift from SBP towards Commercial banks under IMF program. It is important to note that IMF staff level report suggests that incremental borrowing requirements have to be met via commercial banks as borrowing from SBP will remain limited to avoid indirect inflationary pressures.

In the monetary policy held in May-19, SBP increased the policy rate by a further 150bps to 12.25%. Going forward, we expect that large part of monetary tightening has been done, however upward risk to inflation emanate from higher than expected impact of electricity and gas price hike.

## Distribution

The Fund has distributed cash dividend up-to Rs. 8.5258 per unit for the year ended June 30, 2019.

## Significant Changes in the State of Affairs

There were no significant changes in state of affairs of the Fund.

## Breakdown of Unit Holding by Size

| From – To (Number of units) | Number of Unit Holders | Total Number of Units Held |
|---|---|---|
| 1 – 100 | 253 | 6,768 |
| 101 – 500 | 189 | 32,822 |
| 501 – 1,000 | 51 | 35,936 |
| 1,001 – 10,000 | 293 | 1,293,328 |
| 10,001 – 100,000 | 202 | 5,139,482 |
| 100,001 – 500,000 | 42 | 8,596,677 |
| 500,001 – 1,000,000 | 8 | 5,889,701 |
| 1,000,001 – 5,000,000 | 9 | 22,478,911 |
| 5,000001 and more | 4 | 43,839,769 |
| **Total** | **1,051** | **87,313,394** |

**Unit Splits**

There were no unit splits during the year.

**Circumstances materially affecting the Interest of Unit Holders**

Investments are subject to market risk.

**Soft Commission**

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

# PERFORMANCE TABLE – HBL CASH FUND

*As at June 30, 2019*

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| **Net assets at the period end (Rs'000)** | 8,808,923 | 12,039,734 | 5,954,130 | 2,103,956 | 3,249,017 | 4,287,916 |
| NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES | | | | | | |
| Redemption | 100.8886 | 106.0021 | 100.4888 | 100.5696 | 100.3250 | 100.1304 |
| Offer - Class C | 100.8886 | 106.0021 | 100.4888 | 100.5696 | 100.3250 | 100.1304 |
| Offer - Class D | 102.0286 | 107.1999 | 101.6243 | 101.5753 | 101.3283 | 101.1317 |
| **OFFER / REDEMPTION DURING THE PERIOD - RUPEES** | | | | | | |
| Highest offer price per unit - Class C | 104.3893 | 106.0021 | 106.0546 | 106.1453 | 108.7769 | 101.3126 |
| Lowest offer price per unit - Class C | 100.7521 | 100.5287 | 100.3862 | 100.3425 | 100.1000 | 100.0249 |
| Highest offer price per unit - Class D | 105.5689 | 107.1999 | 107.2530 | 107.2068 | 109.8647 | 102.3257 |
| Lowest offer price per unit - Class D | 101.8906 | 101.6647 | 101.5206 | 101.3459 | 101.1010 | 101.0251 |
| Highest redemption price per unit | 104.3893 | 106.0021 | 106.0546 | 106.1453 | 108.7769 | 101.3126 |
| Lowest redemption price per unit | 100.7521 | 100.5287 | 100.3862 | 100.3425 | 100.1000 | 100.0249 |
| **RETURN ( % )** | | | | | | |
| Total return | 8.89% | 5.49% | 7.18% | 6.06% | 10.51% | 8.36% |
| Income distribution | 8.53% | 5.25% | 7.15% | 5.87% | 10.31% | 8.37% |
| Capital growth | 0.36% | 0.24% | 0.03% | 0.19% | 0.20% | -0.01% |
| **DISTRIBUTION** | | | | | | |
| Date of Income Distribution | | - | - | - | - | 24-Jul-13 |
| Income Distribution (Rs. Per unit) | | - | - | | | 0.47 |
| Date of Income Distribution | | - | - | - | - | 25-Aug-13 |
| Income Distribution (Rs. Per unit) | | | | | | 0.55 |
| Date of Income Distribution | | - | - | - | - | 24-Sep-13 |
| Income Distribution (Rs. Per unit) | | | | | | 0.60 |
| Date of Income Distribution | | - | - | - | - | 24-Oct-13 |
| Income Distribution (Rs. Per unit) | | | | | | 0.60 |
| Date of Income Distribution | | - | - | - | - | 22-Nov-13 |
| Income Distribution (Re. Per unit) | | | | | | 0.65 |
| Date of Income Distribution | 28-Dec-18 | - | - | - | - | 24-Dec-13 |
| Income Distribution (Rs. Per unit) | 3.50 | | | | | 0.70 |
| Date of Income Distribution | 29-Jan-19 | - | - | - | - | 24-Jan-14 |
| Income Distribution (Re. Per unit) | 0.9751 | | | | | 0.75 |
| Date of Income Distribution | 27-Feb-19 | - | - | - | - | 24-Feb-14 |
| Income Distribution (Re. Per unit) | 0.7372 | | | | | 0.75 |
| Date of Income Distribution | 28-Mar-19 | - | - | - | - | 24-Mar-14 |
| Income Distribution (Re. Per unit) | 0.7532 | | | | | 0.75 |
| Date of Income Distribution | 29-Apr-19 | - | - | - | - | 24-Apr-14 |
| Income Distribution (Re. Per unit) | 0.8571 | | | | | 0.75 |
| Date of Income Distribution | 31-May-19 | - | - | - | - | 23-May-14 |
| Income Distribution (Re. Per unit) | 0.9532 | | | | | 0.75 |
| Date of Income Distribution | 27-Jun-19 | - | - | 24-Jun-16 | 15-Jun-15 | 25-Jun-14 |
| Income Distribution (Rs. Per unit) | 0.75 | | | 5.85 | 10.31 | 1.05 |
| Date of Income Distribution | | 04-Jul-18 | 20-Jun-17 | 26-Aug-16 | | - |
| Income Distribution (Re. Per unit) | | 5.25 | 7.15 | 0.02 | | |
| Total dividend distribution for the year/ period (Rs) | 8.5258 | 5.25 | 7.15 | 5.87 | 10.31 | 8.37 |
| **AVERAGE RETURNS ( % )** | | | | | | |
| Average annual return 1 year | 8.89% | 5.49% | 7.18% | 6.06% | 10.51% | 8.36% |
| Average annual return 2 year | 7.17% | 6.32% | 6.62% | 8.27% | 9.44% | 8.72% |
| Average annual return 3 year | 7.17% | 6.24% | 7.90% | 8.30% | 9.32% | 9.62% |
| **PORTFOLIO COMPOSITION - (%)** | | | | | | |
| Percentage of Net Assets as at 30 June: | | | | | | |
| Bank Balances | 71.60% | 81.03% | 90.86% | 75% | 13% | 4% |
| T-Bills | 9.98% | 0.00% | 0.00% | 5% | 55% | 51% |
| Placement with Banks and DFIs | 4.05% | 18.61% | 7.50% | 20% | 31% | 45% |
| Commercial Paper | 13.26% | 0.00% | 1.35% | 0% | 0% | 0% |
| Corporate Sukuks / TFCs | 0.00% | 0.00% | 0.00% | 0% | 0% | 0% |
| MTS / Spread Transactions | 0.00% | 0.00% | 0.00% | 0% | 0% | 0% |
| Others Including receivables | 1.11% | 0.36% | 0.29% | 0% | 1% | 0% |
| Weighted average portfolio during (No. of days) | 16.00 | 6.00 | 16.00 | 24 | 83 | 85 |

**Note:**
The Launch date of the Fund is December 14, 2010

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

**CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED**

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Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

## TRUSTEE REPORT TO THE UNIT HOLDERS

## HBL CASH 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 Cash Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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.

**Badiuddin Akber**
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 16, 2019

CENTRAL DEPOSITORY COMPANY

BDO

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Lakson Square, Building No.1
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Pakistan

# INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

## Report on the audit of the financial statements

### Opinion

We have audited the financial statements of HBL Cash Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

### Basis for opinion

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

### Key Audit Matters

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

**Following are the Key audit matters:**

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| 1. | Adoption of IFRS 9<br><br>Effective July 01, 2018, the Fund changed its accounting policies due to the application of the International Financial Reporting Standard: IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement". | Our audit procedures included the following:<br><br>• Obtained an understanding of the analysis performed by management to identify all significant differences between previous accounting standard and the new accounting standard which can impact the financial statements;<br><br>• Reviewed 'Investment Classification Model' of the management for analysis of 'Business Model' assessment and 'Contractual Cash Flow Characteristics' test for classification of financial assets; |

BDO

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Management has determined that the significant impact of the new standard on the Fund's financial statements relates to the disclosures required to be made by the new accounting standard in the financial statements.<br><br>The Fund has used the exemption available in IFRS 9 not to restate comparative periods. Accordingly, comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognized in net assets attributable to unit holders as at July 1, 2018.<br><br>We considered this as a key audit matter since the adoption of the new accounting standard has a significant impact on the financial statements from recognition, classification & measurement and disclosure perspective.<br><br>Refer to note 4.2, which explains the impact of the adoption of the new accounting standard. | • Reviewed management's assessment of the impact of new accounting standard on the Fund's financial statements;<br><br>• Evaluated the key decisions made by the Fund with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standard and assessed their appropriateness based on our understanding of the Fund's business and its operations;<br><br>• Evaluated the adequacy and appropriateness of disclosures made in the financial statements in relation to adoption of the new accounting standard. |
| 2. | **Recognition, measurement and presentation of 'Element of Income'**<br><br>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income. | Our audit procedures included the following:<br><br>• We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed". |

BDO

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.<br><br>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed.<br><br>The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realised or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.<br><br>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the NBFC Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter. | • We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.<br><br>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund.<br><br>• We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto. |

**Other matter**

The financial statements of the Fund for the year ended June 30, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 19, 2018.

BDO

## Information other than the financial statements and auditor's report thereon

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Management Company and its Board of Directors

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Management Company is responsible for overseeing the Fund's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.

- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

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

KARACHI

DATED: 2 9 AUG 2019

BDO Ebrahim & Co.

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

## Statement of Assets and Liabilities
*As at June 30, 2019*

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **ASSETS** | | | |
| Balances with banks | 5 | 7,064,377 | 10,899,252 |
| Investments | 6 | 2,693,870 | 1,150,000 |
| Profit receivable | 7 | 104,600 | 43,554 |
| Deposits, prepayments and other receivables | 8 | 3,384 | 199 |
| **TOTAL ASSETS** | | 9,866,231 | 12,093,005 |
| **LIABILITIES** | | | |
| Payable to the Management Company | 9 | 7,387 | 7,830 |
| Payable to the Trustee | 10 | 809 | 981 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | 8,887 | 7,921 |
| Payable against purchase of investments | | 984,910 | - |
| Accrued expenses and other liabilities | 12 | 55,177 | 36,539 |
| Dividend payable | | 138 | - |
| **TOTAL LIABILITIES** | | 1,057,308 | 53,271 |
| **NET ASSETS** | | 8,808,923 | 12,039,734 |
| **UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)** | | 8,808,923 | 12,039,734 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | | |
| | | --------------(Number of Units)-------------- | |
| **Number of units in issue** | 14 | 87,313,394 | 113,580,129 |
| | | --------------------(Rupees)-------------------- | |
| **Net assets value per unit** | | 100.8886 | 106.0021 |

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

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

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

## Income Statement

*For the year ended June 30, 2019*

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Income** | | | |
| Capital loss on sale of investments-net | | (11,505) | (3,025) |
| Income from Government securities | | 383,177 | 226,501 |
| Income from money market transactions and other placements | | 273,941 | 129,962 |
| Profit on bank deposits | | 495,051 | 315,195 |
| | | 1,140,664 | 668,633 |
| Unrealised gain on remeasurement of investments classified as financial assets at 'fair value through profit or loss'-net | 6.3 | 86 | - |
| | | 1,140,750 | 668,633 |
| **Expenses** | | | |
| Remuneration of the Management Company | 9.1 | 80,927 | 53,337 |
| Sindh sales tax on remuneration of the Management Company | 9.2 | 10,520 | 6,934 |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 10.1 | 10,566 | 9,607 |
| Annual fee to Securities and Exchange Commission of Pakistan | 11.1 | 8,887 | 7,921 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 11,298 | 10,561 |
| Listing fees | | 27 | - |
| Auditors' remuneration | 15 | 443 | 443 |
| Fees and subscription | | 314 | 456 |
| Securities transaction cost | | 728 | 487 |
| Settlement and bank charges | | 640 | 374 |
| Printing charges | | - | 177 |
| Total operating expenses | | 124,350 | 90,297 |
| **Net income for the year from operating activities** | | 1,016,400 | 578,336 |
| Provision for Sindh Workers' Welfare Funds | 12.2 | (20,328) | (11,567) |
| **Net income for the year before taxation** | | 996,072 | 566,769 |
| Taxation | 16 | - | - |
| **Net income for the year after taxation** | | 996,072 | 566,769 |
| **Allocation of net income for the year** | | | |
| Income already paid on redemption of units | | 250,484 | 283,210 |
| Accounting income available for distribution: | | | |
| Relating to capital gains | | - | - |
| Excluding capital gains | | 745,588 | 283,559 |
| | | 745,588 | 283,559 |
| | | 996,072 | 566,769 |
| **Earnings per unit** | 17 | | |

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

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

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **Net income for the year after taxation** | 996,072 | 566,769 |
| **Other comprehensive income** | | |
| Items that may be reclassified subsequently to income statement | - | - |
| Items that will not be reclassified subsequently to income statement | - | - |
| **Total comprehensive income for the year** | 996,072 | 566,769 |

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

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

| | For the year ended June 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | (Rupees in '000) | | | | | |
| | Capital value | Undistributed income | Total | Capital value | Undistributed income | Total |
| **Net assets at beginning of the year** | 11,727,212 | 312,522 | 12,039,734 | 5,925,167 | 28,963 | 5,954,130 |
| **Issuance of 293,039,963 units (2018: 271,002,487 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year) | 30,014,985 | - | 30,014,985 | 27,232,715 | - | 27,232,715 |
| Element of (loss) / income | (182,513) | - | (182,513) | 803,186 | - | 803,186 |
| **Total proceeds on issuance of units** | 29,832,472 | - | 29,832,472 | 28,035,901 | - | 28,035,901 |
| **Redemption of 319,306,698 units (2018: 216,674,051 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year) | (32,170,825) | - | (32,170,825) | (21,773,315) | - | (21,773,315) |
| Income already paid on redemption of units | - | (250,484) | (250,484) | - | (283,210) | (283,210) |
| Element of loss | (133,412) | - | (133,412) | (460,541) | - | (460,541) |
| **Total payments on redemption of units** | (32,304,237) | (250,484) | (32,554,721) | (22,233,856) | (283,210) | (22,517,066) |
| **Total comprehensive income for the year** | - | 996,072 | 996,072 | - | 566,769 | 566,769 |
| Annual distribution | | | | | | |
| Rs. 5.25 per unit declared on July 04, 2018 as cash dividend | | | | | | |
| Refund of capital | (319,181) | - | (319,181) | - | - | - |
| Distribution during the year | - | (277,112) | (277,112) | - | - | - |
| **Interim distributions** | | | | | | |
| Rs. 3.50 per unit declared on December 28, 2018 as cash dividend | | | | | | |
| Refund of capital | (132,687) | - | (132,687) | - | - | - |
| Distribution during the year | - | (250,794) | (250,794) | - | - | - |
| Rs. 0.9751 per unit declared on January 29, 2019 as cash dividend | | | | | | |
| Refund of capital | (14,015) | - | (14,015) | - | - | - |
| Distribution during the year | - | (97,424) | (97,424) | - | - | - |
| Rs. 0.7372 per unit declared on February 27, 2019 as cash dividend | | | | | | |
| Refund of capital | (425) | - | (425) | - | - | - |
| Distribution during the year | - | (86,810) | (86,810) | - | - | - |
| Rs. 0.7532 per unit declared on March 28, 2019 as cash dividend | | | | | | |
| Refund of capital | (4,435) | - | (4,435) | - | - | - |
| Distribution during the year | - | (75,196) | (75,196) | - | - | - |
| Rs. 0.8571 per unit declared on April 29, 2019 as cash dividend | | | | | | |
| Refund of capital | (2,444) | - | (2,444) | - | - | - |
| Distribution during the year | - | (67,668) | (67,668) | - | - | - |
| Rs. 0.9532 per unit declared on May 31, 2019 as cash dividend | | | | | | |
| Refund of capital | (12,646) | - | (12,646) | - | - | - |
| Distribution during the year | - | (99,721) | (99,721) | - | - | - |
| Rs. 0.75 per unit declared on June 27, 2019 as cash dividend | | | | | | |
| Refund of capital | (4,761) | - | (4,761) | - | - | - |
| Distribution during the year | - | (59,315) | (59,315) | - | - | - |
| | (490,594) | (17,968) | (508,562) | - | 566,769 | 566,769 |
| Net assets at end of the year | 8,764,853 | 44,070 | 8,808,923 | 11,727,212 | 312,522 | 12,039,734 |
| Undistributed income brought forward | | | | | | |
| Realised income | | 312,522 | | | 28,963 | |
| Unrealised income | | - | | | - | |
| | | 312,522 | | | 28,963 | |
| Accounting income available for distribution | | | | | | |
| Relating to capital gains | | - | | | - | |
| Excluding capital gains | | 745,588 | | | 283,559 | |
| | | 745,588 | | | 283,559 | |
| **Distributions during the year:** | | | | | | |
| Annual distribution of Rs. 5.25 per unit declared on July 04, 2018 as cash dividend | | (277,112) | | | - | |
| Interim distribution of Rs. 3.50 per unit declared on December 28, 2018 as cash dividend | | (250,794) | | | - | |
| Interim distribution of Rs. 0.9751 per unit declared on January 29, 2019 as cash dividend | | (97,424) | | | - | |
| Interim distribution of Rs. 0.7372 per unit declared on February 27, 2019 as cash dividend | | (86,810) | | | - | |
| Interim distribution of Rs. 0.7532 per unit declared on March 28, 2019 as cash dividend | | (75,196) | | | - | |
| Interim distribution of Rs. 0.8571 per unit declared on April 29, 2019 as cash dividend | | (67,668) | | | - | |
| Interim distribution of Rs. 0.9532 per unit declared on May 31, 2019 as cash dividend | | (99,721) | | | - | |
| Interim distribution of Rs. 0.75 per unit declared on June 27, 2019 as cash dividend | | (59,315) | | | - | |
| | | (1,014,040) | | | - | |
| **Undistributed income carried forward** | | 44,070 | | | 312,522 | |
| **Undistributed income carried forward** | | | | | | |
| Realised income | | 44,070 | | | 312,522 | |
| Unrealised income | | - | | | - | |
| | | 44,070 | | | 312,522 | |
| | | | **(Rupees)** | | | **(Rupees)** |
| **Net assets value per unit at beginning of the year** | | | 106.0021 | | | 100.4888 |
| **Net assets value per unit at end of the year** | | | 100.8886 | | | 106.0021 |

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

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net income for the year before taxation | | 996,072 | 566,769 |
| Adjustments for: | | | |
| Capital loss on sale of investment-net | | 11,505 | 3,025 |
| Income from Government securities | | (383,177) | (226,501) |
| Income from money market transactions and other placements | | (273,941) | (129,962) |
| Profit from bank deposits | | (495,051) | (315,195) |
| Unrealised gain on remeasurement of investments classified as financial assets at 'fair value through profit or loss'-net | | (86) | - |
| | | (144,678) | (101,864) |
| **Increase in assets** | | | |
| Investments - net | | (1,555,289) | (515,716) |
| Deposits, prepayments and other receivable | | (3,185) | (7) |
| | | (1,558,474) | (515,723) |
| **(Decrease) / increase in liabilities** | | | |
| Payable to the Management Company | | (443) | 4,373 |
| Payable to the Trustee | | (172) | 7 |
| Payable to Securities and Exchange Commission of Pakistan | | 966 | 4,651 |
| Payable against purchase of investments | | 984,910 | - |
| Accrued expenses and other liabilities | | 18,638 | (13,383) |
| Dividend payable | | 138 | - |
| | | 1,004,037 | (4,352) |
| **Cash used in operations** | | (699,115) | (621,939) |
| Income received from Government securities | | 383,177 | 226,501 |
| Income received from money market placement | | 276,263 | 124,029 |
| Profit received from bank deposits | | 431,683 | 298,135 |
| | | 1,091,123 | 648,665 |
| **Net cash generated from operating activities** | | 392,008 | 26,726 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Receipts from issue of units | | 29,832,472 | 28,035,901 |
| Payments on redemption of units | | (32,554,721) | (23,700,691) |
| Dividend paid | | (1,504,634) | - |
| Net cash (used in) / generated from financing activities | | (4,226,883) | 4,335,210 |
| *Net (decrease) / increase in cash and cash equivalents during the year* | | (3,834,875) | 4,361,936 |
| **Cash and cash equivalents at the beginning of the year** | | 10,899,252 | 6,537,316 |
| **Cash and cash equivalents at the end of the year** | 5 | 7,064,377 | 10,899,252 |

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

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

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

## 1 LEGAL STATUS AND NATURE OF BUSINESS

HBL Cash Fund (the Fund) was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/NBFC-II/DD/PCF/844/2010 dated November 11, 2010 and the Trust Deed was executed on October 22, 2010.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016 HBL Asset Management Limited became Management Company of the fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

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

The Fund is an open-ended money market scheme and is listed on Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par value of Rs. 100 per unit from December 11, 2010 to December 13, 2010. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The Fund has been categorised as a money market scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+' to the Management Company and a stability rating of AA(f) to the Fund as at December 28, 2018 and December 26, 2018, respectively.

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

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984 and the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except certain investments which are measured at fair value. These financial statements have been prepared by following accrual basis of accounting except for cash flows information.

**2.3 Functional and presentation currency**

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

**2.4 Use of judgments and estimates**

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

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

**Classification and valuation of investments**

For details please refer notes 4.2.1.1 and 18 to these financial statements.

**Impairment of investment**

For details please refer notes 4.2.1.2 to these financial statements.

**Provision for taxation**

For details please refer notes 4.4 and 16 to these financial statements.

**Other assets**

Judgement is involved in assessing the realisability of other assets balances.

**3 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS**

**3.1 Amendments that are effective in current year and relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

| | | Effective date (annual periods beginning on or after) |
|---|---|---|
| Conceptual Framework for Financial Reporting 2018 - Original Issue | | March 01, 2018 |
| IFRS 7 | Financial Instruments : Disclosures - additional hedge accounting disclosures(and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | |

| | | Effective for accounting periods beginning on or after: |
|---|---|---|
| IFRS 9 | Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9 | July 01, 2018 |
| IFRS 9 | Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition | July 01, 2018 |
| IAS 39 | Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception | July 01, 2018<br>July 01, 2018 |

**3.2 Amendments that are effective in current year and not relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

| | | Effective for accounting periods beginning on or after: |
|---|---|---|
| IFRS 2 | Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 | Insurance Contracts - amendments regarding the interaction of IFRS 4 and IFRS 9 | January 01, 2018 |
| IFRS 5 | Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | July 01, 2018 |
| IFRS 8 | Amendments regarding the interaction of IFRS 4 and IFRS 9 | January 01, 2018 |
| IFRS 15 | Original issue | July 01, 2018 |
| IFRS 15 | Clarifications to IFRS 15 | July 01, 2018 |
| IAS 40 | Investment Property - amendments to clarify transfers of property to, or from, investment property | January 01, 2018 |

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

| | | |
|---|---|---|
| IFRS 1 | First-time Adoption of International Financial Reporting Standards | January 01, 2018 |

| | | Effective for accounting periods beginning on or after: |
|---|---|---|
| IAS 28 | Investments in Associates and Joint Ventures | January 01, 2018 |

**3.3 Amendments not yet effective**

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

| | | Effective for accounting periods beginning on or after: |
|---|---|---|
| Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38,IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework. | | January 01, 2020 |
| IFRS 3 | Business Combinations - amendments to clarify the definition of a business | January 01, 2020 |
| IFRS 8 | Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| IFRS 9 | Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities | January 01, 2019 |
| IAS 1 | Presentation of Financial Statements - amendments regarding the definition of materiality | January 01, 2020 |
| IAS 8 | Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality | January 01, 2020 |
| IAS 19 | Employee benefits - amendments regarding plan amendments, curtailments or settlements | January 01, 2019 |
| IAS 17 | Amendments regarding plan amendments, curtailments or settlements | January 01, 2019 |
| IAS 28 | Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures | January 01, 2019 |

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

**Annual improvements to IFRSs (2015 – 2017) Cycle:**

| | | |
|---|---|---|
| IFRS 3 | Business Combinations | January 01, 2019 |
| IFRS 11 | Joint Arrangements | January 01, 2019 |
| IAS 12 | Income Taxes | January 01, 2019 |
| IAS 23 | Borrowing Costs | January 01, 2019 |

**3.4 Standards or interpretations not yet effective**

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

| | |
|---|---|
| IFRS 16 | Leases |

The Funds expects that the adoption of IFRS 16 will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

| | |
|---|---|
| IFRS 1 | First Time Adoption of International Financial Reporting Standards |
| IFRS 14 | Regulatory Deferral Accounts |
| IFRS 17 | Insurance Contracts |

The Funds expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

**4 SIGNIFICANT ACCOUNTING POLICIES**

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

**4.1 Cash and cash equivalents**

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

**4.2 Financial instruments**

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for reporting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

**4.2.1 Financial assets**

**4.2.1.1 Classification and measurement of financial assets**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

| | |
|---|---|
| **Financial assets at FVTPL** | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| **Financial assets at amortised cost** | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. |
| **Debt investments at FVOCI** | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |

**Equity investments at FVOCI** These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at July 1, 2018.

| | Note | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| Financial assets | | | | | |
| Bank balances | (a) | Loans and receivables | Amortised cost | 9,799,252 | 9,799,252 |
| Call Deposit Receipts | (a) | Loans and receivables | Amortised cost | 1,100,000 | 1,100,000 |
| Investments - Letter of Placements | (a) | Loans and receivables | Amortised cost | 1,150,000 | 1,150,000 |
| Profit receivable | (a) | Loans and receivables | Amortised cost | 43,554 | 43,554 |
| Deposits | (a) | Loans and receivables | Amortised cost | 100 | 100 |
| | | | | 12,092,906 | 12,092,906 |

(a) These financial assets classified as 'loans and receivables' have been classified as 'at amortised cost'.

**4.2.1.2 Impairment of financial assets**

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

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012 dated October 24, 2012 in relation to impairment of debt securities.

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

For financial assets classified as 'at amortized cost', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**4.2.1.3 Transition**

The Fund has used the exemption not to restate comparative periods. Comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 1, 2018. Accordingly, comparative information does not reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The revocation of previous designations of certain financial assets as measured at FVTPL.

**4.2.1.4 Regular way contracts**

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

**4.2.1.5 Derecognition**

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

**4.2.2 Financial liabilities**

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities.

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**4.2.3 Offsetting of financial assets and liabilities**

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

**4.3 Provisions**

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

**4.4 Taxation**

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

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

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

**4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

**4.6 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received and funds are realised during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

**4.7 Element of income**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

**4.8 Net assets value per unit**

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

**4.9 Revenue recognition**

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

- Mark-up / return on Government securities, bank profits and investment in debt securities are recognised on a time apportionment basis using the effective interest method.

- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

**4.10 Expenses**

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

**4.11 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

**4.12 Transactions with related parties / connected persons**

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

| 5 | **BALANCES WITH BANKS** | Note | **2019** | 2018 |
|---|---|---|---|---|
| | | | ----------(Rupees in '000)---------- | |
| | In saving accounts | 5.1 | 5,464,377 | 9,799,252 |
| | Call deposit receipts | 5.2 | 1,600,000 | 1,100,000 |
| | | | 7,064,377 | 10,899,252 |

**5.1** These accounts carry mark-up at rates ranging between 8.00% and 13.6% (June 30, 2018: 3.75% and 7.5%) per annum. This includes an amount held by a related party (Habib Bank Limited) amounting to Rs. 1,333.678 million (June 30, 2018: Rs. 13.522 million) on which return is earned at rate ranging between 8.00% to 13.6% (June 30, 2018: 3.75% to 6.85%) per annum.

**5.2** This carries return of 13.3% (June 30, 2018: 7.4%) per annum.

| 6 | **INVESTMENTS** | Note | **2019** | 2018 |
|---|---|---|---|---|
| | | | ----------(Rupees in '000)---------- | |
| | Financial assets | | | |
| | At fair value through profit or loss | 6.1 | 984,996 | - |
| | At amortized cost | 6.2 | 1,708,874 | 1,150,000 |
| | | | 2,693,870 | 1,150,000 |

**6.1 Financial assets at fair value through profit or loss**

| | | | |
|---|---|---|---|
| Market treasury bills | 6.1.1 | 984,996 | - |

**6.1.1 Financial assets at fair value through profit or loss - Market treasury bills**

| Issue Date | Tenure | Face value | | | | Balance as at June 30, 2019 | | | Market value as a percentage of net assets | Market value as a percentage of total investments |
|---|---|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2017 | Purchases during the year | Sales / Matured during the year | As at June 30, 2018 | Carrying Value | Market Value | Appreci-ation /(dimin-ution) | | |
| | | ------------------------- (Rupees in '000) ------------------------- | | | | | | | | |
| April 26, 2018 | 3 Months | - | 7,290,000 | 7,290,000 | - | - | - | - | - | - |
| May 10, 2018 | 3 Months | - | 850,000 | 850,000 | - | - | - | - | - | - |
| June 21, 2018 | 3 Months | - | 700,000 | 700,000 | - | - | - | - | - | - |
| July 19, 2018 | 3 months | - | 31,523,000 | 31,523,000 | - | - | - | - | - | - |
| August 2, 2018 | 3 months | - | 6,850,000 | 6,850,000 | - | - | - | - | - | - |
| October 11, 2018 | 3 months | - | 18,105,000 | 18,105,000 | - | - | - | - | - | - |
| December 6, 2018 | 3 months | - | 25,291,000 | 25,291,000 | - | - | - | - | - | - |
| January 17, 2019 | 3 months | - | 2,750,000 | 2,750,000 | - | - | - | - | - | - |
| January 31, 2019 | 3 months | - | 200,000 | 200,000 | - | - | - | - | - | - |
| February 14, 2019 | 3 months | - | 46,936,000 | 46,936,000 | - | - | - | - | - | - |
| April 25, 2019 | 3 months | - | 750,000 | 750,000 | - | - | - | - | - | - |
| May 9, 2019 | 3 months | - | 8,667,000 | 8,667,000 | - | - | - | - | - | - |
| May 23, 2019 | 3 months | - | 6,275,000 | 5,275,000 | 1,000,000 | 984,910 | 984,996 | 86 | 11.18% | 36.56% |
| Total - As at June 30, 2019 | | - | 156,187,000 | 155,187,000 | 1,000,000 | 984,910 | 984,996 | 86 | | |
| Total - As at June 30, 2018 | | - | 77,771,500 | 77,771,500 | - | - | - | - | | |

**6.1.2** As at June 30, 2019, Market Treasury Bills (T-bills) had a face value of Rs. 1000 million (June 30, 2018: Rs. Nil) carrying effective yield of 12.69% per annum (June 30, 2018: Nil).

| | Note | 2019 | 2018 |
|---|---|---|---|
| **6.2 Financial assets at amortized cost** | | ----------(Rupees in '000)---------- | |
| Commercial paper | 6.2.1 | 1,308,874 | - |
| Letter of placement | 6.2.2 | 400,000 | 1,150,000 |
| | | 1,708,874 | 1,150,000 |

| Name of investee company | As at July 1, 2018 | Placement made during the year | Income accrued | Matured during the year | As at June 30, 2019 | Percentage of total of investments | Percentage of net assets |
|---|---|---|---|---|---|---|---|
| | -------------------------- (Rupees in '000) -------------------- | | | | | | |
| K Electric Limited | - | 924,917 | 36,325 | - | 961,242 | 36% | 11% |
| The Hub power company limited | - | 339,852 | 7,780 | - | 347,632 | 13% | 4% |
| Total - as at June 30, 2019 | - | 1,264,769 | 44,105 | - | 1,308,874 | 49% | 15% |

Commercial Papers issued by K-Electric Limited and The Hub Power Company Limited carry return at rates of 11.75% and 12.11% (June 30, 2018: Nil) per annum, respectively, and will mature on September 2, 2019 and July 22, 2019, respectively.

**6.2.2** This carries return of 11.35% (June 30, 2018: 6.7%) per annum and will be matured by August 9, 2019.

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **6.3 Net unrealized appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss** | | | |
| Market value of investments | | 984,996 | - |
| Less: Carrying value of investments | | (984,910) | - |
| | | 86 | - |

**6.4 Details of non-compliant investments with the investment criteria as specified by SECP**

In accordance with the section 55 (5) of NBFC Regulations, exposure of collective investment schemes to any single entity shall not exceed an amount equal to ten percent of total net assets of the collective investment scheme and, in case of an exposure to any debt issue of a company, it shall not exceed ten percent of that issue. However, the percentage of such investment in K-Electric Limited as at June 30, 2019 was 10.91% of the net assets of the Fund.

| **7 PROFIT RECEIVABLE** | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Profit receivable on bank deposits | | 98,008 | 34,640 |
| Profit receivable on letter of placement | | **6,592** | 8,022 |
| Profit receivable on Term deposit receipt | | - | 892 |
| | | 104,600 | 43,554 |

| **8 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE** | | | |
|---|---|---|---|
| Security deposits with Central Depository Company of Pakistan Limited | | 100 | 100 |
| Prepaid rating fee | | 107 | 99 |
| Advance tax | 8.1 | 3,177 | - |
| | | 3,384 | 199 |

**8.1** The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001.

The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2019.

| **9 PAYABLE TO THE MANAGEMENT COMPANY** | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Remuneration payable to the Management Company | 9.1 | 5,628 | 5,922 |
| Sindh Sales Tax payable on Management Company's remuneration | 9.2 | 732 | 770 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 889 | 1,138 |
| Sales load payable | | 138 | 313 |
| | | 7,387 | 8,143 |

**9.1** As per the offering document of the Fund, the Management Company charges a fee at the rate of 0.50% of the average annual net assets on daily basis of the Scheme subject to the guidelines issued by the SECP from time to time. Effective from May 3, 2019 the rate of fee is revised through amendment in the offering documents of the scheme as 5% of the gross earnings of the scheme, calculated on a daily basis subject to a cap and a floor of 1.00% and 0.50% of the average daily net assets, respectively. Prior to such change, the rate of fee was 7.5% of the gross earnings of the scheme, calculated on a daily basis subject to a cap and a floor of 1.00% and 0.50% of the average daily net assets, respectively. During the year the fee is charged at the rate of 0.68% of the daily average annual asset of the fund. The fee is payable monthly in arrears.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (June 30, 2018: 13%) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

**9.3** As per regulation 60 (3)(s) of the NBFC Regulations, 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 the aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year. However, SECP vide S.R.O. 639(I)/2019 dated June 20, 2019 has removed the maximum limit of 0.1%.

| | | Note | **2019** | 2018 |
|---|---|---|---|---|
| **10** | **PAYABLE TO THE TRUSTEE** | | ----------(Rupees in '000)---------- | |
| | Trustee fee payable | 10.1 | 809 | 981 |

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

**10.2** As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the Trustee fee during the year ended June 30, 2019 is as follows:

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

**10.3** The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

| | | Note | **2019** | 2018 |
|---|---|---|---|---|
| **11** | **PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN** | | ----------(Rupees in '000)---------- | |
| | Annual fee payable | 11.1 | 8,887 | 7,921 |

**11.1** Under the provisions of the NBFC Regulations a collective investment scheme categorised as a money market scheme is required to pay as annual fee to Securities and Exchange Commission of Pakistan, an amount equal to 0.075% of the average annual net assets of the scheme. The fee is payable annually in arrears.

**12 ACCRUED EXPENSES AND OTHER LIABILITIES**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Provision for Federal Excise Duty | 12.1 | 7,528 | 7,528 |
| Provision for Sindh Workers' Welfare Fund | 12.2 | 33,497 | 13,167 |
| Withholding tax payable | | 13,711 | 14,978 |
| Sales load-payable to related parties | | 56 | 313 |
| Auditors' remuneration | | 313 | 313 |
| Printing charges | | 13 | 110 |
| Brokerage payable | | 9 | 115 |
| Zakat payable | | 50 | 15 |
| | | 55,177 | 36,539 |

**12.1** 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 levied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan along-with Central Depository Company of Pakistan Limited with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The Finance Act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ended June 30, 2019, June 30, 2018 and June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has retained provision on FED on remuneration of  Management Company, aggregating to Rs. 7.528 million (June 30, 2018: Rs. 7.528 million). Had the provision not being provided for, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.09 (June 30, 2018: Rs. 0.07) per unit.

**12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund**

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

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which were issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

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

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

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

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

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

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

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 15.093 million and started recognising provision for SWWF.

As at June 30, 2019, the provision in relation to SWWF amounted to Rs. 33.496 million (June 30, 2018: Rs. 13.167 million). Had the provision not being made, the net asset value per unit as at June 30, 2019 would have been higher by Rs. 0.38 (June 30, 2018: Rs. 0.12) per unit.

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2019 (2018: Nil).

## 14 NUMBER OF UNITS IN ISSUE

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Total units in issue at the beginning of the year | | 113,580,129 | 59,251,693 |
| Units issued | | 293,039,963 | 271,002,487 |
| Units redeemed | | (319,306,698) | (216,674,051) |
| Total units in issue at the end of the year | | 87,313,394 | 113,580,129 |

## 15 AUDITORS' REMUNERATION

| | 2019 | 2018 |
|---|---|---|
| Annual audit fee | 220 | 220 |
| Fee for half yearly review | 110 | 110 |
| Other certifications and out of pocket expenses | 113 | 113 |
| | 443 | 443 |

## 16 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current year, as the Management Company has distributed at least 90 percent of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) to its unit holders.

## 17 EARNINGS PER UNIT

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

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

| | ------------- As on June 30, 2019 ------------- | | |
|---|---|---|---|
| | At fair value through profit or loss - held for trading | Loans and receivables | Total |
| | ------------- Rupees in '000 ------------- | | |
| **Assets** | | | |
| Balances with banks | - | 7,064,377 | 7,064,377 |
| Investments | 984,996 | 1,708,874 | 2,693,870 |
| Profit receivable | - | 104,600 | 104,600 |
| Deposits | - | 100 | 100 |
| | 984,996 | 8,877,951 | 9,862,947 |

| | ------------- As on June 30, 2019 ------------- | | |
|---|---|---|---|
| | At fair value through profit or loss | Other financial liabilities | Total |
| **Liabilities** | ------------- Rupees in '000 ------------- | | |
| Payable to the Management Company | - | 6,517 | 6,517 |
| Payable to the Trustee | - | 809 | 809 |
| Payable against purchase of investments | - | 984,910 | 984,910 |
| Accrued expenses and other liabilities | - | 391 | 391 |
| Dividend payable | - | 138 | 138 |
| | - | 992,765 | 992,765 |

| | ------------- As on June 30, 2018 ------------- | | |
|---|---|---|---|
| | At fair value through profit or loss - held for trading | Loans and receivables | Total |
| **Assets** | ------------- Rupees in '000 ------------- | | |
| Bank balances | - | 10,899,252 | 10,899,252 |
| Investments | - | 1,150,000 | 1,150,000 |
| Profit receivable | - | 43,554 | 43,554 |
| Deposits | - | 100 | 100 |
| | - | 12,092,906 | 12,092,906 |

| | ------------- As on June 30, 2018 ------------- | | |
|---|---|---|---|
| | At fair value through profit or loss | Other financial liabilities | Total |
| | ------------- Rupees in '000 ------------- | | |
| **Liabilities** | | | |
| Payable to the Management Company | - | 7,060 | 7,060 |
| Payable to the Trustee | - | 809 | 809 |
| Accrued expenses and other liabilities | - | 851 | 851 |
| | - | 8,720 | 8,720 |

## 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

Transactions and balances with parties who were connected persons due to holding 10% or more units in the comparative period and not in the current period are not disclosed in the comparative period.

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

| | | Note | 2019 | 2018 |
|---|---|---|---|---|
| 19.1 | **Transactions during the year** | | ----------(Rupees in '000)---------- | |
| | **HBL Asset Management Company Limited** | | | |
| | Issue of 2,541,011 (2018: 2,119,510) units | | 257,365 | 220,000 |
| | Redemption of 3,060,430 (2018: 1,629,110) units | | 311,175 | 115,300 |
| | Dividend paid | | 2,038 | - |
| | Remuneration of Management Company | | 80,927 | 53,337 |
| | Sindh Sales Tax on remuneration of Management Company | | 10,520 | 6,934 |
| | **Allocation of expenses related to registrar services, accounting, operation and valuation services** | | 11,298 | 10,561 |
| | **Central Depository Company of Pakistan Limited - Trustee** | | | |
| | Remuneration | | 10,566 | 9,607 |
| | CDC connection charges | | 177 | 7 |
| | **Habib Bank Limited - Sponsor** | | | |
| | **Return on deposit accounts** | | 38,975 | 70,633 |
| | **Directors and Executives of the Management Company** | | | |
| | Issue of 540,777 (2018: 913,621) units | | 54,859 | 94,000 |
| | Redemption of 738,538 (2018: 530,312) units | | 74,842 | 55,041 |
| | Dividend paid | | 4,444 | - |
| | **HBL Financial Planning Fund Active Allocation Plan - Fund under common management** | | | |
| | Issue of 612,052 (2018: 5,118,210) units | | 62,280 | 530,511 |
| | Redemption of 1,340,785 (2018: 3,887,308 ) units | | 135,864 | 406,294 |
| | Dividend paid | | 4,910 | - |
| | **HBL Financial Planning Fund Conservative Allocation Plan - Fund under common management** | | | |
| | Issue of 87,575 (2018: 2,428,577) units | | 8,827 | 251,762 |
| | Redemption of 1,087,565 (2018: 1,428,587) units | | 111,440 | 150,607 |
| | Dividend paid | | 3,610 | - |

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **HBL Financial Planning Fund Strategic Allocation Plan - Fund under common management** | | | |
| Issue of 240,163 (2018: 858,335) units | | 24,731 | 90,271 |
| Redemption of 443,164 (2018: 478,291) units | | 45,126 | 50,412 |
| Dividend paid | | 1,626 | - |
| **Jubliee Life Insurance Company Limited - Associated Company due to common Directorship** | | | |
| Sales of T-Bills | | 5,000,000 | 2,000,000 |
| **Fauji Fertilizers Company Limited - Connected person due to holding of more than 10% units** | | | |
| Issue of 44,834,064 (2018: Nil) units | | 4,544,924 | - |
| Redemption of 24,609,747 (2018: Nil) units | | 2,518,899 | - |
| Dividend paid | | 29,627 | - |
| **Interloop Holdings (Pvt) Limited - Connected person due to holding more than 10% units** | | | |
| Issue of 10,151,822 (2018: Nil) | | 1,027,543 | - |
| Dividend paid | | 26,847 | - |
| **Attock Cement Pakistan Limited - Associated Company** | | | |
| Issue of Nil (2018: 239,062) units | | - | 25,000 |
| Redemption of Nil (2018: 239,062) units | | - | 25,332 |

**19.2 Balances outstanding at the year end**

| | | 2019 | 2018 |
|---|---|---|---|
| **HBL Asset Management Limited** | | | |
| Units held: 319,629 (June 2018: 839,048) | | 32,247 | 88,941 |
| Payable to the Management Company | | 5,628 | 5,922 |
| Sindh Sales Tax payable on remuneration of Management Company | | 732 | 770 |
| Sales load payable | | 138 | 313 |
| Allocation of expenses related to registrar services, accounting , operation and valuation services | | 889 | 1,138 |
| **Habib Bank Limited - Sponsor** | | | |
| Bank Balances | | 1,333,678 | 13,521 |
| Profit receivable | | 7,131 | 455 |
| Sales load payable | | 56 | - |
| **Central Depository Company of Pakistan Limited - Trustee** | | | |
| Trustee fee payable | | 809 | 981 |
| Security deposit held | | 100 | 100 |
| **Directors and Executives of the Management Company** | | | |
| Units held: 305,217 (2018: 502,978) | | 30,793 | 53,317 |
| **HBL Financial Planning Fund Active Allocation Plan - Fund under common management** | | | |
| Units held: 502,169 (2018: 1,230,903) | | 50,663 | 130,478 |

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **HBL Financial Planning Fund Conservative Allocation Plan - Fund under common management** | | | |
| Units held: Nil (2018: 999,990) | | - | 106,001 |
| **HBL Financial Planning Fund Strategic Allocation Plan - Fund under common management** | | | |
| Units held: 177,042 (2018: 380,044) | | 17,862 | 40,285 |
| **Fauji Fertilizers Company Limited - Connected person due to holding of more than 10% units** | | | |
| Units held: 20,224,317 (2018: Nil) | | 2,040,402 | - |
| **Interloop Holdings (Private) Limited - Connected person due to holding more than 10% units** | | | |
| Units held: 10,151,822 (2018: Nil) | | 1,024,203 | - |

## 20 FINANCIAL RISK MANAGEMENT

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

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

The Fund primarily invests in a portfolio of money market investments, Government securities and in other money market instruments. These activities are exposed to a variety of financial risks; namely market risks, credit risks and liquidity risks.

**Market risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan. Market risk comprises of three types of risk; currency risk, interest rate risk and price risk.

### 20.1.1 Currency risk

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

### 20.1.2 Interest rate risk

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

**a) Cash flow interest rate risks**

The Fund is exposed to cash flow interest rate risk for balances in certain savings account, commercial papers and letter of placement, the interest rates on which range between 8.00% to 13.6%, 11.75% to 12.11% and 11.35% respectively per annum.

In case of 100 basis points increase / decrease in interest rates on June 30, 2019, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 87.73 million ( June 30, 2018: Rs. 120.49 million).

**b) Fair value interest rate risks**

The Fund's investment in Market Treasury Bills expose it to fair value interest rate risk.

In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan on June 30, 2019, with all other variables held constant, the net income for the year and the net assets would be lower by Rs. 9.849 million (June 30, 2018: Nil). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2018, with all other variables held constant, the net income for the year and the net assets would be higher by Rs. 9.849 million (June 30, 2018: Nil).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

| | ---------- As at June 30, 2019 ---------- | | | | | |
|---|---|---|---|---|---|---|
| | Effective yield / interest rate | Exposed to yield / interest rate risk | | | Not exposed to yield/ interest rate risk | Total |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| | % | ---------- Rupees in '000 ---------- | | | | |
| **On-balance sheet financial instruments** | | | | | | |
| **Financial assets** | | | | | | |
| Balances with banks | 8.33 - 13.6 | 7,064,377 | - | - | - | 7,064,377 |
| Investments | | | | | | |
| At fair value through profit or loss | 12.69 | 984,996 | - | - | - | 984,996 |
| At amortized cost | 11.35-12.11 | 1,708,874 | | | | |
| Profit receivable | | - | - | - | 104,600 | 104,600 |
| Deposits | | - | - | - | 100 | 100 |
| **Sub total** | | 9,758,247 | - | - | 104,700 | 8,154,073 |
| **Financial liabilities** | | | | | | |
| Payable to the Management Company | | - | - | - | 6,517 | 6,517 |
| Payable to the Trustee | | - | - | - | 809 | 809 |
| Payable against purchase of investments | | - | - | - | 984,910 | 984,910 |
| Accrued expenses and other liabilities | | - | - | - | 391 | 391 |
| Dividend payable | | - | - | - | 138 | 138 |
| **Sub total** | | - | - | - | 992,765 | 992,765 |
| **On-balance sheet gap (a)** | | 9,758,247 | - | - | (888,065) | 7,161,308 |
| **Off-balance sheet financial instruments** | | - | - | - | - | - |
| **Off-balance sheet gap (b)** | | - | - | - | - | - |
| **Total interest rate sensitivity gap (a) + (b)** | | 9,758,247 | - | - | | |
| **Cumulative interest rate sensitivity gap** | | 9,758,247 | - | - | | |

| | ---------- As at June 30, 2018 ---------- | | | | | |
|---|---|---|---|---|---|---|
| | Effective yield / interest rate | Exposed to yield / interest rate risk | | | Not exposed to yield/ interest rate risk | Total |
| | | Upto three months | More than three months and upto one year | More than one year | | |
| | | ---------- Rupees in '000 ---------- | | | | |
| **On-balance sheet financial** | | | | | | |
| **Financial assets** | | | | | | |
| Balances with banks | 3.75 - 7.50 | 10,899,252 | - | - | - | 10,899,252 |
| Investments | | | | | | |
| At amortized cost | 6.7 | 1,150,000 | - | - | - | 1,150,000 |
| Profit receivable | | - | - | - | 43,554 | 43,554 |
| Deposits | | - | - | - | 100 | 100 |
| **Sub total** | | 12,049,252 | - | - | 43,654 | 12,092,906 |
| **Financial liabilities** | | | | | | |
| Payable to the Management Company | | - | - | - | 7,060 | 7,060 |
| Payable to the Trustee | | - | - | - | 809 | 809 |
| Accrued expenses and other liabilities | | - | - | - | 851 | 851 |
| **Sub total** | | - | - | - | 8,720 | 8,720 |
| **On-balance sheet gap (a)** | | 12,049,252 | - | - | 34,934 | 12,084,186 |
| **Off-balance sheet financial instruments** | | - | - | - | - | - |
| **Off-balance sheet gap (b)** | | - | - | - | - | - |
| **Total interest rate sensitivity gap (a) + (b)** | | 12,049,252 | - | - | | |
| **Cumulative interest rate sensitivity gap** | | 12,049,252 | - | - | | |

**20.1.3 Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk.

**20.2 Credit risk**

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities, loans and receivables and bank balances. Risks attributable to investments in Market Treasury Bills is limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with a reasonably high credit rating.

The maximum exposure to credit risk before considering any collateral as at June 30, 2019 is the carrying amount of the financial assets.

The analysis below summarises the credit quality of the Fund's bank balances and Investments as at June 30, 2019 and June 30, 2018:

| Name of Bank / Institutions | Balances held by the Fund as at June 30, 2019 | Latest available published rating as at June 30, 2019 | Rating agency |
|---|---|---|---|
| | (Rupees in '000) | | |
| **Balances with banks by rating category** | | | |
| Bank Alfalah Limited | 2,970,370 | AA+ | JCR-VIS |
| Bank Al Habib Limited | 14 | AA+ | PACRA |
| Habib Metro Bank Limited | 114 | AA+ | PACRA |
| Habib Bank Limited | 1,333,678 | AAA | JCR-VIS |
| Allied Bank Limited | 251,490 | AAA | PACRA |
| NIB Bank Limited | 13 | AAA | PACRA |
| United Bank Limited | 37 | AAA | JCR-VIS |
| Samba Bank Limited | 8 | AA | JCR-VIS |
| Zarai Taraqiati Bank Limited | 887,270 | AAA | JCR-VIS |
| JS Bank Limited | 19,341 | AA- | PACRA |
| Sindh Bank Limited | 17 | AA | JCR-VIS |
| Faysal Bank Limited | 2,025 | AA | PACRA |
| | 5,464,377 | | |
| Letter of placement | | | |
| Zarai Taraqiati Bank Limited | 400,000 | AAA | JCR-VIS |
| Commercial Paper | | | |
| K.Electric Limited | 961,242 | AA | PACRA |
| The Hub Power Company Limited | 347,632 | A1+ | PACRA |
| | 1,308,874 | | |

| Name of Bank / Institutions | Balances held by the Fund as at June 30, 2018 | Latest available published rating as at June 30, 2018 | Rating agency |
|---|---|---|---|
| | (Rupees in '000) | | |
| Balances with banks by rating category | | | |
| Bank Alfalah Limited | 3,546 | AA+ | JCR-VIS |
| Bank Al Habib Limited | 73 | AA+ | PACRA |
| Habib Metro Bank Limited | 719 | AA+ | PACRA |
| Habib Bank Limited | 13,522 | AAA | JCR-VIS |
| Allied Bank Limited | 10,330,872 | AA+ | PACRA |
| NIB Bank Limited | 694 | AA- | PACRA |
| United Bank Limited | 275 | AAA | JCR-VIS |
| Samba Bank Limited | 29 | AA | JCR-VIS |
| Zarai Taraqiati Bank Limited | 541,707 | AAA | JCR-VIS |
| JS Bank Limited | 7,277 | AA- | PACRA |
| Sindh Bank Limited | 538 | AA | JCR-VIS |
| | 10,899,252 | | |
| Letter of placement | | | |
| Pak Brunei Investment Company Limited | 1,150,000 | AA+ | JCR-VIS |

**20.2.1** The analysis below summarizes the credit quality of the Fund’s credit exposure:

| Rating by rating category | **2019** | 2018 |
|---|---|---|
| | ----------(Percentage)---------- | |
| AAA | 45.25 | 5.10 |
| AA+ | 54.36 | 94.82 |
| AA | 0.04 | 0.01 |
| AA- | 0.35 | 0.07 |

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the Government.

**20.3 Liquidity risk**

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

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

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

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

| | As at June 30, 2019 | | | |
|---|---|---|---|---|
| | Upto three months | More than three months and upto one year | More than one year | Total |
| | Rupees in '000 | | | |
| **Financial liabilities** | | | | |
| Payable to the Management Company | 6,517 | - | - | 6,517 |
| Payable to the Trustee | 809 | - | - | 809 |
| Payable against purchase of investments | 984,910 | - | - | 984,910 |
| Accrued expenses and other liabilities | 391 | - | - | 391 |
| Dividend payable | 138 | - | - | 138 |
| | 992,765 | - | - | 992,765 |

| | As at June 30, 2018 | | | |
|---|---|---|---|---|
| | Upto three months | More than three months and upto one year | More than one year | Total |
| | Rupees in '000 | | | |
| **Financial liabilities** | | | | |
| Payable to the Management Company | 7,060 | - | - | 7,060 |
| Payable to the Trustee | 809 | - | - | 809 |
| Accrued expenses and other liabilities | 851 | - | - | 851 |
| | 8,720 | - | - | 8,720 |

## 21 UNITS HOLDERS' FUND RISK MANAGEMENT

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

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unit holders;

- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and

- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

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

## 22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 ( Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and

- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

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

| | Note | June 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Carrying Amount | | | Fair Value | | | |
| | | Fair value through profit or loss | Amortized Cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | | (Rupees in '000) | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | |
| **Financial assets measured at fair value** | 22.1 | | | | | | | |
| Market treasury bills | | 984,996 | - | - | - | 984,996 | - | 984,996 |
| | | 984,996 | - | - | - | 984,996 | - | 984,996 |
| **Financial assets not measured at fair value** | 22.2 | | | | | | | |
| Bank balances | | - | 7,064,377 | 7,064,377 | | | | |
| Profit receivable | | - | 104,600 | 104,600 | | | | |
| Investments | | - | 1,708,874 | 1,708,874 | | | | |
| Deposits | | - | 100 | 100 | | | | |
| | | - | 8,877,951 | 8,877,951 | | | | |
| **Financial liabilities not measured at fair value** | 22.2 | | | | | | | |
| Payable to the Management Company | | - | 6,517 | 6,517 | | | | |
| Payable to the Trustee | | - | 809 | 809 | | | | |
| Payable against purchase of investments | | | 984,910 | 984,910 | | | | |
| Accrued expenses and other liabilities | | - | 391 | 391 | | | | |
| Dividend payable | | | 138 | 138 | | | | |
| | | - | 992,765 | 992,765 | | | | |

| | Note | June 30, 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 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 |
| | | (Rupees in '000) | | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | | |
| **Financial assets not measured at fair value** | 22.2 | | | | | | | | |
| Bank balances | | - | 10,899,252 | - | 10,899,252 | | | | |
| Profit receivable | | - | 43,554 | - | 43,554 | | | | |
| Investments | | - | 1,150,000 | - | 1,150,000 | | | | |
| Deposits | | - | 100 | - | 100 | | | | |
| | | - | 12,092,906 | - | 12,092,906 | | | | |
| **Financial liabilities not measured at fair value** | 22.2 | | | | | | | | |
| Payable to the Management Company | | - | - | 7,060 | 7,060 | | | | |
| Payable to the Trustee | | - | - | 809 | 809 | | | | |
| Accrued expenses and other liabilities | | - | - | 851 | 851 | | | | |
| | | - | - | 8,720 | 8,720 | | | | |

## 22.1 Valuation techniques

For level 2 investments at fair value through profit or loss - investment in respect of Treasury Bills, Fund uses rates which are derived from PKRV rates at reporting date per certificate multiplied by the number of certificates held as at period end.

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

**22.3 Transfers during the year**

During the year ended June 30, 2019, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 financial instruments.

**23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

**Top ten brokers during the year ended June 30, 2019**

1 AKD Securities Limited
2 AL Falah Securities (Private) Limited
3 Arif Habib Limited
4 BMA Capital Management Limited
5 DJM Securities (Private) Limited
6 EFG Hermes Pakistan Limited
7 Intermarket Securities Limited
8 JS Global Capital Limited
9 Optimus Capital Management (Private) Limited
10 Topline Securities (Private) Limited

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

1 Bright Capital (Private) Limited
2 Paramount Capital (Private) Limited
3 Arif Habib Limited
4 EFG Hermes Pakistan Limited
5 Invest Capital Markets Limited
6 BMA Capital Management Limited
7 Pearl Securities Limited
8 Optimus Capital Management (Private) Limited
9 Next Capital Limited
10 Vector Capital (Private) Limited

**24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

**Details of members of the Investment Committee of the Fund as on June 30, 2019 are as follows:**

| S.no. | Name | Designation | Qualification | Experience in years |
|---|---|---|---|---|
| 1 | Farid Ahmed Khan | Chief Executive Officer | CFA, MBA | 26+ |
| 2 | Muhammad Imran | Chief Investment Officer | MBA (Finance) | 19+ |
| 3 | Faizan Saleem | Head of Fixed Income | MBA (Finance) | 11+ |
| 4 | Wamiq Sakrani | Specialist-Fixed Income | MBA | 10+ |
| 5 | Sateesh Balani | Head of Research | CFA, MBA | 8+ |
| 6 | Noman Ameer * | Manager - Risk | MBA (Finance) | 12+ |

* Employee resigned from the service of the company effective from June 10, 2019

## 25 PATTERN OF UNITHOLDING

**2019**

| Category | Number of unit holders | Number of units held | Unit holding or investment amount | Percentage investment |
|---|---|---|---|---|
| | | | ------------- Rupees in '000 ------------- | |
| Individuals | 985 | 11,349,018 | 1,144,986 | 10.67% |
| Associated Companies and Directors | 3 | 575,928 | 58,105 | 3.46% |
| Insurance Companies | 5 | 454,012 | 45,805 | 1.28% |
| Retirement Funds | 20 | 3,397,758 | 342,795 | 2.74% |
| Trust | 4 | 993,538 | 100,237 | 1.94% |
| Others | 34 | 70,543,140 | 7,116,995 | 79.91% |
| | | 87,313,394 | 8,808,923 | 100.00% |

2018

| Category | Number of unit holders | Number of units held | Unit holding or investment amount | Percentage investment |
|---|---|---|---|---|
| | | | ------------- Rupees in '000 ------------- | |
| Individuals | 757 | 12,119,137 | 1,284,654 | 10.67% |
| Associated Companies and Directors | 6 | 3,926,004 | 416,165 | 3.46% |
| Insurance Companies | 6 | 1,448,449 | 153,539 | 1.28% |
| Retirement Funds | 18 | 3,107,499 | 329,401 | 2.74% |
| Trust | 5 | 2,197,805 | 232,972 | 1.94% |
| Others | 39 | 90,781,235 | 9,623,003 | 79.91% |
| | | 113,580,129 | 12,039,734 | 100.00% |

## 26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Six meetings of the Board of Directors were held on July 04, 2018, August 31, 2018, October 17, 2018, November 14, 2018, February 08, 2019 and April 30, 2019 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

| | | Number of meetings | | | |
|---|---|---|---|---|---|
| S.No. | Name of Director | Held | Attended | Leave granted | Meetings not attended |
| 1 | Mr. Agha Sher Shah ** | 6 | 5 | 1 | November 14, 2018 |
| 2 | Mr. Farid Ahmed Khan *** | 6 | 6 | 0 | - |
| 3 | Ms. Ava A. Cowasjee * | 6 | 6 | 0 | - |
| 4 | Mr. Rayomond H. Kotwal * | 6 | 5 | 1 | February 8, 2019 |
| 5 | Mr. Rizwan Haider * | 6 | 5 | 1 | November 14, 2018 |
| 6 | Mr. Shabbir Hussain Hashmi * | 6 | 6 | 0 | - |
| 7 | Mr. Shahid Ghaffar * | 6 | 6 | 0 | - |
| 8 | Mr. Aamir Hasan Irshad **** | 1 | 1 | 0 | - |

* Completed term and reappointed on April 26, 2019.
** Completed term and reappointed on April 26, 2019. Resigned on June 2, 2019.
*** Completed term and appointed as deemed director effective from April 26, 2019.
**** Appointed on April 26, 2019.

**27 TOTAL EXPENSE RATIO**

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2019 is 1.22% (2018: 0.96%) which includes 0.35% (2018: 0.26%) representing Government Levy and SECP fee.

**28 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on August 29, 2019 by the Board of Directors of the Management Company.

**29 CORRESPONDING FIGURES**

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

**30 GENERAL**

Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|


# HBL Multi Asset Fund

HBL AML Financial annual report 2018-19

**NAME OF FUND** HBL Multi Asset Fund

**NAME OF AUDITORS** Deloitte Yousuf Adil, Chartered Accountants.

**NAME OF TRUSTEE** Central Depository Company of Pakitan Limited

**NAME OF BANKERS**

Habib Bank Limited
Allied Bank Limited
JS Bank Limited
MCB Bank Limited
Zarai Tarakiyati Bank Limited
Sindh Bank Limited
Soneri Bank Limited

**Type and Category of Fund**

Open end Balanced Fund

**Investment Objective and Accomplishment of Objective**

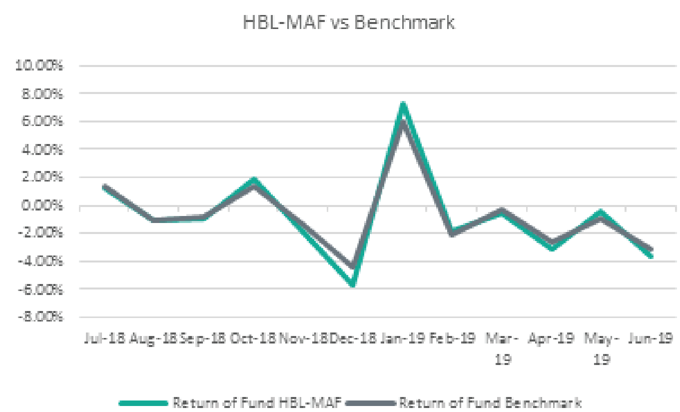
The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes such as equity, equity-related instruments, fixed-income securities, continuous funding system, derivatives, money market instruments, etc.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is weighted average daily return of KSE100 and 6M average PKRV rates based on the actual proportion of investment in Equity and Fixed Income/Money Market component.

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

| Month | Return of Fund | |
|---|---|---|
| | HBL - MAF | Benchmark |
| Jun -19 | -3.61% | -3.19% |
| May-19 | -0.48% | -0.97% |
| Apr-19 | -3.08% | -2.65% |
| Mar-19 | -0.59% | -0.29% |
| Feb -19 | -1.81% | -2.11% |
| Jan -19 | 7.24% | 5.98% |
| Dec -18 | -5.66% | -4.39% |
| Nov -18 | -1.80% | -1.31% |
| Oct -18 | 1.84% | 1.33% |
| Sep -18 | -0.98% | -0.82% |
| Aug -18 | -1.14% | -1.13% |
| Jul -18 | 1.29% | 1.39% |

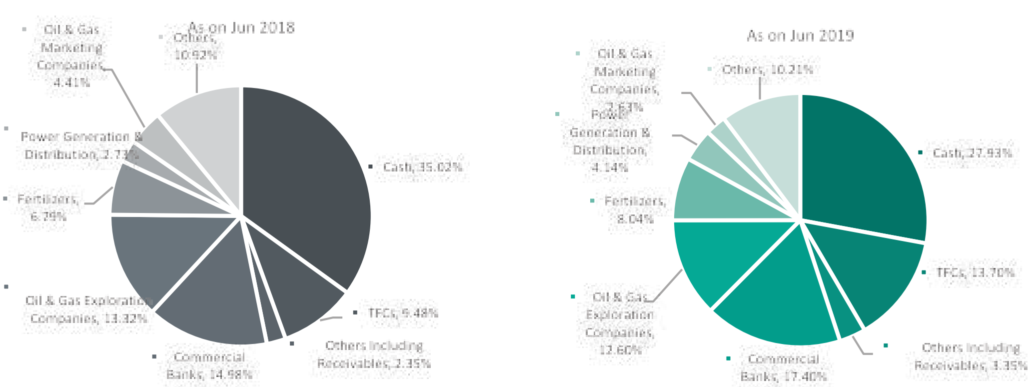



**Strategies and Policies employed during the Year**

During the year under review, the Fund has increased its exposure in equity securities from 53% as at June 30, 2018 to 55% as on June 30, 2019. The Fund gradually increased its exposure in debt securities from 7% to eventually 9% in same period. However, the Fund was invested more in Cash/placements with banks/DFIs as safe heavens.

Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in Oil & Gas Exploration, Oil & Gas Marketing were decreased; however exposure in, Power Generation & Distribution, Commercial Banks and Fertilizers were increased.

## Asset Allocation



**Significant Changes in Asset Allocation during the Year**

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2019 and June 30, 2018:

| Sector Name | As on Jun 2019 | As on Jun 2018 |
|---|---|---|
| Cash | 27.93% | 35.02% |
| TFCs | 13.70% | 9.48% |
| Others Including Receivables | 3.35% | 2.35% |
| Commercial Banks | 17.40% | 14.98% |
| Oil & Gas Exploration Companies | 12.60% | 13.32% |
| Fertilizers | 8.04% | 6.79% |
| Power Generation & Distribution | 4.14% | 2.73% |
| Oil & Gas Marketing Companies | 2.63% | 4.41% |
| Others | 10.21% | 10.92% |
| **Total** | **100.00%** | **100.00%** |

**Fund Performance**

The Fund incurred a total and net loss of Rs. 13.70 million and Rs. 23.12 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Fund was Rs 95.6506 per unit as on June 30, 2019 as compared to Rs 105.0519 per unit as on June 30, 2018, thereby giving a negative return of 8.95%. During the same year the benchmark index (Weighted average daily return KSE 100 and 6 Month PKRV rates) yielded a negative return of 8.23%. The size of Fund was Rs 0.20 billion as on June 30, 2019 as compared to Rs. 0.32 billion at the start of the year.

**Review of Market invested in**

**Money Market Review**

SBP continued monetary tightening in FY19 to control the rising current account deficit and anchor increasing inflationary pressures.

Yields across all the tenors increased by 469-601 bps during FY19 due to cumulative increase of 525 bps in SBP policy rate in FY19. Secondary market yields of 3, 5 and 10-year PIBs increased by 556, 511 and 469 bps respectively while yields of 3, 6 and 12 month T-Bills increased in tandem by 597, 595 and 593 bps respectively during FY19. Government further raised PKR 674bn through the PIBs auction during FY19 against a target of PKR 950bn due to increased interest from market participants at higher PIB yields. Latest cut-off yields stood at 13.69%, 13.80% and 13.70% for the 3-year, 5-year and 10-year PIBs, respectively.

During the FY19, Government largely managed its borrowing requirements through domestic sources, and largely from central bank. Government retired PKR 893bn from scheduled banks compared to retirement of PKR 210bn during same period last year. Meanwhile, Government borrowing from SBP increased by PKR 2,596bn during the period against borrowing of PKR 1,469bn during same period last year. Moreover, we expect that Government borrowing will shift from SBP towards Commercial banks under IMF program. It is important to note that IMF staff level report suggests that incremental borrowing requirements have to be met via commercial banks as borrowing from SBP will remain limited to avoid indirect inflationary pressures.

In the monetary policy held in May-19, SBP increased the policy rate by a further 150bps to 12.25%. Going forward, we expect that large part of monetary tightening has been done, however upward risk to inflation emanate from higher than expected impact of electricity and gas price hike.

**Stock Market Review**

The market remained under pressure throughout the year owing to weak macroeconomic environment and massive adjustment in currency and interest rates. Lack of clarity on the economic and political front weakened the investors' sentiment leading to flows towards risk free avenues like National Savings schemes and fixed income funds. Investors were also spooked by the FY20 Budget which envisions massive increase in tax revenue, fiscal consolidation and abolishment of subsidies.

The benchmark KSE-100 index recorded 8,009 points decline (-19%) during FY19 to close at 33,902 level. Major decline in the index was contributed by Oil & Gas (Exploration & Production), Cement and Banking sector stocks which caused cumulative attrition of 3,356pts due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive returns during the year. On the flows side, foreigners were the net sellers during the FY19 and sold shares of worth USD356mn, compared to net selling of USD290mn during FY18. However, it is important to note that foreign selling was skewed towards 1HFY19 as foreigners were net buyers in 2HFY19.

Moving ahead, Pakistan equities are expected to remain range bound due to tough macroeconomic environment. However, index heavyweights (Banks E&Ps, and Power) would remain in limelight as results of macroeconomic changes over the last 18 months (50 % PKR depreciation and 750 bps cumulative interest rate hike) would start to reflect in earnings in FY20. Thus, we will maintain our strategy focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

**Distribution**

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2019.

**Significant Changes in the State of Affairs**

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

**Breakdown of Unit Holding by Size**

| From – To (Number of units) | Number of Unit Holders | Total Number of Units Held |
|---|---|---|
| 1 – 100 | 19 | 771 |
| 101 – 500 | 35 | 7,727 |
| 501 – 1,000 | 10 | 7,140 |
| 1,001 – 10,000 | 32 | 163,611 |
| 10,001 – 100,000 | 27 | 643,339 |
| 1,000,001 – 5,000,000 | 1 | 298,482 |
| 500,001 – 1,000,000 | - | - |
| 1,000,001 – 5,000,000 | 1 | 1,002,846 |
| 5,000,001 and above | - | - |
| **Total** | **125** | **2,123,916** |

**Unit Splits**

There were no unit splits during the year.

**Circumstances materially affecting the Interest of Unit Holders**

**Investments are subject to market risk.**

**Soft Commission**

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Net assets at the period end (Rs'000) | 203,154 | 324,123 | 966,784 | 765,506 | 767,249 | 743,692 |
| **NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES** | | | | | | |
| Redemption | 95.6506 | 105.0519 | 112.09 | 98.05 | 94.98 | 95.45 |
| Offer | 97.8123 | 107.4261 | 114.63 | 100.64 | 97.52 | 98.73 |
| **OFFER / REDEMPTION DURING THE PERIOD - RUPEES** | | | | | | |
| Highest offer price per unit | 110.1991 | 114.9534 | 129.29 | 105.63 | 103.48 | 131.30 |
| Lowest offer price per unit | 95.669 | 98.0981 | 100.75 | 90.70 | 91.27 | 97.42 |
| Highest redemption price per unit | 107.7636 | 112.4129 | 126.37 | 102.91 | 100.79 | 127.86 |
| Lowest redemption price per unit | 93.5547 | 95.9301 | 98.52 | 88.37 | 88.90 | 94.86 |
| **RETURN ( % )** | | | | | | |
| Total return | -8.95% | -6.28% | 18.40% | 5.89% | 4.83% | 10.24% |
| Income distribution | - | - | 4.00% | 2.50% | 5.10% | 29.80% |
| Capital growth | -8.95% | -6.28% | 14.40% | 3.39% | -0.27% | -19.56% |
| **DISTRIBUTION** | | | | | | |
| Final dividend distributation (Rs) | - | - | 4.00 | 2.50 | 5.10 | 29.80 |
| Date of Income Distribution | - | - | 20-Jun-17 | 27-Jun-16 | 30-Jun-15 | 27-Jun-14 |
| Total dividend distribution for the year/ period (Rs) | - | - | 4.00 | 2.50 | 5.10 | 29.80 |
| **AVERAGE RETURNS ( % )** | | | | | | |
| Average annual return 1 year | -8.95% | -6.28% | 18.40% | 5.89% | 4.83% | 10.24% |
| Average annual return 2 year | -7.62% | 5.34% | 11.99% | 5.36% | 7.54% | 10.24% |
| Average annual return 3 year | 0.34% | 5.54% | 9.57% | 6.99% | 7.54% | 10.24% |
| Weighted average portfolio during (No. of days) | | | | | | |
| **PORTFOLIO COMPOSITION - (%)** | | | | | | |
| Percentage of Total Assets as at 30 June: | | | | | | |
| Bank Balances | 27.93% | 35.03% | 19.79% | 3.00% | 7.00% | 14.00% |
| Placements with Banks & DFIs | 0.00% | 0.00% | 8.24% | 5.00% | 0.00% | 0.00% |
| TFC / Sukuk | 13.71% | 9.48% | 6.98% | 0.00% | 5.00% | 6.00% |
| Stock/Equities | 55.01% | 53.14% | 64.27% | 66.00% | 63.00% | 52.00% |
| Government Securities | 0.00% | 0.00% | 0.00% | 23.00% | 24.00% | 13.00% |
| Others Including receivables | 3.36% | 2.35% | 0.72% | 3.00% | 1.00% | 15.00% |

**Note:**

The Launch date of the Fund is December 14, 2007

**Disclaimer:**

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

Summary of Actual Proxy voted by CIS

| HBLMAF | Meetings | Resolutions | For | Against |
|---|---|---|---|---|
| Number | 5 | 8 | 8 | - |
| (%ages) | | 100% | 100% | - |

(h) AMC did not participate in shareholders' meetings

| Investee Company | AGM Meeting Dt | EOGM Meeting Dt |
|---|---|---|
| Allied Bank Ltd | 14/11/2018)(28/3/2019)(16/5/2019) | 27/08/2018 |
| Amreli Steels Limited | 23/10/2018 | |
| Askari Bank Ltd | 25/3/2019 | |
| AGP Limited | 17/4/2019 | |
| Bank of Punjab | 29/3/2019 | |
| Bank Al Habib Ltd | 27/3/2019 | |
| Bank Alfalah Ltd | 25/09/2018)(28/3/2019) | |
| Dawood Hercules Corporation | (5/12/2018)(27/4/2019)(20/5/2019) | |
| Engro Corporation Ltd | (3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019) | (25/09/2018)(28/5/2019) |
| Engro Fertilizer Ltd | (28/3/2019) | 27/5/2019 |
| Engro Polymer & Chemicals Ltd | (1/4/2019) | |
| Fauji Fertilizer Bin Qasim Ltd | 29/3/2019 | |
| Fauji Fertilizer Co Ltd | (28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019) | |
| Faysal Bank Limited | | 07-10-18 |
| Habib Bank Limited | (17/12/2018)(27/3/2019)(21/6/2019) | 21/6/2019 |
| Hub Power Company Ltd | (30/4/2019) | (16/4/2019) |
| Hascol Petroleum | (19/11/2018)(29/4/2019) | 10-10-18 |
| Indus Motor Company Limited | (18/3/2019) | |
| International Industries Ltd | (28/09/2018)(22/3/2019) | |
| International Steels Limited | (25/09/2018) | |
| Kohat Cement Co Ltd | | 29/6/2019 |
| Kohinoor Textile Mill Ltd | (21/3/2019) | |
| Lucky Cement Ltd | (28/09/2018)(27/10/2018) | |
| Lotte Chemical Pakistan Ltd | (18/4/2019) | |
| Maple Leaf Cement Factory | 27/10/2018 | |
| Mughal Iron & Steel Industries | 27/10/2018 | |
| Mari Petroleum Company Ltd | 18/10/2018)(20/3/2019) | |
| Meezan Bank Ltd | 2/10/2018) | |
| MCB Bank Ltd | (28/08/2018)(22/11/2018)(29/3/2019)(23/5/2019) | |
| Mughal iron & Steel | 27/10/2018 | |
| Nishat (Chunian) Ltd | 26/10/2018) | 20/08/2018 |
| Nishat Mills Ltd | 27/10/2018)(17/4/2019) | |
| Nishat Chunian Power Ltd | 26/10/2018)(2/4/2019) | |
| Oil & Gas Development Co Ltd | (25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019) | |
| Pakgen Power Ltd | 30/4/2019 | 25/10/2018 |
| Pakistan Petroleum Ltd | 26/10/2018 | |
| Pakistan Oilfields Ltd | (25/09/2018)(20/3/2019) | |
| Pakistan State Oil Company Ltd | (02/10/2018)(16/10/2018)(19/6/2019) | |
| Sui Northern Gas Pipeline Ltd | 23/5/2019 | |
| Security Paper Ltd | (25/2/2019) | |
| Thal Limited | (22/10/2018)(20/3/2019) | |
| The Searle Company Ltd | 22/11/2018 | |
| United Bank Ltd | (18/09/2018)(19/11/2018)(28/3/2019)(16/6/2019)(18/6/2019) | |

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED
**Head Office**
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

## TRUSTEE REPORT TO THE UNIT HOLDERS

## HBL MULTI ASSET 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 Multi Asset Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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.

**Badiuddin Akber**
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 16, 2019

CENTRAL
DEPOSITORY
COMPANY

Deloitte.

**Deloitte Yousuf Adil**
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
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# INDEPENDENT AUDITORS' REPORT
# TO THE UNIT HOLDERS OF HBL MULTI ASSET FUND

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **HBL Multi Asset Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

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

### Key Audit Matters

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

| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| 1 | **Valuation and existence of investments**<br><br>As disclosed in note 6 to the financial statements, investments amounted to Rs. 148 million as at June 30, 2019.<br><br>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and term finance certificates. Their valuation and existence is a significant area during our audit. | We performed the following steps during our audit of investments:<br><br>• For listed equity securities: Independent testing of valuations by obtaining quoted market prices from the Pakistan Stock Exchange Limited and ensuring the existence of number of securities held at reporting date by comparing the |

B/A

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Chartered Accountants

| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| | There is a risk that appropriate quoted prices may not be used to determine fair value.<br><br>Further, the Fund may have included investments in its financial statements which were not owned by Fund. | internal records with Central Depository Company (CDC) account records;<br><br>For term finance certificates:<br><br>Independent testing of valuations by using the rates determined by the Mutual Fund Association of Pakistan and ensuring the existence of number of certificates by comparing the internal records with CDC account records;<br><br>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding the movement of certificates; and<br><br>any differences identified during our testing that were over our acceptable threshold were investigated further. |
| 2 | **Adoption of IFRS 9 "Financial Instruments".**<br><br>As disclosed in note 4.2 of the financial statements, from July 01, 2018, the Fund has changed its accounting policies due to the application of the IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement"<br><br>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.<br><br>Management has determined that the most significant impact of the new standard on the Fund's financial statements relates to classification of investment according the business model of the Fund. The requirements relating to impairment model have been deferred by SECP letter SCD/AMCW/RS/MUFAP/2017-148.<br><br>Management also assessed the additional disclosure required to be made by the new accounting standard in the financial statement.<br><br>We considered this as a key audit matter since the adoption of the new accounting standards has a material impact on the financial statements due to | We have performed the following audit procedures:<br><br>• Reviewed management's impact assessment and evaluated the management key decisions with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standards and assessed their appropriateness based on business model;<br><br>• Reviewed the classification of investment by management and ensured that it is in accordance with the business model;<br><br>• Evaluate and tested the adjustment, if any, recorded in financial statement in accordance with the change; and<br><br>• Evaluated the adequacy and appropriateness of disclosure made in the financial statements. |

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Chartered Accountants

| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| | the judgments involved in the assessment of classification of financial assets. | |

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

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Chartered Accountants

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.

- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

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

Deloitte Yousuf Adil
**Chartered Accountants**

**Date:** September 27, 2019
**Place:** Karachi

Member of
Deloitte Touche Tohmatsu Limited

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Assets** | | | |
| Bank balances | 5 | **60,225** | 118,090 |
| Investments | 6 | **148,196** | 211,150 |
| Dividend receivable and accrued mark-up | 7 | **1,134** | 1,216 |
| Receivable against sale of investment | | **2,631** | 3,216 |
| Advances and deposits | 8 | **3,480** | 3,480 |
| **Total assets** | | **215,666** | 337,152 |
| **Liabilities** | | | |
| Payable to the Management Company | 9 | **541** | 703 |
| Payable to the Trustee | 10 | **65** | 65 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | **234** | 510 |
| Accrued expenses and other liabilities | 12 | **11,672** | 11,751 |
| **Total liabilities** | | **12,512** | 13,029 |
| **Net assets** | | **203,154** | 324,123 |
| **Unit holders' fund (as per statement attached)** | | **203,154** | 324,123 |
| **Contingencies and commitments** | 13 | | |
| | | ---------- Number of units ---------- | |
| **Number of units in issue** | 14 | **2,123,916** | 3,085,357 |
| | | ---------- Rupees ---------- | |
| **Net assets value per unit** | 4.8 | **95.6506** | 105.0519 |

The annexed notes 1 to 33 form an integral part of these financial statements.

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

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Income** | | | |
| Mark-up / return on investments | 15 | **3,169** | 5,812 |
| Mark-up on deposits with banks | 16 | **9,202** | 10,467 |
| Dividend income | | **8,046** | 20,178 |
| Capital loss on sale of investments - net | | **(10,942)** | (50,260) |
| Unrealised demunition on re-measurement of investments classified as financial asset at fair value through profit or loss - net | | **(23,199)** | (2,192) |
| Other income | | **29** | 24 |
| | | **(13,695)** | (15,971) |
| Impairment loss on investments | | - | (7,815) |
| **Total loss** | | **(13,695)** | (23,786) |
| **Expenses** | | | |
| Remuneration of the Management Company | 9.1 | **6,226** | 13,550 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | **276** | 599 |
| Selling and marketing expense | 9.4 | **497** | - |
| Remuneration of the Trustee | 10.1 | **791** | 1,383 |
| Annual fee to Securities and Exchange Commission of Pakistan | 11.1 | **234** | 510 |
| Auditors' remuneration | 17 | **396** | 395 |
| Fees and subscription | | **28** | 28 |
| Securities transaction costs | | **422** | 1,079 |
| Settlement and bank charges | | **511** | 75 |
| Legal and Professional charges | | **45** | 80 |
| Printing charges | | - | 172 |
| **Total expenses** | | **9,426** | 17,871 |
| **Net loss from operating activities** | | **(23,121)** | (41,657) |
| Element of income / (loss) and capital gain / (loss) included in prices of units issued less those in units redeemed - net | | - | - |
| Reversal of provision for Workers' Welfare Fund | 12.2 | - | - |
| Provision for Sindh Workers' Welfare Fund | 12.2 | - | - |
| | | - | - |
| **Net loss for the year before taxation** | | **(23,121)** | (41,657) |
| Taxation | 18 | - | - |
| **Net loss for the year after taxation** | | **(23,121)** | (41,657) |
| **Allocation of income for the year** | | | |
| Income already paid on redemption of units | | - | - |
| Accounting income available for distribution: | | | |
| - Relating to capital gain | | - | - |
| - Excluding capital gain | | - | - |
| | | - | - |
| | | **(23,121)** | (41,657) |
| **Earnings per unit** | 19 | | |

The annexed notes 1 to 33 form an integral part of these financial statements.

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

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| Net loss for the year after taxation | **(23,121)** | (41,657) |
| **Other comprehensive income for the year** | | |
| **Items that may be reclassified to income statement in subsequent periods** | | |
| Unrealised loss on re-measurement of investments classified as available-for-sale | - | (12,694) |
| Net reclassification adjustments relating to available-for-sale financial assets | - | (49,665) |
| | - | (62,359) |
| Total comprehensive loss for the year | **(23,121)** | (104,016) |

The annexed notes 1 to 33 form an integral part of these financial statements.

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

**Chief Financial Officer** **Chief Executive Officer** **Director**

| | 2019 Capital value | 2019 Undistributed income (Accumulated loss) | 2019 Unrealised income / (loss) on investment | 2019 Total | 2018 Capital value | 2018 Undistributed income (Accumulated loss) | 2018 Unrealised income / (loss) on investment | 2018 Total |
|---|---|---|---|---|---|---|---|---|
| | For the year ended June 30, (Rupees in '000) | | | | | | | |
| **Net assets at beginning of the year** | **350,396** | **(32,325)** | **6,052** | **324,123** | 889,041 | 9,332 | 68,411 | 966,784 |
| Adoption of IFRS 9 | - | **6,052** | **(6,052)** | - | - | - | - | - |
| Issuance of 149,549 units (2018: 664,875 units) | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | **15,710** | - | - | **15,710** | 74,528 | - | - | 74,528 |
| - Element of loss | **(60)** | - | - | **(60)** | (3,039) | - | - | (3,039) |
| Total proceeds on issuance of units | **15,650** | - | - | **15,650** | 71,489 | - | - | 71,489 |
| Redemption of 1,110,990 units (2018: 6,204,397 units) | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | **(116,712)** | - | - | **(116,712)** | (696,015) | - | - | (696,015) |
| - Element of income | **3,214** | - | - | **3,214** | 85,881 | - | - | 85,881 |
| Total payments on redemption of units | **(113,498)** | - | - | **(113,498)** | (610,134) | - | - | (610,134) |
| Net loss for the year after taxation | - | **(23,121)** | - | **(23,121)** | - | (41,657) | - | (41,657) |
| Other comprehensive loss for the year | - | - | - | - | - | - | (62,359) | (62,359) |
| Total comprehensive loss for the year | - | **(23,121)** | - | **(23,121)** | - | (41,657) | (62,359) | (104,016) |
| **Net assets at end of the year** | **252,548** | **(49,394)** | - | **203,154** | 350,396 | (32,325) | 6,052 | 324,123 |
| **(Accumulated loss) / undistributed income brought forward** | | | | | | | | |
| - Realised | | **(30,133)** | | | | 9,332 | | |
| - Unrealised | | **(2,192)** | | | | - | | |
| | | **(32,325)** | | | | 9,332 | | |
| Adoption of IFRS 9 | | **6,052** | | | | - | | |
| Net loss for the year | | **(23,121)** | | | | (41,657) | | |
| Net (loss) / income for the year after taxation | | **(65,301)** | | | | 79,109 | | |
| **Accumulated loss carried forward** | | **(49,394)** | | | | (32,325) | | |
| **Accumulated loss carried forward** | | | | | | | | |
| - Realised | | **(28,595)** | | | | (30,133) | | |
| - Unrealised | | **(20,799)** | | | | (2,192) | | |
| | | **(49,394)** | | | | (32,325) | | |
| | | | | Rupees | | | | Rupees |
| **Net assets value per unit at beginning of the year** | | | | **105.0519** | | | | 112.0924 |
| **Net assets value per unit at end of the year** | | | | **95.6506** | | | | 105.0519 |

The annexed notes 1 to 33 form an integral part of these financial statements.

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

**Chief Financial Officer** **Chief Executive Officer** **Director**

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **Cash flow from operating activities** | | | |
| Net loss for the year after taxation | | **(23,121)** | (41,657) |
| **Adjustments** | | | |
| Profit from bank deposits | | **(9,202)** | (10,467) |
| Return from investments | | **(3,169)** | (5,812) |
| Capital loss on sale of investments - net | | **10,942** | 50,260 |
| Dividend income | | **(8,046)** | (20,178) |
| Impairment loss on investments | | **-** | 7,815 |
| Unrealised demunition on re-measurement of investments classified as financial asset at fair value through profit or loss - net | | **23,199** | 2,192 |
| | | **(9,397)** | (17,847) |
| **Decrease in assets** | | | |
| Investments - net | | **29,398** | 444,235 |
| **Increase in liabilities** | | | |
| Payable to the Management Company | | **(162)** | (1,178) |
| Payable to the Trustee | | **-** | (115) |
| Payable to Securities and Exchange Commission of Pakistan | | **(276)** | (239) |
| Accrued expenses and other liabilities | | **(79)** | (1,270) |
| | | **(517)** | (2,802) |
| **Net cash generated from operations** | | **19,484** | 423,586 |
| Profit received from bank deposits | | **9,191** | 11,072 |
| Markup on investments received | | **2,970** | 7,022 |
| Dividend income received | | **8,338** | 20,763 |
| | | **20,499** | 38,857 |
| **Net cash generated from operating activities** | | **39,983** | 462,443 |
| **Cash flow from financing activities** | | | |
| Amount received on issuance of units | | **15,650** | 71,489 |
| Payment against redemption of units | | **(113,498)** | (610,134) |
| Cash dividend paid | | **-** | (41) |
| **Net cash used in financing activities** | | **(97,848)** | (538,686) |
| **Net decrease in cash and cash equivalents** | | **(57,865)** | (76,243) |
| **Cash and cash equivalents at beginning of the year** | | **118,090** | 194,333 |
| **Cash and cash equivalents at end of the year** | 5 | **60,225** | 118,090 |

The annexed notes 1 to 33 form an integral part of these financial statements.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

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

1.1 HBL Multi Asset Fund (the Fund) was established under a Trust Deed, dated October 08, 2007, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on September 28, 2007.

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

1.3 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.

1.4 The fund has been categorised as a balanced fund as per the criteria laid down by SECP for categorisation of open-end Collective Investment Scheme (CISs).

1.5 The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes, such as equity securities, government securities, fixed income securities, continuous funding system, derivatives, money market instruments and other asset classes / securities / instruments.

1.6 JCR-VIS Credit Rating Company has assigned a management quality rating of AM2+' (Positive outlook) to the Management Company.

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

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.1.2** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that these financial statements gives a true and fair view of the state of the Fund's affairs as at June 30, 2019.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except that certain financial assets are stated at fair value.

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

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

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

(i) classification and valuation of financial assets notes 4.2.1

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

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019**

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements except as otherwise disclosed.

| | **Effective from accounting periods beginning on or after:** |
|---|---|
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9. | January 01, 2018 |
| IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. | July 01, 2018 |
| IFRS 15 'Revenue from Contracts with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date. | July 01, 2018 |

| | Effective from accounting periods beginning on or after: |
|---|---|
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property | January 01, 2018 |
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | January 01, 2018 |

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

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

**3.2.1** The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

| | Effective from accounting periods beginning on or after: |
|---|---|
| Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business | January 01, 2020 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture | Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted. |
| IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date. | January 01, 2019 |
| Amendments to References to the Conceptual Framework in IFRS Standards | January 01, 2020 |
| Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material | January 01, 2020 |
| Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements. | January 01, 2019 |

| | Effective from accounting periods beginning on or after: |
|---|---|
| Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. | January 01, 2019 |
| IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. | January 01, 2019 |

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

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 4.2.

### 4.1 Cash and cash equivalent

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

### 4.2 IFRS 9 'Financial Instruments

On application of IFRS - 9 'Financial Instruments', there is no material change in the Fund's financial risk management objectives and policies and are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2018.

**Impact of initial application of IFRS 9 Financial Instruments**

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures for the  year ended June 30, 2019.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities;
2) Impairment of financial assets; and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

**4.2.1 (a) Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

**Specifically:**

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the aforegoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- the Fund's investment in debt instruments that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVTPL because they are held within a business model whose objective is primarily to sell the bonds. The change in the fair value on these redeemable notes will be recorded in the profit of loss account;

- there is no change in the classification of the Fund's investments in debt instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

- the Fund's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been reclassified as at FVTPL. The change in fair value on these equity instruments will be recorded in the profit or loss account;

- there is no change in the classification of the Fund's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Fund's statement of asset and liabilities, income statement and statement of other comprehensive income or total comprehensive income for the year.

**4.2.2 (b) Impairment of financial assets**

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

**4.2.3 (c) Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the Fund does not have any financial liabilities designated as FVTPL.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

### 4.2.4 (d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Fund had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Fund has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Fund has elected to designate as at FVTPL at the date of initial application of IFRS 9.

### 4.2.5 The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

| | Carrying amount as per IAS 39 on June 30, 2018 | Reclassific-ations | Remeasure-ments | Carrying amount on initial adoption of IFRS 9 July 01, 2018 | Effects on Retained Earnings on July 01, 2018 |
|---|---|---|---|---|---|
| | ---------- Rupees ('000') ---------- | | | | |
| **Financial assets** | | | | | |
| **Fair value through profit or loss** | | | | | |
| Listed equity securities from available for sale (IAS 39) | 28,198 | 28,198 | - | 28,198 | - |
| Listed debt securities from available for sale (IAS 39) | 17,980 | 17,980 | - | 17,980 | - |
| **Total** | **46,178** | **46,178** | - | **46,178** | - |

### 4.3 IAS 39 Financial instruments ( For corresponding figures )

### 4.3.1 Financial assets

### 4.3.1.1 Classification

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

**a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading.

**b) Loans and receivables**

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

**c) Available for sale**

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

**4.3.1.2 Regular way contracts**

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

**4.3.1.3 Initial recognition and measurement**

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

**4.3.1.4 Subsequent measurement**

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

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

Basis of valuation of government securities

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

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

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

**b) Loans and receivables**

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

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

**4.3.1.5 Impairment**

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

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**4.3.1.6 Derecognition**

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

**4.3.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**4.3.3 Offsetting of financial assets and liabilities**

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

**4.4 Provisions**

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

**4.5 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

**4.6 Proposed distributions**

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

**4.7 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

**4.8 Net assets value per unit**

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

**4.9 Revenue recognition**

- Realised capital gain / (loss) arising on sale of investments are included in the income statement on the date at which the transaction takes place.

- Unrealised gain / (loss) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

- Dividend income from equity securities is recognised when the right to receive dividend is established.

- Mark up / return on Term finance certificates, bank deposits and investment in debt securities are recognised on a time apportionment basis using effective interest method.

**4.10 Expenses**

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

**5. BANK BALANCES**

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Savings accounts | 5.1 | **60,225** | 118,090 |
| | | **60,225** | 118,090 |

**5.1** This represents bank accounts held with different banks. Mark-up rates on these accounts range between 4.00% - 13.5% per annum (2018: 4.00% - 7.5% per annum).

**6. INVESTMENTS**

| | Note | **2019** | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Financial assets at fair value through profit or loss | | | |
| - Listed equity securities | 4.2.5 & 6.1 | **118,637** | 179,177 |
| - Term finance certificates | 6.2 | **29,559** | 31,973 |
| | | **148,196** | 211,150 |

## 6.1 Listed equity securities - At fair value through profit or loss

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

| Name of Investee Company | Number of Shares | | | | | Market value as at June 30, 2019 (Rupees in '000) | Market value as a percentage of | | Par value as a percentage of issued capital of the investee company |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2018 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30, 2019 | | Total Investments | Net Assets | |
| **Automobile Assembler** | | | | | | | | | |
| Honda Atlas Cars (Pakistan) Limited | 4,000 | - | - | 4,000 | - | - | - | - | - |
| Indus Motor Company Limited | 1,640 | - | - | 340 | 1,300 | 1,565 | 1.06% | 0.77% | 0.00% |
| Millat Tractors Limited | 3,630 | 1,000 | - | 4,630 | - | - | - | - | - |
| | **9,270** | **1,000** | **-** | **8,970** | **1,300** | **1,565** | | | |
| **Automobile Parts and Accessories** | | | | | | | | | |
| Thal Limited (Par value Rs. 5 per share) | 5,000 | 4,000 | - | 1,000 | 8,000 | 2,912 | 1.97% | 1.43% | 0.01% |
| | **5,000** | **4,000** | **-** | **1,000** | **8,000** | **2,912** | | | |
| **Cable and Electrical Goods** | | | | | | | | | |
| Pak Elektron Limited | 48,000 | 35,000 | - | 83,000 | - | - | - | - | - |
| | **48,000** | **35,000** | **-** | **83,000** | **-** | **-** | | | |
| **Cement** | | | | | | | | | |
| Cherat Cement Company Limited. | - | 41,100 | - | 41,100 | - | - | - | - | - |
| D G Khan Cement Company Limited. | - | 19,500 | - | 19,500 | - | - | - | - | - |
| Kohat Cement Limited | 5,000 | 25,000 | 2,700 | 19,700 | 13,000 | 683 | 0.46% | 0.34% | 0.01% |
| Lucky Cement Limited | 13,150 | 7,800 | - | 9,550 | 11,400 | 4,337 | 2.93% | 2.13% | 0.00% |
| Maple Leaf Cement Factory Limited | - | 109,500 | - | 109,500 | - | - | - | - | - |
| Pioneer Cement Limited | 10,000 | 15,000 | - | 25,000 | - | - | - | - | - |
| | **28,150** | **217,900** | **2,700** | **224,350** | **24,400** | **5,020** | | | |
| **Chemical** | | | | | | | | | |
| Engro Polymer & Chemicals Limited | - | 130,000 | - | 60,000 | 70,000 | 1,887 | 1.27% | 0.93% | 0.01% |
| Lotte Chemical Pakistan Limited | - | 50,000 | - | - | 50,000 | 763 | 0.51% | 0.38% | 0.00% |
| Sitara Chemical Industries Limited | - | 2,500 | - | - | 2,500 | 765 | 0.52% | 0.38% | 0.01% |
| | **-** | **182,500** | **-** | **60,000** | **122,500** | **3,415** | | | |
| **Commercial Banks** | | | | | | | | | |
| Allied Bank Limited | - | 40,500 | - | 10,500 | 30,000 | 3,151 | 2.13% | 1.55% | 0.00% |
| Askari Bank Limited | - | 140,000 | - | 140,000 | - | - | - | - | - |
| Bank Alfalah Limited | 169,000 | 50,000 | 11,100 | 85,000 | 145,100 | 6,325 | 4.27% | 3.11% | 0.01% |
| Bank Al-Habib Limited | 67,000 | 37,000 | - | 40,000 | 64,000 | 5,016 | 3.38% | 2.47% | 0.01% |
| Bank of Punjab | 167,000 | 50,000 | - | 85,000 | 132,000 | 1,208 | 0.82% | 0.59% | 0.02% |
| Faysal Bank Limited | 87,000 | - | - | 84,750 | 2,250 | 48 | 0.03% | 0.02% | 0.00% |
| Habib Bank Limited * | 65,471 | 51,400 | - | 44,900 | 71,971 | 8,151 | 5.50% | 4.01% | 0.00% |
| MCB Bank Limited | 57,800 | 5,000 | - | 32,300 | 30,500 | 5,321 | 3.59% | 2.62% | 0.00% |
| Meezan Bank Limited | - | 27,500 | 2,250 | 29,750 | - | - | - | - | - |
| National Bank of Pakistan Limited | - | 62,000 | - | 22,500 | 39,500 | 1,330 | 0.90% | 0.65% | 0.00% |
| United Bank Limited | 57,800 | 22,000 | - | 32,500 | 47,300 | 6,971 | 4.70% | 3.43% | 0.00% |
| | **671,071** | **485,400** | **13,350** | **607,200** | **562,621** | **37,521** | | | |
| **Engineering** | | | | | | | | | |
| Amreli Steels Limited | 19,700 | 8,000 | - | 27,700 | - | - | - | - | - |
| Cresent Steel & Allied Products Limited | - | 17,000 | - | 17,000 | - | - | - | - | - |
| International Industries Limited | 8,500 | 8,500 | - | 17,000 | - | - | - | - | - |
| International Steels Limited | 19,700 | 16,500 | - | 36,200 | - | - | - | - | - |
| Mughal Iron & Steel Inds Limited | 32,500 | - | - | 30,000 | 2,500 | 63 | 0.04% | 0.03% | 0.00% |
| | **80,400** | **50,000** | **-** | **127,900** | **2,500** | **63** | | | |
| **Fertilizers** | | | | | | | | | |
| Engro Corporation Limited | 32,000 | 25,500 | 3,550 | 34,000 | 27,050 | 7,184 | 4.85% | 3.54% | 0.01% |
| Engro Fertilizers Limited | 96,500 | 41,000 | - | 64,000 | 73,500 | 4,702 | 3.17% | 2.31% | 0.01% |
| Fauji Fertilizer Bin Qasim Limited | - | 30,000 | - | 30,000 | - | - | - | - | - |
| Fauji Fertilizer Company Limited | 57,000 | 24,000 | - | 18,500 | 62,500 | 5,450 | 3.68% | 2.68% | 0.00% |
| | **185,500** | **154,500** | **3,550** | **168,000** | **175,550** | **18,727** | | | |
| **Investment Banks / Companies** | | | | | | | | | |
| Dawood Hercules Corporation Limited** | - | 34,000 | - | 21,500 | 12,500 | 1,391 | 0.94% | 0.68% | 0.00% |
| | - | 34,000 | - | 21,500 | 12,500 | 1,391 | | | |

| Name of Investee Company | Number of Shares | | | | | Market value as at June 30, 2019 (Rupees in '000) | Market value as a percentage of | | Par value as a percentage of issued capital of the investee company |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2018 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30, 2019 | | Total Investments | Net Assets | |
| **Oil & Gas Exploration** | | | | | | | | | |
| Mari Petroleum Company Limited | 7,280 | 1,000 | 678 | 2,000 | 6,958 | 7,023 | 4.74% | 3.46% | 0.00% |
| Oil & Gas Development Company Limited | 59,600 | 26,500 | - | 22,800 | 63,300 | 8,323 | 5.62% | 4.10% | 0.00% |
| Pakistan Oilfields Limited | 16,350 | 5,500 | 2,270 | 12,000 | 12,120 | 4,919 | 3.32% | 2.42% | 0.01% |
| Pakistan Petroleum Limited | 63,700 | 6,500 | 8,955 | 31,400 | 47,755 | 6,897 | 4.65% | 3.39% | 0.00% |
| | **146,930** | **39,500** | **11,903** | **68,200** | **130,133** | **27,162** | | | |
| **Oil & Gas Marketing Companies** | | | | | | | | | |
| Hascol Petroleum Limited | 7,500 | - | 1,375 | 8,875 | - | - | - | - | - |
| Pakistan State Oil Company Limited | 25,420 | 18,500 | 3,084 | 22,000 | 25,004 | 4,241 | 2.86% | 2.09% | 0.01% |
| Sui Northern Gas Pipeline Limited | 44,000 | 15,000 | - | 38,500 | 20,500 | 1,425 | 0.96% | 0.70% | 0.00% |
| | **76,920** | **33,500** | **4,459** | **69,375** | **45,504** | **5,666** | | | |
| **Paper & Board** | | | | | | | | | |
| Century Paper & Board Mills Limited | - | 14,000 | - | - | 14,000 | 436 | 0.29% | 0.21% | 0.01% |
| Packages Limited | - | 3,000 | - | 3,000 | - | - | - | - | - |
| Security Papers Limited | - | 10,500 | - | 500 | 10,000 | 928 | 0.63% | 0.46% | 0.02% |
| | **-** | **27,500** | **-** | **3,500** | **24,000** | **1,364** | | | |
| **Pharmaceuticals** | | | | | | | | | |
| AGP Limited | - | 21,000 | - | - | 21,000 | 1,439 | 0.97% | 0.71% | 0.00% |
| The Searle Company Limited | 6,314 | 6,000 | 947 | 5,500 | 7,761 | 1,137 | 0.77% | 0.56% | 0.00% |
| | **6,314** | **27,000** | **947** | **5,500** | **28,761** | **2,576** | | | |
| **Power Generation and Distribution** | | | | | | | | | |
| K-Electric Limited (Par value Rs. 3.5 per share) | 350,000 | 85,000 | - | 182,000 | 253,000 | 1,111 | 0.75% | 0.55% | 0.00% |
| Hub Power Company Limited | 78,300 | 54,683 | - | 43,000 | 89,983 | 7,086 | 4.78% | 3.49% | 0.01% |
| Hub Power Company Limited - LOR | - | 10,684 | - | 10,684 | - | - | - | - | - |
| Nishat Chunian Power Limited | - | 42,500 | - | 42,500 | - | - | - | - | - |
| Pakgen Power Limited | - | 75,500 | - | 24,000 | 51,500 | 730 | 0.49% | 0.36% | 0.01% |
| | **428,300** | **268,367** | **-** | **302,184** | **394,483** | **8,927** | | | |
| **Textile Composite** | | | | | | | | | |
| Gul Ahmed Textile Mills Limited | - | 20,000 | - | 20,000 | - | - | - | - | - |
| Kohinoor Textile Mills Limited | - | 27,500 | - | 27,500 | - | - | - | - | - |
| Interloop Limited | - | 39,750 | - | 5,500 | 34,250 | 1,516 | 1.02% | 0.75% | 0.39% |
| Nishat ( Chunian) Limited | - | 25,000 | - | 25,000 | - | - | - | - | - |
| Nishat Mills Limited | 37,300 | 19,000 | - | 41,600 | 14,700 | 1,372 | 0.93% | 0.68% | 0.00% |
| | **37,300** | **131,250** | **-** | **119,600** | **48,950** | **2,888** | | | |
| **Technology & Communication** | | | | | | | | | |
| Pakistan Telecommunication Company Limited | - | 100,000 | - | 100,000 | - | - | - | - | - |
| System Limited | 22,500 | - | - | 22,500 | - | - | - | - | - |
| | **22,500** | **100,000** | **-** | **122,500** | **-** | **-** | | | |
| **Transport** | | | | | | | | | |
| Pakistan National Shipping Corporation | - | 15,000 | - | 2,000 | 13,000 | 830 | 0.56% | 0.41% | 0.01% |
| | **-** | **15,000** | **-** | **2,000** | **13,000** | **830** | | | |
| | **1,745,655** | **1,772,417** | **36,909** | **1,973,279** | **1,581,702** | **118,637** | | | |
| **Cost of investments at June 30, 2019** | | | | | | **142,008** | | | |

* Sponsor of the Management Company
** Related party due to common directorship

**6.1.1** Investments include shares having market value aggregating to Rs. 36.119 million (June 30, 2018: 46.031 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

**6.1.2** These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. 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% 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 (MUFAP), has filed a petition in Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 262,707 as at June 30, 2019 (June 30, 2018: Rs 514,988 ) and not yet deposited in 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.

## 6.2 Term Finance and Sukuk Certificates - Fair value through profit or loss

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Term finance and sukuk certificates - Listed | 6.2.1 | **16,201** | - |
| Term finance certificates - Unlisted | 6.2.2 | **13,358** | 31,973 |
| | | **29,559** | 31,973 |

## 6.2.1 Term Finance and sukuk Certificates - Listed

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

| Name of the Investee Company | Number of certificates: As at July 1, 2018 | Purchases during the year | Sales / Matured during the year | As at June 30, 2019 | Market value / Carrying value as at June 30, 2019 (Rupees in '000) | Market value as a percentage of: Total Investments | Net Assets |
|---|---|---|---|---|---|---|---|
| **Financial Services** | | | | | | | |
| Saudi Pak Leasing Company Limited - (Note 6.2.1.1) | 6,000 | - | - | 6,000 | - | - | - |
| Dawood Hercules Corporation limited** | 50 | - | - | 50 | 4,989 | 3% | 2.5% |
| Dawood Hercules Corporation limited** | - | 125 | - | 125 | 11,212 | 8% | 5.5% |
| | 6,050 | 125 | - | 6,175 | 16,201 | | |
| **Cost of investment as at June 30, 2019** | | | | | 32,663 | | |

* 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.

**6.2.1.1** 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.

### 6.2.2 Term Finance Certificates - Fair value through profit or loss

### 6.2.2.1 Term Finance Certificates - Unlisted

All Term Finance Certificates and Sukuk bonds have a face value of Rs. 100,000 each unless stated otherwise.

| Investee Company | Number of certificate | | | | Market value as at June 30, 2019 (Rupees in '000) | Market value as a percentage o | |
|---|---|---|---|---|---|---|---|
| | As at July 01, 2018 | Purchases during the year | Sales / Matured during the year | As at June 30, 2019 | | Total Investments | Net Assets |
| **Commercial Bank** | | | | | | | |
| The Bank of Punjal | 270 | - | 135 | 135 | | 9% | 6.6% |
| | **270** | **-** | **135** | **135** | **13,358** | | |
| **Cost of investments at June 30, 2019** | | | | | **13,594** | | |

**6.2.2.2** Significant terms and conditions of Term Finance and Sukuk Certificates outstanding at June 30, 2019 are:

| Name of security | Remaining principal (per TFC) | Mark-up rate (per annum) | Issue date | Maturity date |
|---|---|---|---|---|
| **Term Finance and sukuk Certificates - Listed** | | | | |
| Saudi Pak Leasing Company Limited | 2,533 | 6% Fixed rate | March 13, 2008 | March 13, 2017 |
| Dawood Hercules Corporation limited** | 100,000 | 3 month KIBOR + 1.0% | March 01, 2018 | March 01, 2023 |
| Dawood Hercules Corporation limited** | 90,000 | 3 month KIBOR + 1.0% | November 16, 2017 | November 16, 2022 |
| **Term Finance Certificates - Unlisted** | | | | |
| Bank of Punjab | 99,900 | 6 Month KIBOR + 0.5% | February 19, 2016 | February 19, 2026 |

** Related party due to common directors

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

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Dividend receivable | | **142** | 434 |
| Mark-up accrued on deposits with banks | | **714** | 703 |
| Mark-up / return accrued on Term Finance and sukuk Certificates | 7.1 | **278** | 79 |
| | | **1,134** | 1,216 |

**7.1** This include Rs. 236,677 receivable from related party under common directorship.

## 8. ADVANCES AND DEPOSITS

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Security deposit with National Clearing Company of Pakistan Limited | | **3,016** | 3,016 |
| Security deposit with Central Depository Company of Pakistan Limited | | **100** | 100 |
| Advance against subscription of Term Finance Certificates (TFC) | | **25,000** | 25,000 |
| Advance tax | | **364** | 364 |
| | | **28,480** | 28,480 |
| Less: Provision in respect of advance against subscription of Term Finance Certificates | 8.1 | **(25,000)** | (25,000) |
| | | **3,480** | 3,480 |

**8.1** The Fund had subscribed towards the term finance certificates of an issuer as Pre-IPO investor on January 09, 2008. Under the agreement, the issuer was required to complete the public offering by October 09, 2008. However, no public offering has been carried out by the issuer as at June 30, 2019. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As at June 30, 2019, the advance against subscription has been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the Management Company.

## 9. PAYABLE TO THE MANAGEMENT COMPANY

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Management fee | 9.1 | **363** | 528 |
| Sindh Sales Tax | 9.2 | **47** | 79 |
| Sales load payable | | **-** | 69 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | **18** | 27 |
| Selling and marketing expense | 9.4 | **113** | - |
| | | **541** | 703 |

**9.1** 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 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The Management Company has charged its remuneration at the rate of 2% per annum for the current year (2018: 2% per annum).

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (June 30, 2018: 13%) on the remueration of management company through Sindh Sales Tax on Services Act, 2011.

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

**9.4** SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a year of three years (from January 01, 2017 till June 30, 2019) being chargeable to open end equity, asset allocation and index funds. Maximum cap on the expenses has been set at 0.4% per annum of net assets of fund or actual expenses, whichever being lower. The Fund has started accruing expense on this account at 0.2% per annum of net assets of the Fund effective from March 21, 2017.

## 10. PAYABLE TO THE TRUSTEE

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Trustee's remuneration | 10.1 | **58** | 57 |
| Sindh Sales Tax | | **7** | 8 |
| | | **65** | 65 |

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2019 is as follows:

| **Amount of Funds Under Management (Average NAV)** | **Tariff per annum** |
|---|---|
| Upto Rs. 1,000 million | Rs. 0.7 million or 0.20% per annum of NAV, whichever is higher |
| On an amount exceeding Rs. 1,000 million | Rs. 2.0 million plus 0.10% per annum of NAV, exceeding Rs. 1,000 million |

## 11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Annual fee | 11.1 | **234** | 510 |

**11.1** Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as balanced scheme is required to pay as annual fee to the SECP, an amount equal to 0.085% (2018: 0.085%) of the average annual net assets of the scheme. The Fund has been categorised as a balanced scheme by the Management Company.

## 12. ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| Auditors' remuneration | | **296** | 330 |
| Federal Excise Duty | 12.1 | **6,610** | 6,610 |
| Payable to brokers | | **56** | 68 |
| Provision for Sindh Workers' Welfare Fund | 12.2 | **4,597** | 4,597 |
| Other payables | | **113** | 146 |
| | | **11,672** | 11,751 |

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

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The Finance act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2019.

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 Management Company, aggregating to Rs. 6.610 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 3.1122 (2018: Rs. 2.1424) per unit.

**12.2** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 2% of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

'Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that “Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid.

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry’s letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarification letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

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 recognised 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 recognised in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

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

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

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

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 9.496 million. Further, the Fund had started recognising provision provision for SWWF.

As at June 30, 2019, the provision in relation to SWWF amounted to Rs. 4.597 million (2018: Rs. 4.597 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 2.16 (2018: Rs. 1.49) per unit.

## 13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | ----------(Rupees in '000)---------- | |
| **14. NUMBER OF UNITS IN ISSUE** | | | |
| Total units in issue at the beginning of the year | | **3,085,357** | 8,624,879 |
| Units issued | | **149,549** | 664,875 |
| Units redeemed | | **(1,110,990)** | (6,204,397) |
| Total units in issue at the end of the year | | **2,123,916** | 3,085,357 |
| **15. MARK-UP / RETURN ON INVESTMENTS** | | | |
| Term finance certificates | | **3,169** | 3,663 |
| Term deposit receipts | | **-** | 2,149 |
| | | **3,169** | 5,812 |
| **16. MARK-UP ON DEPOSITS WITH BANKS** | | | |
| Mark-up on savings accounts | | **9,202** | 10,467 |
| **17. AUDITORS' REMUNERATION** | | | |
| Annual audit fee | | **280** | 280 |
| Fee for half yearly review | | **55** | 55 |
| Other certifications and out of pocket expenses | | **61** | 60 |
| | | **396** | 395 |

## 18. TAXATION

No provision for taxation has been made as the Fund has incurred a net loss and as such is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognised in the 'Income statement' and 'Statement of comprehensive income'.

## 19. EARNINGS PER UNIT

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

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

| | As on June 30, 2019 | | |
|---|---|---|---|
| | At Fair value through profit or loss | At Amortised cost | Total |
| | Rupees in '000 | | |
| **Assets** | | | |
| Bank balances | - | 60,225 | 60,225 |
| Investments | 148,196 | - | 148,196 |
| Dividend receivable and accrued mark-up | - | 1,134 | 1,134 |
| Receivable against sale of investment | - | 2,631 | 2,631 |
| Advances and deposits | - | 3,480 | 3,480 |
| | 148,196 | 67,470 | 215,666 |

| | As on June 30, 2019 | | |
|---|---|---|---|
| | At Fair value through profit or loss | At Amortised cost | Total |
| | Rupees in '000 | | |
| **Liabilities** | | | |
| Payable to the Management Company | - | 494 | 494 |
| Payable to the Trustee | - | 58 | 58 |
| Accrued expenses and other liabilities | - | 465 | 465 |
| | - | 1,017 | 1,017 |

| | As on June 30, 2018 | | | |
|---|---|---|---|---|
| | Held for trading | Available for sale | Loans and receivables | Total |
| | Rupees in '000 | | | |
| **Assets** | | | | |
| Bank balances | - | - | 118,090 | 118,090 |
| Investments | 164,973 | 46,177 | | 211,150 |
| Dividend receivable and accrued mark-up | - | - | 1,216 | 1,216 |
| Receivable against sale of investment | | | 3,216 | 3,216 |
| Advances, deposits and other receivables | - | - | 3,116 | 3,116 |
| | 164,973 | 46,177 | 125,638 | 336,788 |

| | As on June 30, 2018 | | | |
|---|---|---|---|---|
| | Held for trading | Available for sale | Other financial liabilities | Total |
| | Rupees in '000 | | | |
| **Liabilities** | | | | |
| Payable to the Management Company | - | - | 703 | 703 |
| Payable to the Trustee | - | - | 65 | 65 |
| Accrued expenses and other liabilities | - | - | 544 | 544 |
| | - | - | 1,312 | 1,312 |

## 21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

### 21.1 Transactions during the year

| | **2019** | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| HBL Asset Management Limited - Management Company | | |
| Management fee | **6,226** | 13,550 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | **276** | 599 |
| Selling and marketing Cost | **497** | - |
| **Habib Bank Limited - Sponsor** | | |
| Redemption of 355,497 units (2018: 5,638,231 units) | **35,618** | 550,000 |
| Bank charges paid during the year | **10** | 5 |
| Mark-up earned during the year | **362** | 356 |
| Mark-up received during the year | **356** | 367 |
| Dividend income earned during the year | **305** | 407 |
| Dividend income received during the year | **305** | 407 |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Trustee remuneration | **791** | 1,383 |
| Central Depository service charges | **20** | 56 |

### 21.2 Amounts outstanding as at year end

| | **2019** | 2018 |
|---|---|---|
| **HBL Asset Management Limited - Management Company** | | |
| Management fee payable | **363** | 528 |
| Sales tax payable | **47** | 79 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | **18** | 27 |
| Selling And Marketing Cost | **113** | - |
| Sales load payable | **-** | 69 |
| **Habib Bank Limited - Sponsor** | | |
| Investment held in the Fund: 1,002,846 units (2018: 1,358,343 units) | **95,923** | 142,696 |
| Bank balances | **2,967** | 4,555 |
| Profit receivable on bank deposits | **18** | 25 |

| | 2019 | 2018 |
|---|---|---|
| | ----------(Rupees in '000)---------- | |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Remuneration payable | **58** | 57 |
| Sindh Sales Tax | **7** | 8 |
| **Rafiuddin Zakir Mahmood Connected Persons Due to 10% and more** | | |
| Investment held in the Fund: 298,482 units (2018: Nil units) | **28,550** | - |

## 22. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

| S.no. | Name | Designation | Qualification | Experience in years |
|---|---|---|---|---|
| 1 | Farid Ahmed Khan | Chief Executive Officer | MBA , CFA | 26+ |
| 2 | Muhammad Imran | Chief Investment Officer | MBA - Finance | 19+ |
| 3 | Jawad Naeem | Head of Equities | MBA - Finance | 11+ |
| 4 | Adeel Abdul Wahab | Specialist - Equity | ACCA | 11+ |
| 5 | Faizan Saleem | Head of Fixed Income | MBA - Finance | 11+ |
| 6 | Muhammad Wamiq Sakrani | Specialist - Fixed Income | MBA | 10+ |
| 7 | Sateesh Balani | Head of Research | MBA, CFA | 8+ |
| 8 | Noman Ameer * | Manager - Risk | MBA - Finance | 12+ |

* Employee resigned from the service of the company effective from June 10, 2019

## 23. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top ten brokers during the year ended June 30, 2019

1 Next Capital Limited
2 Intermarket Securities Limited.
3 IGI Finex Securities Limited
4 Insight Securities (Private) Limited
5 AL Falah Securities (Private) Limited
6 Foundation Securities (Private) Limited
7 Elixir Securities Pakistan (Private) Limited
8 Taurus Securities Limited
9 Topline Securities (Private) Limited
10 BMA Capital Management Limited

Top ten brokers during the year ended June 30, 2018

1 BMA Capital Management Limited
2 Arif Habib Limited
3 JS Global Capital Limited
4 Optimus Markets (Pvt) Limited
5 Next Capital Limited
6 BIPL Securities Limited
7 Elixir Securities Pakistan (Private) Limited
8 EFG Hermes Pakistan Limited
9 Global Securities Pakistan Limited
10 Pearl Securities Limited

## 24. PATTERN OF UNIT HOLDING

| | As at June 30, 2019 | | | |
|---|---|---|---|---|
| | Number of unit holders | Number of units held | Investment amount | Percentage investment |
| | | | Rupees in '000 | |
| Individuals | **121** | **1,036,629** | **99,154** | **48.81%** |
| Associated companies | **1** | **1,002,846** | **95,923** | **47.22%** |
| Retirement funds | **1** | **46,839** | **4,480** | **2.21%** |
| Trust | **1** | **12,997** | **1,243** | **0.61%** |
| Others | 1 | 24,605 | 2,354 | 1.16% |
| | **125** | **2,123,916** | **203,154** | **100.00%** |

| | As at June 30, 2018 | | | |
|---|---|---|---|---|
| | Number of unit holders | Number of units held | Investment amount | Percentage investment |
| | | | Rupees in '000 | |
| Individuals | 124 | 1,596,909 | 167,758 | 51.76% |
| Associated companies | 1 | 1,358,343 | 142,697 | 44.03% |
| Retirement funds | 3 | 92,503 | 9,718 | 3.00% |
| Trust | 1 | 12,997 | 1,365 | 0.42% |
| Others | 1 | 24,605 | 2,585 | 0.80% |
| | 130 | 3,085,357 | 324,123 | 100.00% |

## 25. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Six meetings of the Board of Directors were held on July 04, 2018 ,August 31, 2018, October 17, 2018, November 14, 2018, February 08, 2019 and April 30, 2019 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

| | | Number of meetings | | | |
|---|---|---|---|---|---|
| S.No. | Name of Director | Held | Attended | Leave granted | Meetings not attended |
| 1 | Mr. Agha Sher Shah 1 - 2 | 6 | 5 | 1 | November 14,2018 |
| 2 | Mr. Farid Ahmed Khan 3 | 6 | 6 | - | - |
| 3 | Ms. Ava A. Cowasjee 1 | 6 | 6 | - | - |
| 4 | Mr. Rayomond H. Kotwal 1 | 6 | 5 | 1 | February 08,2019 |
| 5 | Mr. Rizwan Haider 1 | 6 | 5 | 1 | November 14,2018 |
| 6 | Mr. Shabbir Hussain Hashmi 1 | 6 | 6 | - | - |
| 7 | Mr. Shahid Ghaffar 1 | 6 | 6 | - | - |
| 8 | Mr. Aamir Hasan Irshad 4 | 1 | 1 | - | - |

1 Completed term and reappointed on April 26, 2019.

2 Resigned on June 02, 2019.

3 Completed term and appointed as deemed director effective from April 26, 2019.

4 Appointed on April 26, 2019.

## 26. FINANCIAL RISK MANAGEMENT

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

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

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

### 26.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

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

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

### 26.2 Currency risk

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

### 26.3 Interest rate risk

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

**a) Cash flow interest rate risk**

The Fund's interest rate risk arises from the balances in savings accounts and investment in Sukuks. The net income for the year would have increased / (decreased) by Rs. 0.89 million (2018: Rs 1.50 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

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

The composition of the Fund's investment portfolio, KIBOR and rates announced by Financial Markets Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets and net income due to future movements in interest rates.

Yield / Interest rate sensitivity position for financial instruments is as follows:

| | 2019 | | | | |
|---|---|---|---|---|---|
| | | Exposed to Yield / Interest rate risk | | | |
| | Total | Upto three months | More than three months and upto one year | More than one year | Not exposed to Yield / Interest rate risk |
| **Financial instruments** | (Rupees in '000) | | | | |
| **Financial assets** | | | | | |
| Bank balances | 60,225 | 60,225 | - | - | - |
| Investments | 148,196 | - | - | 29,559 | 118,637 |
| Dividend receivable and accrued mark-up | 1,134 | - | - | - | 1,134 |
| Receivable against sale of investment | 2,631 | - | - | - | 2,631 |
| Advances, deposits and other receivables | 3,480 | - | - | - | 3,480 |
| | 215,666 | 60,225 | - | 29,559 | 125,882 |
| **Financial liabilities** | | | | | |
| Payable to the Management Company | 494 | - | - | - | 494 |
| Payable to the Trustee | 58 | - | - | - | 58 |
| Accrued expenses and other liabilities | 465 | - | - | - | 465 |
| | 1,017 | - | - | - | 1,017 |

| | 2018 | | | | |
|---|---|---|---|---|---|
| | | Exposed to Yield / Interest rate risk | | | |
| | Total | Upto three months | More than three months and upto one year | More than one year | Not exposed to Yield / Interest rate risk |
| **Financial instruments** | (Rupees in '000) | | | | |
| **Financial assets** | | | | | |
| Bank balances | 118,090 | 118,090 | - | - | - |
| Investments | 211,150 | - | - | 31,973 | 179,177 |
| Dividend receivable and accrued mark-up | 1,216 | - | - | - | 1,216 |
| Receivable against sale of investment | 3,216 | - | - | - | 3,216 |
| Advances, deposits and other receivables | 3,116 | - | - | - | 3,116 |
| | 336,788 | 118,090 | - | 31,973 | 186,725 |
| **Financial liabilities** | | | | | |
| Payable to the Management Company | 703 | - | - | - | 703 |
| Payable to the Trustee | 65 | - | - | - | 65 |
| Accrued expenses and other liabilities | 544 | - | - | - | 544 |
| | 1,312 | - | - | - | 1,312 |

## 26.4 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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

In case of 5% increase / decrease in the fair value of the Fund's equity securities and debt securities on June 30, 2019, net assets of the Fund would have increased / decreased by Rs. 7.410 million (2018: Rs.10.558) as a result of gains / losses on equity securities and TFCs at 'fair value through profit or loss catagory, with corresponding effect on operating income reported in 'Income statement'.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time.Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

**26.5 Credit risk**

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the counter party to fulfil their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc.

The Fund's credit risk is primarily attributable to its investment in debt securities, balances with banks and advances, deposits and other receivables. The credit risk of the Fund is limited as the investments are made and balances are maintained with counter parties that are financial institutions with reasonably high credit ratings.

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

The maximum exposure to credit risk before considering any collateral as at June 30, 2019 and June 30, 2018 is the carrying amount of the financial assets. Investments in equity securities and debt securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

The analysis below summarises the credit quality of the Fund's bank balances, accrued markup and other receivable as at June 30, 2019 and June 30, 2018:

**Balances with banks by rating category**

| Name of Bank / Institutions | Balances held by the Fund as at June 30, 2018 | Latest available published rating as at June 30, 2018 | Rating agency |
|---|---|---|---|
| Sindh Bank Limited - KSE | 9 | A+ | JCR-VIS |
| Habib Bank Limited - Kehkashan | 2,844 | AAA | JCR-VIS |
| MCB Bank Limited | 17 | AAA | PACRA |
| JS Bank Limited | 57,268 | AA- | PACRA |
| Zarai Taraqiati Bank Limited - Shaif Court | 4 | AAA | JCR-VIS |
| Allied Bank Limited - KSE | 11 | AAA | PACRA |
| Soneri Bank Limited - KSE | 58 | AA- | PACRA |
| MIB Bank Limited | 14 | A | PACRA |
| | 60,225 | | |
| Investment in Term Finance Certificates | 29,559 | | |

| Name of Bank / Institutions | Balances held by the Fund as at June 30, 2018 | Latest available published rating as at June 30, 2018 | Rating agency |
|---|---|---|---|
| Sindh Bank Limited - KSE | 8 | AA | JCR-VIS |
| Habib Bank Limited - Kehkashan | 5,922 | AAA | JCR-VIS |
| MCB Bank Limited | 883 | AAA | PACRA |
| JS Bank Limited | 110,671 | AA- | PACRA |
| Zarai Taraqiati Bank Limited - Shaif Court | 191 | AAA | JCR-VIS |
| Allied Bank Limited - KSE | 415 | AA+ | PACRA |
| | 118,090 | | |
| Investment in Term Finance Certificates | 31,973 | | |

### 26.5.1 Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's major bank balance is held with one Bank. Management believes that such bank is a reputed institution.

### 26.6 Liquidity risk

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

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. The Fund did not withhold any redemptions during the year.

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

| | -----As at June 30, 2019----- | | | |
|---|---|---|---|---|
| | **Total** | **Upto three month** | **Over three months and upto one year** | **Over one Year** |
| **Financial liabilities (excluding unit holders' fund)** | **----- (Rupees in '000) -----** | | | |
| Payable to the Management Company | **494** | **494** | - | - |
| Payable to the Trustee | **58** | **58** | - | - |
| Accrued expenses and other liabilities | **465** | **465** | - | - |
| | **1,017** | **1,017** | - | - |

| | -----As at June 30, 2018----- | | | |
|---|---|---|---|---|
| | Total | Upto three month | Over three months and upto one year | Over one Year |
| | ----- (Rupees in '000) ----- | | | |
| **Financial liabilities (excluding unit holders' fund)** | | | | |
| Payable to the Management Company | 703 | 703 | - | - |
| Payable to the Trustee | 65 | 65 | - | - |
| Accrued expenses and other liabilities | 544 | 544 | - | - |
| | 1,312 | 1,312 | - | - |

## 27. UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

## 28. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and

- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

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

| | | June 30, 2019 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | Fair Value | | | |
| | | At Fair value through profit or loss | At amortised Cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial instruments** | **Note** | (Rupees in '000) | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | |
| Investments | | | | | | | | |
| - Listed equity securities | | 118,637 | - | 118,637 | 118,637 | - | - | 118,637 |
| - Term Finance Certificates | | 29,559 | - | 29,559 | - | 29,559 | - | 29,559 |
| | | 148,196 | - | 148,196 | 118,637 | 29,559 | - | 148,196 |
| **Financial assets not measured at fair value** | 28.1 | | | | | | | |
| Bank balances | | - | 60,225 | 60,225 | | | | |
| Dividend receivable and accrued mark-up | | - | 1,134 | 1,134 | | | | |
| Receivable against sale of investment | | - | 2,631 | 2,631 | | | | |
| Advances and deposits | | - | 3,480 | 3,480 | | | | |
| | | - | 67,470 | 67,470 | | | | |
| **Financial liabilities not measured at fair value** | 28.1 | | | | | | | |
| Payable to the Management Company | | - | 494 | 494 | | | | |
| Payable to the Trustee | | - | 58 | 58 | | | | |
| Accrued expenses and other liabilities | | - | 465 | 465 | | | | |
| | | - | 1,017 | 1,017 | | | | |

| | | June 30, 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | | Fair Value | | | |
| | | Fair value through profit or loss - held for trading | Available-for -sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial instruments** | Note | (Rupees in '000) | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | | |
| Investments | | | | | | | | | | |
| - Listed equity securities | | 150,979 | 28,198 | - | - | 179,177 | 179,177 | - | - | 179,177 |
| - Government Securities | | - | - | - | - | - | - | - | - | - |
| - Term Finance Certificates - Listed | | - | - | - | - | - | - | - | - | - |
| - Term Finance Certificates - Unlisted | | 13,993 | 17,980 | | | 31,973 | - | 31,973 | - | 31,973 |
| | | 164,972 | 46,178 | - | - | 211,150 | 179,177 | 31,973 | - | 211,150 |
| **Financial assets not measured at fair value** | 28.1 | | | | | | | | | |
| Bank balances | | | - | 118,090 | - | 118,090 | | | | |
| Investments | | | | | | | | | | |
| - Un-Listed equity securities | | | | - | - | - | | | | |
| - Loans and receivables - Placements' | | | - | - | - | - | | | | |
| Dividend receivable and accrued mark-up | | | - | 1,216 | - | 1,216 | | | | |
| | | | - | 3,216 | - | 3,216 | | | | |
| Advances, deposits and other receivables | | | - | 3,116 | - | 3,116 | | | | |
| | | | - | 125,638 | - | 125,638 | | | | |
| **Financial liabilities not measured at fair value** | 28.1 | | | | | | | | | |
| Payable to the Management Company | | | - | - | 703 | 703 | | | | |
| Payable to the Trustee | | | - | - | 65 | 65 | | | | |
| Accrued expenses and other liabilities | | | - | - | 544 | 544 | | | | |
| | | | - | - | 1,312 | 1,312 | | | | |

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

## 29. DISCLOURE 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 said circular. The Management Company classified the Fund as 'Balanced Scheme' in 'accordance with the said circular. As at June 30, 2019, the Fund is compliant with all the requirements of the said circular except for clause 2 (iv) which requires that the rating of any debt security in the portfolio shall not be lower than A- (A Minus).

| Name of Non-Complaint Investment | Type of Investment | Value of Investment before Provision | Provision held (if any) | Value of Investment after Provision | Limit | % of Net Assets | % of Gross Assets |
|---|---|---|---|---|---|---|---|
| Saudi Pak Leasing Company Limited | TFC | 15,197 | 15,197 | - | - | - | - |
| Dewan Cement Limited | TFC | 25,000 | 25,000 | - | - | - | - |
| Commercial Banks | Equity / TFC | 50,880 | - | 50,880 | 25% | 25.03% | 23.59% |

## 30. TOTAL EXPENSE RATIO

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2019 is 3.42% (2018; 2.98%) which includes 0.38% (2018;0.37%) representing Government Levy and SECP fee.

## 31. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on **August 29, 2019**.

## 32. CORRESPONDING FIGURES

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

## 33. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|


# HBL Financial Planning Fund

HBL AML Financial annual report 2018-19

| | |
|---|---|
| **NAME OF FUND** | **HBL FINANCIAL PLANNING FUND** |
| **NAME OF TRUSTEE** | **MCB Financial Services Limited** |
| **NAME OF AUDITORS** | **BDO Ebrahim & Co. Chartered Accountants.** |
| **NAME OF BANKERS** | **Habib Bank Limited**<br>**JS Bank Limited** |

**Category of Fund**

Open end Fund of Funds Scheme

**Investment Objective**

The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Mutual Funds in line with the risk tolerance of the Investor.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark for Conservative Allocation Plan, Active Allocation Plan and Strategic Allocation plan is as follows:

**Conservative Allocation Plan**

a. 20% KSE 100 index
b. Six(6) months KIBOR rates
c. 70% Three(3) months PKRV rates and 30% three (3) months average deposit rate of three(3) AA rated scheduled banks as selected by MUFAP

B and C will be based on actual proportion of investment in Income and Money Market Funds / cash and near cash instruments.

Active Allocation Plan & Strategic Allocation Plan

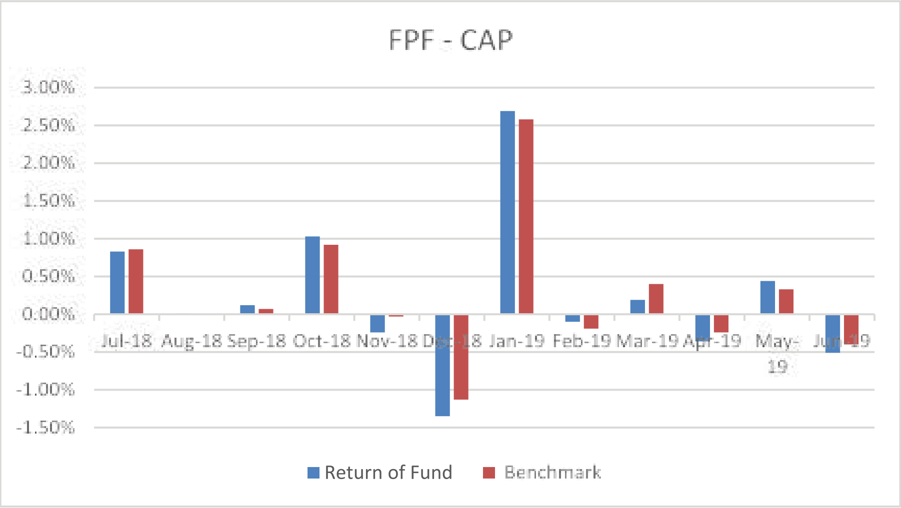
a. KSE 100 index
b. Six(6) months KIBOR rates
c. 70% Three(3) months PKRV rates and 30% three (3) months average deposit rate of three(3) AA rated scheduled banks as selected by MUFAP

Based on actual proportion in Equity Fund and Income / Money Market Funds and/or in cash and/or near cash instruments in each allocation plan.

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

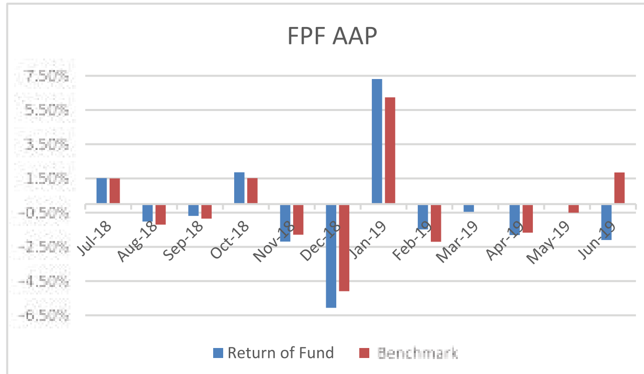
**Conservative Allocation Plan (CAP)**

| Month | Return of Fund | Benchmark |
|---|---|---|
| Jun-19 | -0.51% | -0.40% |
| May-19 | 0.44% | 0.33% |
| Apr-19 | -0.36% | -0.24% |
| Mar-19 | 0.19% | 0.40% |
| Feb-19 | -0.10% | -0.19% |
| Jan-19 | 2.69% | 2.58% |
| Dec-18 | -1.35% | -1.13% |
| Nov-18 | -0.24% | -0.03% |
| Oct-18 | 1.03% | 0.92% |
| Sep-18 | 0.12% | 0.07% |
| Aug-18 | 0.01% | 0.00% |
| Jul-18 | 0.83% | 0.86% |



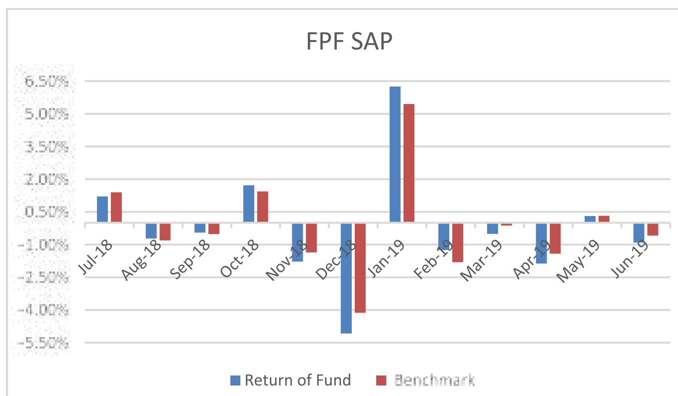
## Active Allocation Plan (AAP)

| Month | Return of Fund | Benchmark |
|---|---|---|
| Jun-19 | -2.10% | 1.85% |
| May-19 | -0.01% | -0.50% |
| Apr-19 | -1.81% | -1.67% |
| Mar-19 | -0.45% | 0.03% |
| Feb-19 | -1.48% | -2.20% |
| Jan-19 | 7.31% | 6.24% |
| Dec-18 | -6.06% | -5.09% |
| Nov-18 | -2.19% | -1.79% |
| Oct-18 | 1.86% | 1.52% |
| Sep-18 | -0.69% | -0.85% |
| Aug-18 | -1.02% | -1.20% |
| Jul-18 | 1.52% | 1.50% |




## Strategic Allocation Plan (SAP)

| Month | Return of Fund | Benchmark |
|---|---|---|
| Jun-19 | -0.91% | -0.59% |
| May-19 | 0.31% | 0.32% |
| Apr-19 | -1.87% | -1.42% |
| Mar-19 | -0.51% | -0.13% |
| Feb-19 | -1.25% | -1.81% |
| Jan-19 | 6.25% | 5.45% |
| Dec-18 | -5.08% | -4.13% |
| Nov-18 | -1.78% | -1.36% |
| Oct-18 | 1.72% | 1.44% |
| Sep-18 | -0.45% | -0.52% |
| Aug-18 | -0.72% | -0.81% |
| Jul-18 | 1.21% | 1.40% |

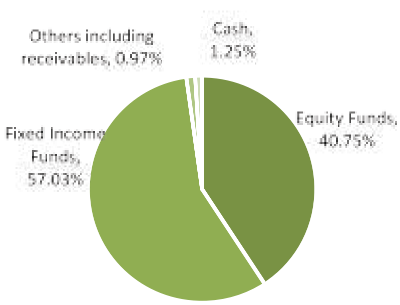



## Strategies and Policies employed during the Year

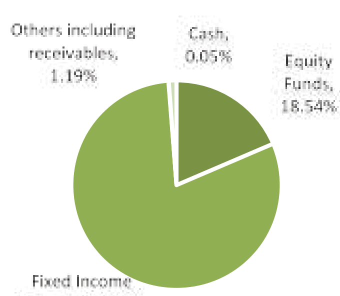
HBL Financial Planning Funds were launched on 10th October, 2017. During the period under review, Active Allocation Plan asset allocation comprises of 40.75% investment in equity funds while cash assets, Fixed Income Funds and receivables represent 1.25%, 57.03% and 0.97% of total assets respectively. Conservative Allocation Plan asset allocation comprises investment in equity fund, income fund and cash and receivables at 18.54%, 80.22% and 1.24% of the fund respectively. Strategic Allocation Plan asset allocation comprises of 23.31% investment in equity funds while Income Funds and cash assets and receivables represent 76.52%, and 0.17% of total assets respectively.

### Asset Allocation

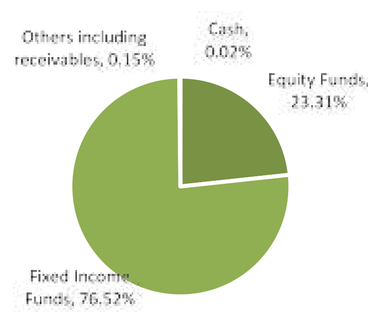
**Active Allocation Plan**




**Conservative Allocation Plan**




**Strategic Allocation Plan**



**Fund Performance**

The Fund comprises of three sub funds (plans) namely Active allocation plan, Conservative allocation plan and Strategic allocation plan.

The Fund as a whole incurred a total and net loss of Rs. 14.02 million and Rs. 17.09 million respectively during the year under review. The fund size of the fund stood at Rs. 0.34 billion as on June 30, 2019. Performance review for plan is given below:

**Active Allocation Plan**

During the year under review, the Active allocation plan incurred a total and net loss of Rs. 12.33 million and Rs 13.31 million respectively. The net assets of the Active allocation plan stood at Rs. 0.10 billion representing Net Asset Value (NAV) of Rs. 96.9864 per unit as at June 30, 2019 as compared to Rs. 102.6500 per unit as at June 30, 2018. The plan earned a negative return of 5.52% for the year under review against the benchmark return of negative 6.08%. The plan is invested to the extent of 41% in equity funds & 57% in fixed income funds.

**Conservative Allocation Plan**

During the year under review, the Conservative allocation plan earned total and net income of Rs. 3.27 million and Rs 2.62 million respectively. The net assets of the Conservative allocation plan stood at Rs. 0.07 billion representing Net Asset Value (NAV) of Rs. 103.8264 per unit as at June 30, 2019 (after incorporating dividend of Rs. 2.75 per unit) as compared to Rs. 103.7607 per unit as at June 30, 2018. The plan earned a return of 2.71% for the year under review against the benchmark return of 3.05%. The plan is invested to the extent of 19% in equity funds & 80% in fixed income funds.

**Strategic Allocation Plan**

During the year under review, the Strategic allocation plan incurred a total and net loss of Rs. 4.95 million and Rs 6.39 million respectively. The net assets of the Strategic allocation plan stood at Rs. 0.17 billion representing Net Asset Value (NAV) of Rs. 99.0331 per unit as at June 30, 2019 as compared to Rs. 102.5230 per unit as at June 30, 2019. The plan earned a negative return of 3.40% for the year under review against the benchmark return of negative 2.42%. The plan is invested to the extent of 23% in equity funds & 77% in fixed income funds.

**Money Market Review**

SBP continued monetary tightening in FY19 to control the rising current account deficit and anchor increasing inflationary pressures.

Yields across all the tenors increased by 469-601 bps during FY19 due to cumulative increase of 525 bps in SBP policy rate in FY19. Secondary market yields of 3, 5 and 10-year PIBs increased by 556, 511 and 469 bps respectively while yields of 3, 6 and 12 month T-Bills increased in tandem by 597, 595 and 593 bps respectively during FY19. Government further raised PKR 674bn through the PIBs auction during FY19 against a target of PKR 950bn due to increased interest from market participants at higher PIB yields. Latest cut-off yields stood at 13.69%, 13.80% and 13.70% for the 3-year, 5-year and 10-year PIBs, respectively.

During the FY19, Government largely managed its borrowing requirements through domestic sources, and largely from central bank. Government retired PKR 893bn from scheduled banks compared to retirement of PKR 210bn during same period last year. Meanwhile, Government borrowing from SBP increased by PKR 2,596bn during the period against borrowing of PKR 1,469bn during same period last year. Moreover, we expect that Government borrowing will shift from SBP towards Commercial banks under IMF program. It is important to note that IMF staff level report suggests that incremental borrowing requirements have to be met via commercial banks as borrowing from SBP will remain limited to avoid indirect inflationary pressures.

In the monetary policy held in May-19, SBP increased the policy rate by a further 150bps to 12.25%. Going forward, we expect that large part of monetary tightening has been done, however upward risk to inflation emanate from higher than expected impact of electricity and gas price hike.

**Stock Market Review**

The market remained under pressure throughout the year owing to weak macroeconomic environment and massive adjustment in currency and interest rates. Lack of clarity on the economic and political front weakened the investors' sentiment leading to flows towards risk free avenues like National Savings schemes and fixed income funds. Investors were also spooked by the FY20 Budget which envisions massive increase in tax revenue, fiscal consolidation and abolishment of subsidies.

The benchmark KSE-100 index recorded 8,009 points decline (-19%) during FY19 to close at 33,902 level. Major decline in the index was contributed by Oil & Gas (Exploration & Production), Cement and Banking sector stocks which caused cumulative attrition of 3,356pts due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive returns during the year. On the flows side, foreigners were the net sellers during the FY19 and sold shares of worth USD356mn, compared to net selling of USD290mn during FY18. However, it is important to note that foreign selling was skewed towards 1HFY19 as foreigners were net buyers in 2HFY19.

Moving ahead, Pakistan equities are expected to remain range bound due to tough macroeconomic environment. However, index heavyweights (Banks E&Ps, and Power) would remain in limelight as results of macroeconomic changes over the last 18 months (50% PKR depreciation and 750 bps cumulative interest rate hike) would start to reflect in earnings in FY20. Thus, we will maintain our strategy focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

Distribution

The Board of Directors approved NIL distribution in Strategic Allocation Plan and Active Allocation plan, and have decided to distribute cash dividend up-to Rs. 2.75 per unit in Conservative Allocation Plan for the year ended June 30, 2019.

Significant Changes in the State of Affairs

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

Breakdown of Unit Holding by Size

| From – To (Number of units) | Active Allocation Plan | | Conservative Allocation Plan | | Strategic Allocation Plan | |
|---|---|---|---|---|---|---|
| | Number of Unit Holders | Units Held | Number of Unit Holders | Units Held | Number of Unit Holders | Units Held |
| 1 – 100 | 2 | 106 | - | - | 3 | 299 |
| 101 – 500 | 5 | 2,084 | 1 | 272 | 1 | 200 |
| 501 – 1,000 | 6 | 5,689 | 1 | 546 | 1 | 501 |
| 1,001 – 10,000 | 30 | 172,043 | 7 | 28,275 | 7 | 24,975 |
| 10,001 – 100,000 | 16 | 474,287 | 2 | 63,232 | 6 | 179,737 |
| 1,000,001 – 5,000,000 | 3 | 403,724 | 2 | 553,477 | 2 | 504,753 |
| 500,001 – 1,000,000 | - | - | - | - | 1 | 999,202 |
| 1,000,001 – 5,000,000 | - | - | - | - | - | - |
| 5,000,001 and above | - | - | - | - | - | - |
| **Total** | **62** | **1,057,933** | **13** | **645,802** | **21** | **1,709,667** |

**Unit Splits**

There were no unit splits during the period.

**Circumstances materially affecting the Interest of Unit Holders**

Investments are subject to market risk.

**Soft Commission**

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

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Active Allocation Plan** | **Consevative Allocation Plan** | **Stragic Allocation Plan** | Active Allocation Plan | Consevative Allocation Plan | Stragic Allocation Plan |
| Net assets at the period end (Rs'000) | 102,605 | 67,051 | 169,313 | 330,457 | 133,695 | 208,522 |
| **NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES** | | | | | | |
| Redemption | 96.9864 | 103.8264 | 99.0331 | 102.6500 | 103.7607 | 101.4978 |
| Offer | 99.1783 | 106.1729 | N/A | 104.9699 | 106.1057 | N/A |
| **OFFER / REDEMPTION DURING THE PERIOD - RUPEES** | | | | | | |
| Highest offer price per unit | 107.87 | 109.8794 | N/A | 110.2402 | 106.9356 | N/A |
| Lowest offer price per unit | 97.2601 | 104.9065 | N/A | 101.938 | 100.3622 | N/A |
| Highest redemption price per unit | 105.486 | 107.451 | 103.9281 | 107.8038 | 104.5723 | 106.4632 |
| Lowest redemption price per unit | 95.1106 | 102.588 | 96.28 | 99.6851 | 99.5899 | 98.5547 |
| **RETURN ( % )** | | | | | | |
| Total return | -5.52% | 2.71% | -3.40% | 2.65% | 3.76% | 2.52% |
| Income distribution | 0.00% | 2.75% | 0.00% | 0.00% | 0.00% | 0.00% |
| Capital growth | -5.52% | -0.04% | -3.40% | 2.65% | 3.76% | 2.52% |
| **DISTRIBUTION** | | | | | | |
| First Interin dividend distribution | | | | | | |
| Second Interin dividend distribution | | | | | | |
| Third Interin dividend distribution | | | | | | |
| Final dividend distributation- Rs | - | 3 | - | - | - | - |
| Date of Income Distribution | - | 28-Jun-19 | - | - | - | - |
| Total dividend distribution for the year (Rs) | - | 2.75 | - | - | - | - |
| **AVERAGE RETURNS ( % )** | | | | | | |
| Average annual return 1 year | -5.52% | 2.71% | -3.40% | 2.65% | 3.76% | 2.52% |
| Average annual return 2 year | -1.52% | 3.24% | -0.48% | | | |
| **PORTFOLIO COMPOSITION - (%)** | | | | | | |
| Percentage of Total Assets as at 30 June: | | | | | | |
| Bank Balances | 1.25% | 0.05% | 0.02% | 2.41% | 0.33% | 0.07% |
| Equity Funds | 40.75% | 18.54% | 23.31% | 58.63% | 19.82% | 49.37% |
| Income Funds | 57.03% | 80.22% | 76.52% | 38.59% | 79.04% | 50.10% |
| Others | 0.97% | 1.19% | 0.15% | 0.38% | 0.81% | 0.46% |

**Note:**
The Launch date of the Fund is October 11, 2017

**Disclaimer:**

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

MCB
FINANCIAL SERVICES

# MCB FINANCIAL SERVICES LIMITED

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

## HBL FINANCIAL PLANNING FUND

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

HBL Financial Planning Fund, an open-end Scheme established under a Trust Deed dated March 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund commenced its operations from October 11, 2017.

1. HBL Asset Management Company Limited, the Management Company of HBL Financial Planning Fund has, in all material respects, managed HBL Financial Planning Fund during the year ended 30th June, 2019 in accordance with the provisions of the following:

   (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;

   (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;

   (iii) the creation and cancellation of units are carried out in accordance with the deed;

   (iv) and any regulatory requirement

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: September 18, 2019

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Pakistan

**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS**

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of HBL Financial Planning Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2019, and its financial performance and its cash flows for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

**Basis for opinion**

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

**Key Audit Matters**

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

**Following are the Key audit matters:**

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| 1. | **Adoption of IFRS 9**<br><br>Effective July 01, 2018, the Fund changed its accounting policies due to the application of the International Financial Reporting Standard: IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement". | Our audit procedures included the following:<br><br>• Obtained an understanding of the analysis performed by management to identify all significant differences between previous accounting standard and the new accounting standard which can impact the financial statements;<br><br>• Reviewed 'Investment Classification Model' of the management for analysis of 'Business Model' assessment and 'Contractual Cash Flow Characteristics' test for classification of financial assets; |

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BDO Ebrahim & Co. Chartered Accountants

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Management has determined that the significant impact of the new standard on the Fund's financial statements relates to the disclosures required to be made by the new accounting standard in the financial statements.<br><br>The Fund has used the exemption available in IFRS 9 not to restate comparative periods. Accordingly, comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 1, 2018.<br><br>We considered this as a key audit matter since the adoption of the new accounting standard has a significant impact on the financial statements from recognition, classification & measurement and disclosure perspective.<br><br>Refer to note 4.2, which explains the impact of the adoption of the new accounting standard. | • Reviewed management's assessment of the impact of new accounting standard on the Fund's financial statements;<br><br>• Evaluated the key decisions made by the Fund with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standard and assessed their appropriateness based on our understanding of the Fund's business and its operations;<br><br>• Evaluated the adequacy and appropriateness of disclosures made in the financial statements in relation to adoption of the new accounting standard. |
| 2. | **Existence and valuation of investments**<br><br>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2019, the investments held by the Fund comprised of listed equity securities which represent 99% of the total assets of the Fund as at the year end. | Our audit procedures included the following:<br><br>• We tested controls over acquisition, disposals and periodic valuation of investments portfolio and performed substantive audit procedures on period-end balance of portfolio including review of custodian's statement, and related reconciliations, re-performance of investment valuations on the basis of daily NAV prices from MUFAP as at June 30, 2019. |

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| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
|---|---|---|
| | As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund.<br><br>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter. | • We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and documented and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.<br><br>• We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the NBFC Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements. |
| 3. | **Recognition, measurement and presentation of 'Element of Income'**<br><br>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.<br><br>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.<br><br>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed. | Our audit procedures included the following:<br><br>• We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".<br><br>• We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.<br><br>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund. |

| S.NO | Key audit matter(s) | How the matter was addressed in our audit |
| --- | --- | --- |
| | The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realised or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.<br><br>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the NBFC Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter. | • We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto. |

**Other matter**

The financial statements of the Fund for the year ended June 30, 2018 were audited by another auditor who expressed an unmodified opinion on those financial statements on September 19, 2018.

**Information other than the financial statements and auditor's report thereon**

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Management Company and its Board of Directors**

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and approved accounting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Management Company is responsible for overseeing the Fund's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.

- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

**Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

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

KARACHI

DATED: 29 AUG 2019

BDO Ebrahim & Co.
BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

## Statement of Assets and Liabilities

*As at June 30, 2019*

| | Note | 2019 Active Allocation Plan | 2019 Conservative Allocation Plan | 2019 Strategic Allocation Plan | 2019 Total | 2018 Active Allocation Plan | 2018 Conservative Allocation Plan | 2018 Strategic Allocation Plan | 2018 Total |
|---|---|---|---|---|---|---|---|---|---|
| | | ------------------- (Rupees in '000) ------------------- | | | | ------------------- (Rupees in '000) ------------------- | | | |
| **ASSETS** | | | | | | | | | |
| Bank balances | 5 | 1,293 | 31 | 41 | 1,365 | 1,278 | 443 | 149 | 1,870 |
| Investments | 6 | 100,890 | 67,822 | 169,458 | 338,170 | 328,586 | 132,536 | 207,827 | 668,949 |
| Accrued mark-up | | - | - | - | - | 4 | 1 | - | 5 |
| Preliminary expenses and flotation costs | 7 | 877 | 758 | 188 | 1,823 | 1,144 | 989 | 860 | 2,993 |
| Other receivable and prepayments | 8 | 112 | 74 | 44 | 230 | 133 | 93 | 99 | 325 |
| **TOTAL ASSETS** | | 103,172 | 68,685 | 169,731 | 341,588 | 331,145 | 134,062 | 208,935 | 674,142 |
| **LIABILITIES** | | | | | | | | | |
| Payable to the Management Company | 9 | 11 | 6 | 14 | 31 | 41 | 12 | 18 | 71 |
| Payable to the Trustee | 10 | 9 | 6 | 15 | 30 | 58 | 24 | 36 | 118 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | 168 | 91 | 184 | 443 | 206 | 109 | 143 | 458 |
| Accrued expenses and other liabilities | 12 | 379 | 1,530 | 205 | 2,114 | 383 | 222 | 216 | 821 |
| Payable against redemption of units | | - | 1 | - | 1 | - | - | - | - |
| **TOTAL LIABILITIES** | | 567 | 1,634 | 418 | 2,619 | 688 | 367 | 413 | 1,468 |
| **NET ASSETS** | | 102,605 | 67,051 | 169,313 | 338,969 | 330,457 | 133,695 | 208,522 | 672,674 |
| **UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)** | | 102,605 | 67,051 | 169,313 | 338,969 | 330,457 | 133,695 | 208,522 | 672,674 |
| **CONTINGENCIES AND COMMITMENTS** | 13 | | | | | | | | |
| | | -----Number of units----- | | | | | | | |
| **Number of units in issue** | 14 | 1,057,933 | 645,802 | 1,709,667 | 3,413,402 | 3,219,253 | 1,288,493 | 2,033,911 | 6,541,657 |
| | | -----(Rupees)----- | | | | | | | |
| **Net assets value per unit** | | 96.9864 | 103.8264 | 99.0331 | | 102.6500 | 103.7607 | 102.5230 | |

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

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

## Income Statement
*For the year ended June 30, 2019*

| | Note | For the year ended June 30, 2019 Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | For the period from June 17, 2017 to June 30,2018 Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | ------------------- (Rupees in '000) ------------------- | | | | ------------------- (Rupees in '000) ------------------- | | | |
| **Income** | | | | | | | | | |
| Mark-up on deposits with banks | | 105 | 35 | 9 | 149 | 366 | 90 | 63 | 519 |
| Capital (loss) / gain on sale of investments - net | | (10,249) | 1,314 | (8,046) | (16,981) | 7,659 | 5,616 | 5,818 | 19,093 |
| Dividend income | | 5,129 | 4,152 | 7,893 | 17,174 | - | - | - | - |
| Back end load | | - | - | 156 | 156 | - | - | 1 | 1 |
| | | (5,015) | 5,501 | 12 | 498 | 8,025 | 5,706 | 5,882 | 19,613 |
| Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net | | (7,315) | (2,233) | (4,966) | (14,514) | (1,423) | 1,275 | 515 | 367 |
| **Total (loss) / income** | | (12,330) | 3,268 | (4,954) | (14,016) | 6,602 | 6,981 | 6,397 | 19,980 |
| **Expenses** | | | | | | | | | |
| Remuneration of the Management Company | 9.1 | 29 | 12 | 6 | 47 | 29 | 15 | 11 | 55 |
| Sindh sales tax on remuneration of the Management Company | 9.2 | 4 | 2 | 1 | 7 | 4 | 2 | 1 | 7 |
| Remuneration of the Trustee | | 180 | 97 | 197 | 474 | 220 | 117 | 153 | 490 |
| Annual fee to the Securities and Exchange Commission of Pakistan | | 168 | 91 | 184 | 443 | 206 | 109 | 143 | 458 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 177 | 95 | 194 | 466 | 217 | 115 | 151 | 483 |
| Amortisation of preliminary expenses and flotation costs | | 267 | 231 | 672 | 1,170 | 193 | 167 | 484 | 844 |
| Auditors' remuneration | 15 | 103 | 89 | 103 | 295 | 103 | 89 | 103 | 295 |
| Printing charges | | - | - | - | - | 38 | 33 | 38 | 109 |
| Bank charges | | 17 | 9 | 12 | 38 | 19 | 11 | 9 | 39 |
| Fees and subscription | | 37 | 27 | 66 | 130 | 40 | 36 | 65 | 141 |
| | | 982 | 653 | 1,435 | 3,070 | 1,069 | 694 | 1,158 | 2,921 |
| **Net (loss) / income from operating activities** | | (13,312) | 2,615 | (6,389) | (17,086) | 5,533 | 6,287 | 5,239 | 17,059 |
| Provision for Sindh Workers' Welfare Fund | 12.1 | - | - | - | - | (111) | (126) | (105) | (342) |
| **Net (loss) / income for the year / period before taxation** | | (13,312) | 2,615 | (6,389) | (17,086) | 5,422 | 6,161 | 5,134 | 16,717 |
| Taxation | 16 | - | - | - | - | - | - | - | - |
| **Net (loss) / income for the year / period after taxation** | | (13,312) | 2,615 | (6,389) | (17,086) | 5,422 | 6,161 | 5,134 | 16,717 |
| **Allocation of net income for the year / period** | | | | | | | | | |
| Income already paid on redemption of units | | | 816 | | | 503 | 1,385 | 2 | 1,890 |
| Accounting income available for distribution | | | | | | | | | |
| Relating to capital gains | | | - | | | 4,919 | 4,776 | 5,132 | 14,827 |
| Excluding capital gains | | | 1,799 | | | - | - | - | - |
| | | | 1,799 | | | 4,919 | 4,776 | 5,132 | 14,827 |
| | | | 2,615 | | | 5,422 | 6,161 | 5,134 | 16,717 |
| Earnings per unit | 17 | | | | | | | | |

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

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

| | For the year ended June 30, 2019 | | | | For the period from June 17, 2017 to June 30,2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | ------------------- (Rupees in '000) ------------------- | | | | ------------------- (Rupees in '000) ------------------- | | | |
| **Net (loss) / income for the year / period after taxation** | (13,312) | 2,615 | (6,389) | (17,086) | 5,422 | 6,161 | 5,134 | 16,717 |
| Other comprehensive income | | | | | | | | |
| Items that may be reclassified subsequently to income statement | - | - | - | - | - | - | - | - |
| Items that will not be reclassified subsequently to income statement | - | - | - | - | - | - | - | - |
| **Total comprehensive (loss) / income for the year / period** | (13,312) | 2,615 | (6,389) | (17,086) | 5,422 | 6,161 | 5,134 | 16,717 |

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

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

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

| | Note | For the year ended June 30, 2019 | | | | For the period from June 17, 2017 to June 30,2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | | (Rupees in '000) | | | | (Rupees in '000) | | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | | | | | |
| Net (loss) / income for the year / period before taxation | | (13,312) | 2,615 | (6,389) | (17,086) | 5,422 | 6,161 | 5,134 | 16,717 |
| **Adjustments for:** | | | | | | | | | |
| Mark-up on deposits with banks | | (105) | (35) | (9) | (149) | (366) | (90) | (63) | (519) |
| Capital loss / (gain) on sale of investment - net | | 10,249 | (1,314) | 8,046 | 16,981 | (7,659) | (5,616) | (5,818) | (19,093) |
| Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net | | 7,315 | 2,233 | 4,966 | 14,514 | 1,423 | (1,275) | (515) | (367) |
| Back-end load | | - | - | (156) | (156) | - | - | (1) | (1) |
| Amortisation of preliminary expenses and flotation costs | | 267 | 231 | 672 | 1,170 | 193 | 167 | 484 | 844 |
| | | 4,414 | 3,730 | 7,130 | 15,274 | (987) | (653) | (779) | (2,419) |
| **Decrease / (increase) in assets** | | | | | | | | | |
| Investments - net | | 210,132 | 63,795 | 25,357 | 299,284 | (322,350) | (125,645) | (201,494) | (649,489) |
| Preliminary expenses and flotation cost | | - | - | - | - | (1,337) | (1,156) | (1,344) | (3,837) |
| Other receivables and prepayments | | 21 | 19 | 55 | 95 | (133) | (93) | (99) | (325) |
| | | 210,153 | 63,814 | 25,412 | 299,379 | (323,820) | (126,894) | (202,937) | (653,651) |
| **(Decrease) / increase in liabilities** | | | | | | | | | |
| Payable to the Management Company | | (30) | (6) | (4) | (40) | 41 | 12 | 18 | 71 |
| Payable to the Trustee | | (49) | (18) | (21) | (88) | 58 | 24 | 36 | 118 |
| Payable to Securities and Exchange Commission of Pakistan | | (38) | (18) | 41 | (15) | 206 | 109 | 143 | 458 |
| Accrued expenses and other liabilities | | (4) | 1,308 | (11) | 1,293 | 383 | 222 | 216 | 821 |
| Payable against redemption of units | | - | 1 | - | 1 | - | - | - | - |
| | | (121) | 1,267 | 5 | 1,151 | 688 | 367 | 413 | 1,468 |
| | | 214,446 | 68,811 | 32,547 | 315,804 | (324,119) | (127,180) | (203,303) | (654,602) |
| Profit received on bank deposits | | 109 | 36 | 9 | 154 | 362 | 89 | 63 | 514 |
| Back-end load | | - | - | 156 | 156 | - | - | 1 | 1 |
| **Net cash generated from / (used in) operating activities** | | 214,555 | 68,847 | 32,712 | 316,114 | (323,757) | (127,091) | (203,239) | (654,087) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | | | | |
| Receipts from issue of units | | 1,026 | 2,310 | - | 3,336 | 413,254 | 181,333 | 203,462 | 798,049 |
| Payment against redemption of units | | (215,566) | (69,805) | (32,820) | (318,191) | (88,219) | (53,799) | (74) | (142,092) |
| Dividend paid | | - | (1,764) | | (1,764) | - | - | - | - |
| Net cash (used in) / generated from financing activities | | (214,540) | (69,259) | (32,820) | (316,619) | 325,035 | 127,534 | 203,388 | 655,957 |
| **Net (decrease) / increase in cash and cash equivalents during the year/ period** | | 15 | (412) | (108) | (505) | 1,278 | 443 | 149 | 1,870 |
| **Cash and cash equivalents at the beginning of the year / period** | | 1,278 | 443 | 149 | 1,870 | - | - | - | - |
| **Cash and cash equivalents at the end of the year / period** | 5 | 1,293 | 31 | 41 | 1,365 | 1,278 | 443 | 149 | 1,870 |

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

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

**Chief Financial Officer** **Chief Executive Officer** **Director**

| | For the year ended June 30, 2019 | | | For the period from June 17, 2017 to June 30,2018 | | |
|---|---|---|---|---|---|---|
| | Active Allocation Plan | | | Active Allocation Plan | | |
| | ----------(Rupees in '000)---------- | | | ----------(Rupees in '000)---------- | | |
| | Capital value | Undistributed income | Total | Capital value | Undistributed income | Total |
| | --------------------(Rupees in '000)-------------------- | | | | | |
| **Net assets at beginning of the year / period** | 325,538 | 4,919 | 330,457 | - | - | - |
| **Issuance of 10,234 units (2018: 4,088,693 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year / period) | 1,050 | - | 1,050 | 408,869 | - | 408,869 |
| Element of (loss) / income | (24) | - | (24) | 4,385 | - | 4,385 |
| **Total proceeds on issuance of units** | 1,026 | - | 1,026 | 413,254 | - | 413,254 |
| **Redemption of 2,171,554 units (2018: 869,440 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year / period) | (222,910) | - | (222,910) | (86,944) | - | (86,944) |
| Income already paid on redemption of units | - | - | - | - | (503) | (503) |
| Element of income / (loss) | 7,344 | - | 7,344 | (772) | - | (772) |
| **Total payments on redemption of units** | (215,566) | - | (215,566) | (87,716) | (503) | (88,219) |
| Total comprehensive (loss) / income for the year / period | - | (13,312) | (13,312) | - | 5,422 | 5,422 |
| **Net assets at end of the year / period** | 110,998 | (8,393) | 102,605 | 325,538 | 4,919 | 330,457 |
| **Undistributed income brought forward** | | | | | | |
| Realised income | | 6,342 | | | - | |
| Unrealised loss | | (1,423) | | | - | |
| | | 4,919 | | | - | |
| Accounting income available for distribution | | | | | | |
| Relating to capital gains | | - | | | 4,919 | |
| Excluding capital gains | | - | | | - | |
| | | - | | | 4,919 | |
| Total comprehensive (loss) / income for the year / period | | (13,312) | | | - | |
| **Accumulated (loss) / undistributed income carried forward** | | (8,393) | | | 4,919 | |
| **Accumulated (loss) / undistributed income carried forward** | | | | | | |
| Realised (loss) / income | | (1,078) | | | 6,342 | |
| Unrealised loss | | (7,315) | | | (1,423) | |
| | | (8,393) | | | 4,919 | |
| | | | (Rupees) | | | (Rupees) |
| **Net assets value per unit at beginning of the year / period** | | | 102.6500 | | | - |
| **Net assets value per unit at end of the year / period** | | | 96.9864 | | | 102.6500 |

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

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

**Chief Financial Officer** | **Chief Executive Officer** | **Director**

| | For the year ended June 30, 2019 Conservative Allocation Plan ----------(Rupees in '000)---------- | | | For the period from June 17, 2017 to June 30,2018 Conservative Allocation Plan ----------(Rupees in '000)---------- | | |
|---|---|---|---|---|---|---|
| | Capital value | Undistributed income | Total | Capital value | Undistributed income | Total |
| **Net assets at beginning of the year / period** | 128,919 | 4,776 | 133,695 | - | - | - |
| **Issuance of 22,242 units (2018: 1,812,113 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year / period) | 2,309 | - | 2,309 | 181,211 | - | 181,211 |
| Element of income | 1 | - | 1 | 122 | - | 122 |
| **Total proceeds on issuance of units** | 2,310 | - | 2,310 | 181,333 | - | 181,333 |
| **Redemption of 664,933 units (2018: 523,620 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year / period) | (68,995) | - | (68,995) | (52,362) | - | (52,362) |
| Income already paid on redemption of units | - | (816) | (816) | - | (1,385) | (1,385) |
| Element of income / (loss) | 6 | - | 6 | (52) | - | (52) |
| **Total payments on redemption of units** | (68,989) | (816) | (69,805) | (52,414) | (1,385) | (53,799) |
| Total comprehensive income for the year / period | - | 2,615 | 2,615 | - | 6,161 | 6,161 |
| **Interim distributions** | | | | | | |
| Rs. 2.75 per unit declared on July 28, 2019 as cash dividend | | | | | | |
| Refund of capital | (1) | - | (1) | - | - | - |
| Distribution during the year / period | - | (1,763) | (1,763) | - | - | - |
| | (1) | 852 | 851 | - | 6,161 | 6,161 |
| **Net assets at end of the year / period** | 62,239 | 4,812 | 67,051 | 128,919 | 4,776 | 133,695 |
| Undistributed income brought forward | | | | | | |
| Realised income | | 3,501 | | | - | |
| Unrealised income | | 1,275 | | | - | |
| | | 4,776 | | | - | |
| Accounting income available for distribution | | | | | | |
| Relating to capital gains | | - | | | 4,776 | |
| Excluding capital gains | | 1,799 | | | - | |
| | | 1,799 | | | 4,776 | |
| Distribution during the year / period | | (1,763) | | | - | |
| **Undistributed income carried forward** | | 4,812 | | | 4,776 | |
| **Undistributed income carried forward** | | | | | | |
| Realised income | | 7,045 | | | 3,501 | |
| Unrealised (loss) / income | | (2,233) | | | 1,275 | |
| | | 4,812 | | | 4,776 | |
| | | | (Rupees) | | | (Rupees) |
| **Net assets value per unit at beginning of the year / period** | | | 103.7607 | | | - |
| **Net assets value per unit at end of the year / period** | | | 103.8264 | | | 103.7607 |

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

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

**Chief Financial Officer** **Chief Executive Officer** **Director**

| | For the year ended June 30, 2019 Strategic Allocation Plan | | | For the period from June 17, 2017 to June 30,2018 Strategic Allocation Plan | | |
|---|---|---|---|---|---|---|
| | ----------(Rupees in '000)---------- | | | ----------(Rupees in '000)---------- | | |
| | Capital value | Undistributed income | Total | Capital value | Undistributed income | Total |
| **Net assets at beginning of the year / period** | 203,390 | 5,132 | 208,522 | - | - | - |
| **Issuance of Nil units (2018: 2,034,612 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year / period) | - | - | - | 203,461 | - | 203,461 |
| Element of income | - | - | - | 1 | - | 1 |
| **Total proceeds on issuance of units** | - | - | - | 203,462 | - | 203,462 |
| **Redemption of 324,244 units (2018: 701 units)** | | | | | | |
| Capital value (at net asset value per unit at the beginning of the year / period) | (33,243) | - | (33,243) | (70) | - | (70) |
| Element of income / (loss) | 423 | - | 423 | (2) | (2) | (4) |
| **Total payments on redemption of units** | (32,820) | - | (32,820) | (72) | (2) | (74) |
| Total comprehensive (loss) / income for the year / period | - | (6,389) | (6,389) | - | 5,134 | 5,134 |
| **Net assets at end of the year / period** | 170,570 | (1,257) | 169,313 | 203,390 | 5,132 | 208,522 |
| **Undistributed income brought forward** | | | | | | |
| Realised income | | 4,617 | | | - | |
| Unrealised income | | 515 | | | - | |
| | | 5,132 | | | - | |
| Accounting income available for distribution | | | | | | |
| Relating to capital gains | | - | | | 5,132 | |
| Excluding capital gains | | - | | | - | |
| | | - | | | 5,132 | |
| Total comprehensive (loss) / income for the year / period | | (6,389) | | | - | |
| **Accumulated (loss) / undistributed income carried forward** | | (1,257) | | | 5,132 | |
| **Accumulated (loss) / undistributed income carried forward** | | | | | | |
| Realised income | | 3,709 | | | 4,617 | |
| Unrealised (loss) / income | | (4,966) | | | 515 | |
| | | (1,257) | | | 5,132 | |
| | | | (Rupees) | | | (Rupees) |
| **Net assets value per unit at beginning of the year / period** | | | 102.5230 | | | - |
| **Net assets value per unit at end of the year / period** | | | 99.0331 | | | 102.5230 |

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

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

**Chief Financial Officer** **Chief Executive Officer** **Director**

## 1 LEGAL STATUS AND NATURE OF BUSINESS

HBL Financial Planning Fund (the Fund), was established under the Trust Deed executed between HBL Asset Management Limited as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Trust Deed was executed on March 22, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on April 14, 2017 in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton. The Fund commenced its operations from October 11, 2017.

The Fund is an open ended fund of fund scheme and the Fund is listed on Pakistan Stock Exchange Limited. The Fund has three different plans namely Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan (collectively referred as 'Plans'). The units of Conservative Allocation Plan and Active Allocation Plan were initially offered to public (IPO) on September 11, 2017 to October 10, 2017 whereas units of Strategic Allocation Plan were offered from August 07, 2017 to October 10, 2017. The units are transferable and can be redeemed by surrendering them to the Fund at the option of unit holder. The Fund is perpetual however, the allocation plans may have a set time frame. Each Allocation Plan will announce separate NAVs which will rank pari passu inter se according to the number of units of the respective Allocation Plans. Units are offered for public subscription on a continuous basis. However, term-based plans, may be offered for a limited subscription period.

The Fund aims to generate returns on investment as per the respective Allocation Plan by investing in Mutual Funds in line with the risk tolerance of the Investor. Following is the description of three plans currently in operation:-

- The “Active Allocation Plan” is an Allocation Plan under the “HBL Financial Planning Fund” with an objective to earn a potentially high return through active asset allocation between Equity scheme(s), Income scheme(s) and Money Market Schemes based on the Fund Manager’s outlook on the asset classes. The plan will exist till perpetuity.

- The “Conservative Allocation Plan” is an Allocation Plan under the “HBL Financial Planning Fund” and primarily aims to provide stable returns with some capital appreciation through a pre-determined mix of investments in equity, income and money market funds. This Allocation Plan is suitable for Investors who have moderate risk tolerance and have a short to medium term investment horizon. The plan will exist till perpetuity.

- The “Strategic Allocation Plan” is an Allocation Plan under the “HBL Financial Planning Fund” with an objective to earn a potentially high return through active allocation of funds between Equity scheme(s), Income scheme(s) and Money Market Schemes based on fundamental analysis of economic indicators, underlying asset values and a strategy of risk aversion to market volatility. The duration of this plan is 24 months (Two Years). However, SECP or the Management Company may wind it up or revoke, on the occurrence of certain events as specified in the Regulations or clause no.10.4 of the offering document of the Fund. HBL Financial Planning Fund - Strategic Allocation Plan is due to mature on October 11 , 2019, unless the Management Company decides otherwise.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+ (AM two plus)' to the Management Company while the Fund is currently not rated.

Title to the assets of the Fund are held in the name of the Trustee of the Fund.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984 and the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except certain investments which are measured at fair value. These financial statements have been prepared by following accrual basis of accounting except for cash flows information.

**2.3 Functional and presentation currency**

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

**2.4 Use of judgments and estimates**

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

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

Classification and valuation of investments

For details please refer notes 4.2.1.1 and 18 to these financial statements.

Impairment of investment

For details please refer notes 4.2.1.2 to these financial statements.

Provision for taxation

For details please refer notes 4.4 and 16 to these financial statements.

Other assets

Judgement is involved in assessing the realisability of other assets balances.

**3 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS**

**3.1 Amendments that are effective in current year and relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

| | Effective from accounting period beginning on or after: |
|---|---|
| Conceptual Framework for Financial Reporting 2018 - Original Issue | March 01, 2018 |
| IFRS 7 Financial Instruments : Disclosures - additional hedge accounting disclosures(and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | July 01,2018 |
| IFRS 9 Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9 | July 01,2018 |
| IFRS 9 Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition | July 01,2018 |
| IAS 39 Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception | July 01,2018 |

**3.2 Amendments that are effective in current year and not relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

| | |
|---|---|
| IFRS 2 Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 Insurance Contracts - amendments regarding the interaction of IFRS 4 and IFRS 9 | January 01, 2018 |
| IFRS 5 Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 | July 01, 2018 |

| | Effective from accounting period beginning on or after: |
|---|---|
| IFRS 8 Amendments regarding the interaction of IFRS 4 and IFRS 9 | January 01, 2018 |
| IFRS 15 Original issue | July 01, 2018 |
| IFRS 15 Clarifications to IFRS 15 | July 01, 2018 |
| IAS 40 Investment Property - amendments to clarify transfers of property to, or from, investment property | January 01, 2018 |

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

Annual Improvements to IFRSs (2014 – 2016) Cycle:

| | |
|---|---|
| IFRS 1 First-time Adoption of International Financial Reporting Standards | January 01, 2018 |
| IAS 28 Investments in Associates and Joint Ventures | January 01, 2018 |

**3.3 Amendments not yet effective**

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38,IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.

| | Effective from accounting period beginning on or after: |
|---|---|
| IFRS 3 Business Combinations - amendments to clarify the definition of a business | January 01, 2020 |
| IFRS 8 Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2020 |
| IFRS 9 Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities | January 01, 2019 |

| | Effective from accounting period beginning on or after: |
|---|---|
| IAS 1 Presentation of Financial Statements - amendments regarding the definition of materiality | January 01, 2019 |
| IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality | January 01, 2020 |
| IAS 19 Employee benefits - amendments regarding plan amendments, curtailments or settlements | January 01, 2020 |
| IAS 17 Amendments regarding plan amendments, curtailments or settlements | January 01, 2019 |
| IAS 28 Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures | January 01, 2019 |

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

| | Effective from accounting period beginning on or after: |
|---|---|
| Annual improvements to IFRSs (2015 – 2017) Cycle: | |
| IFRS 3 Business Combinations | January 01, 2020 |
| IFRS 11 Joint Arrangements | January 01, 2020 |
| IAS 12 Income Taxes | January 01, 2019 |
| IAS 23 Borrowing Costs | January 01, 2019 |

**3.4 Standards or interpretations not yet effective**

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

| | |
|---|---|
| IFRS 16 Leases | January 01, 2019 |

The Funds expects that the adoption of IFRS 16 will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

| | |
|---|---|
| IFRS 1 | First Time Adoption of International Financial Reporting Standards |
| IFRS 14 | Regulatory Deferral Accounts |
| IFRS 17 | Insurance Contracts |

The Funds expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

## 4 SIGNIFICANT ACCOUNTING POLICIES

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

### 4.1 Cash and cash equivalents

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

### 4.2 Financial instruments

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective for reporting period / year ending on or after June 30, 2019.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

### 4.2.1 Financial assets

#### 4.2.1.1 Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

| | |
|---|---|
| Financial assets at FVTPL | These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. |
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. |
| Debt investments at FVOCI | These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

| | Note | Original classification under IAS 39 | New classification under IFRS 9 | Original carrying amount under IAS 39 | New carrying amount under IFRS 9 |
|---|---|---|---|---|---|
| | | | **Held by Active Allocation Plan** | | |
| | | | | ---------------- (Rupees in '000) | --------------- |
| **Financial assets** | | | | | |
| Bank balances | (b) | Loans and receivables | Amortised cost | 1,278 | 1,278 |
| Investment in units Mutual Funds | (a) | Held for trading | FVTPL | 328,586 | 328,586 |
| Accrued markup | (b) | Loans and receivables | Amortised cost | 4 | 4 |
| | | | | 329,868 | 329,868 |
| | | | **Held by Conservative Allocation Plan** | | |
| **Financial assets** | | | | | |
| Bank balances | (b) | Loans and receivables | Amortised cost | 443 | 443 |
| Investment in units Mutual Funds | (a) | Held for trading | FVTPL | 132,536 | 132,536 |
| Accrued markup | (b) | Loans and receivables | Amortised cost | 1 | 1 |
| | | | | 132,980 | 132,980 |
| | | | **Held by Strategic Allocation Plan** | | |
| **Financial assets** | | | | | |
| Bank balances | (b) | Loans and receivables | Amortised cost | 149 | 149 |
| Investment in units Mutual Funds | (a) | Held for trading | FVTPL | 207,827 | 207,827 |
| | | | | 207,976 | 207,976 |

**(a)** Listed equity securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with fair value changes continue to recognised in income statement.

**(b)** These financial assets classified as 'loans and receivables' have been classified as amortised cost.

**4.2.1.2 Impairment of financial assets**

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

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

For financial assets classified as 'at amortized cost', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**4.2.1.3 Transition**

The Fund has used the exemption not to restate comparative periods. Comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 1, 2018. Accordingly, the comparative information does not reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

- The determination of the business model within which a financial asset is held.
- The revocation of previous designations of certain financial assets as measured at FVTPL.

**4.2.1.4 Regular way contracts**

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

**4.2.1.5 Derecognition**

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

**4.2.2 Financial liabilities**

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities.

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**4.2.3 Offsetting of financial assets and liabilities**

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

**4.3 Provisions**

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

**4.4 Taxation**

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

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

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

**4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

**4.6 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

**4.7 Element of income**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

**4.8 Net assets value per unit**

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

**4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement and statement of comprehensive income' on the date at which the transaction takes place.

- Dividend income from equity securities is recognised when the right to receive the dividend is established.

- Mark-up / return on bank profits are recognized at a time apportionment basis.

- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

**4.10 Expenses**

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

**4.11 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

**4.12 Transactions with related parties / connected persons**

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

**5. BANK BALANCES**

| | | For the year ended June 30, 2019 | | | | For the period from June 17, 2017 to June 30,2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | Note | (Rupees in '000) | | | | (Rupees in '000) | | | |
| Cash at bank | | | | | | | | | |
| In Savings accounts | 5.1 | 1,293 | 31 | 41 | 1,365 | 1278 | 443 | 149 | 1870 |

**5.1** Profit rate on these savings accounts range from 10.28% to 13.5% (2018: 4% to 8.5%) per annum. This includes an amount held in Habib Bank Limited (a related party) amounting to Rs. 1.283 million (2018: Rs. 8.127 million), Rs. 0.009 million (2018: 0.387 million), Rs. 0.028 million (2018: 0.137 million) by Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively.

**6 INVESTMENTS**

| | | As at June 30, 2019 | | | | As at June 30,2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| Financial assets classified at fair value through profit or loss | Note | (Rupees in '000) | | | | (Rupees in '000) | | | |
| Units of mutual funds | 6.1 | 100,890 | 67,822 | 169,458 | 338,170 | 328,586 | 132,536 | 207,827 | 668,949 |

## 6.1 Units of Mutual Funds

| Name of Investee Funds | Total carrying value as at July 1, 2018 | Purchases during the year / period | Sold during the year / period | As at June 30, 2019 | Total carrying value as at June 30, 2019 | Total market value as at June 30, 2019 | Appreciation/ (diminution) as at June 30, 2019 | Market value as a percentage of net assets | Market value as a percentage of total value of |
|---|---|---|---|---|---|---|---|---|---|
| | ------ Number of units ------ | | | | ------ Rupees in '000 ------ | | | | |
| **Active Allocation Plan** | | | | | | | | | |
| HBL Cash Fund | 1,230,903 | 612,126 | 1,340,860 | 502,169 | 50,590 | 50,616 | 26 | 49.33 | 50.17 |
| HBL Stock Fund | 1,850,743 | 321,516 | 1,704,194 | 468,065 | 49,396 | 42,046 | (7,350) | 40.98 | 41.67 |
| HBL Income Fund | - | 77,566 | - | 77,566 | 8,219 | 8,227 | 9 | 8.02 | 8.15 |
| | 3,081,646 | 1,011,208 | 3,045,054 | 1,047,800 | 108,205 | 100,890 | (7,315) | 90.31 | 100 |
| **Conservative Allocation Plan** | | | | | | | | | |
| HBL Cash Fund | 999,990 | 87,575 | 1,087,565 | - | - | - | - | - | - |
| HBL Stock Fund | 248,195 | 43,377 | 149,807 | 141,765 | 15,002 | 12,735 | (2,267) | 18.00 | 18.78 |
| HBL Money Market Fund | - | 544,578 | 5,153 | 539,425 | 55,052 | 55,087 | 35 | 82.16 | 81.22 |
| | 1,248,185 | 675,530 | 1,242,525 | 681,190 | 70,054 | 67,822 | (2,233) | 100 | 100 |
| **Strategic Allocation Plan** | | | | | | | | | |
| HBL Cash Fund | 380,044 | 240,163 | 443,164 | 177,043 | 17,833 | 17,845 | 12 | 10.54 | 10.53 |
| HBL Stock Fund | 963,327 | 464,108 | 986,912 | 440,522 | 44,823 | 39,572 | (5,251) | 23.37 | 23.35 |
| HBL Income Fund | 578,925 | 166,143 | - | 745,068 | 78,835 | 79,030 | 195 | 46.68 | 46.64 |
| HBL Government Securities Fund | - | 511,665 | 199,586 | 312,079 | 32,934 | 33,012 | 78 | 19.50 | 19.48 |
| | 1,922,296 | 1,382,079 | 1,629,662 | 1,674,713 | 174,424 | 169,458 | (4,966) | 100 | 100 |
| **Total as at June 30, 2019** | 6,252,127 | 3,068,817 | 5,917,241 | 3,403,703 | 352,683 | 338,170 | (14,514) | | |
| **Total as at June 30, 2018** | - | 14,609,658 | 8,357,531 | 6,252,127 | 668,582 | 668,949 | 367 | | |

## 7 PRELIMINARY EXPENSES AND FLOTATION COSTS

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | ------ Rupees in '000 ------ | | | | ------ Rupees in '000 ------ | | | |
| Opening balance | 1,144 | 989 | 860 | 2,993 | - | - | - | - |
| Cost incurred during the year / period | - | - | - | - | 1,337 | 1,156 | 1,344 | 3,837 |
| Less: Amortised during the year / period | (267) | (231) | (672) | (1,170) | (193) | (167) | (484) | (844) |
| Closing balance | 877 | 758 | 188 | 1,823 | 1,144 | 989 | 860 | 2,993 |

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operation of the fund and are being amortized over the period of 5 years for Active Allocation Plan, Conservative Allocation Plan and 2 years for Strategic Allocation Plan and commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC Rules.

## 8 OTHER RECEIVABLE AND PREPAYMENTS

| | Note | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | | ------ Rupees in '000 ------ | | | | ------ Rupees in '000 ------ | | | |
| Advance tax | 8.1 | 37 | 9 | 25 | 71 | 36 | 9 | 25 | 70 |
| Prepaid listing fee | | 75 | 65 | 18 | 159 | 97 | 84 | 74 | 255 |
| | | 112 | 74 | 43 | 230 | 133 | 93 | 99 | 325 |

**8.1** The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001.

The Federal Board of Revenue through a circular “C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R” dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 151 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2019.

## 9 PAYABLE TO THE MANAGEMENT COMPANY

| | Note | 2019 Active Allocation Plan | 2019 Conservative Allocation Plan | 2019 Strategic Allocation Plan | 2019 Total | 2018 Active Allocation Plan | 2018 Conservative Allocation Plan | 2018 Strategic Allocation Plan | 2018 Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Rupees in '000 | | | | Rupees in '000 | | | |
| Remuneration payable of the Management Company | 9.1 | 3 | - | - | 3 | 2 | 1 | 1 | 4 |
| Sindh Sales Tax payable on the Management Company's remuneration | 9.2 | - | - | - | - | - | - | - | - |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 9 | 6 | 14 | 28 | 28 | 11 | 17 | 56 |
| Sales load payable | | - | - | - | - | 11 | - | - | 11 |
| | | 11 | 6 | 14 | 31 | 41 | 12 | 18 | 71 |

**9.1** As per the offering document of the Fund, the Management Company shall charge a fee at the rate of 1% of the average annual net assets on daily basis of the plans. However, no management fee is charged on that part of the net assets which have been invested in mutual funds managed by the Management Company. The fee is payable monthly in arrears.

**9.2** The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2018: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

**9.3** As per regulation 60 (3)(s) of the NBFC Regulations 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 the aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year. However, SECP vide S.R.O. 639(I)/2019 dated June 20, 2019 has removed the maximum limit of 0.1%.

## 10 PAYABLE TO THE TRUSTEE

| | Note | 2019 Active Allocation Plan | 2019 Conservative Allocation Plan | 2019 Strategic Allocation Plan | 2019 Total | 2018 Active Allocation Plan | 2018 Conservative Allocation Plan | 2018 Strategic Allocation Plan | 2018 Total |
|---|---|---|---|---|---|---|---|---|---|
| | | Rupees in '000 | | | | Rupees in '000 | | | |
| Remuneration payable to the Trustee | 10.1 | 9 | 6 | 15 | 30 | 58 | 24 | 36 | 118 |

**10.1** The Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff structure specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

**10.2** As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the Trustee fee during the year ended June 30, 2019 is as follows:

Net assets

| | |
|---|---|
| Up to Rs. 1 billion | 0.09% per annum of the daily average net assets |
| Over Rs. 1 billion | Rs. 0.9 million plus 0.065% per annum of the daily average net assets exceeding one billion |

**10.3** The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2018: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

## 11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

| | Note | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | | ---------- Rupees in '000 ---------- | | | | ---------- Rupees in '000 ---------- | | | |
| Annual fee payable | 11.1 | 168 | 91 | 184 | 443 | 206 | 109 | 143 | 458 |

**11.1** Under the provisions of the NBFC Regulations, a collective investment scheme classified as fund of fund scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme. The fee is payable annually in arrears.

## 12 ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | | ---------- Rupees in '000 ---------- | | | | ---------- Rupees in '000 ---------- | | | |
| Provision for Sindh Workers' Welfare Fund | 12.1 | 111 | 126 | 105 | 342 | 111 | 126 | 105 | 342 |
| Withholding tax payable | | - | 253 | - | 253 | 126 | - | - | 126 |
| Auditors' remuneration | | 78 | 67 | 78 | 223 | 71 | 70 | 82 | 223 |
| Printing charges | | 13 | 17 | 19 | 49 | 25 | 26 | 29 | 80 |
| Others | | 177 | 1,067 | 3 | 1,247 | 50 | - | - | 50 |
| | | 379 | 1,530 | 205 | 2,114 | 383 | 222 | 216 | 821 |

### 12.1 Workers' Welfare Fund and Sindh Workers' Welfare Fund

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

In view of the above developments regarding applicability of SWWF, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members, Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

During the year, the Fund has incurred loss as a result no provision for SWWF has been charged in these financial statements.

As at June 30, 2019, the provision in relation to SWWF amounted to 0.111 million, Rs. 0.126 million and Rs. 0.105 million (2018: Rs. 0.111 million Rs. 0.126 million and Rs. 0.105 million) in Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively. Had the provision not been made, the net asset value per unit as at June 30, 2019 would have been higher by Rs. 0.105, Rs. 0.195 and 0.061 (2018: Rs. 0.034, Rs. 0.098 and Rs. 0.051) per unit of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively.

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2019 (2018: nil).

## 14 NUMBER OF UNITS IN ISSUE

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | Number of units | | | | Number of units | | | |
| Total units in issue at the beginning of the year / period | 3,219,253 | 1,288,493 | 2,033,911 | 6,541,657 | - | - | - | - |
| Add: Units issued | 10,234 | 22,242 | - | 32,476 | 4,088,693 | 1,812,113 | 2,034,612 | 7,935,418 |
| Less: Units redeemed | (2,171,554) | (664,933) | (324,244) | (3,160,731) | (869,440) | (523,620) | (701) | (1,393,761) |
| Total units in issue at the end of the year / period | 1,057,933 | 645,802 | 1,709,667 | 3,413,402 | 3,219,253 | 1,288,493 | 2,033,911 | 6,541,657 |

## 15 AUDITOR'S REMUNERATION

| | 2019 | | | | For the period from October 11, 2017 to June 30, 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | Rupees in '000 | | | | Rupees in '000 | | | |
| Annual audit fee | 65 | 60 | 65 | 190 | 65 | 60 | 65 | 190 |
| Fee for half yearly review | 20 | 20 | 20 | 60 | 20 | 20 | 20 | 60 |
| Other certifications and out of pocket expenses | 18 | 9 | 18 | 45 | 18 | 9 | 18 | 45 |
| | 103 | 89 | 103 | 295 | 103 | 89 | 103 | 295 |

## 16 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 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. 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. The Fund has not recorded a tax liability in the current year as a result of loss incurred during the year.

## 17 EARNINGS PER UNIT

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

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

2019

| Particulars | Active Allocation Plan | | | Conservative Allocation Plan | | | Strategic Allocation Plan | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fair value through profit or loss | Amortized cost | Total | Fair value through profit or loss | Amortized cost | Total | Fair value through profit or loss | Amortized cost | Total | |
| | Rupees in '000 | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Bank balances | - | 1,293 | 1,293 | - | 31 | 31 | - | 41 | 41 | 1,365 |
| Investments | 100,890 | - | 100,890 | 67,822 | - | 67,822 | 169,458 | - | 169,458 | 338,170 |
| | 100,890 | 1,293 | 102,183 | 67,822 | 31 | 67,853 | 169,458 | 41 | 169,499 | 339,535 |

| Particulars | Active Allocation Plan | | | Conservative Allocation Plan | | | Strategic Allocation Plan | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Fair value through profit or loss | Amortized cost | Total | Fair value through profit or loss | Amortized cost | Total | Fair value through profit or loss | Amortized cost | Total | |
| | Rupees in '000 | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | | |
| Payable to the Management Company | - | 11 | 11 | - | 6 | 6 | - | 14 | 14 | 31 |
| Payable to the Trustee | - | 8 | 8 | - | 5 | 5 | - | 13 | 13 | 26 |
| Accrued expenses and other liabilities | - | 268 | 268 | - | 1,151 | 1,151 | - | 100 | 100 | 1,519 |
| Payable against redemption of units | - | - | - | - | 1 | 1 | - | - | - | 1 |
| | - | 287 | 287 | - | 1,163 | 1,163 | - | 127 | 127 | 1,577 |

| | 2018 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Active Allocation Plan | | | Conservative Allocation Plan | | | Strategic Allocation Plan | | | |
| Particulars | Fair value through profit or loss - held for trading | Loans and receivables | Total | Fair value through profit or loss - held for trading | Loans and receivables | Total | Fair value through profit or loss - held for trading | Loans and receivables | Total | Total |
| | ---- Rupees in '000 ---- | | | | | | | | | |
| **Financial assets** | | | | | | | | | | |
| Bank balances | - | 1,278 | 1,278 | - | 443 | 443 | - | 149 | 149 | 1,870 |
| Investments | 328,586 | - | 328,586 | 132,536 | - | 132,536 | 207,827 | - | 207,827 | 668,949 |
| Accrued mark-up | - | 4 | 4 | - | 1 | 1 | - | - | - | 5 |
| | 328,586 | 1,282 | 329,868 | 132,536 | 444 | 132,980 | 207,827 | 149 | 207,976 | 670,824 |

| | Active Allocation Plan | | | Conservative Allocation Plan | | | Strategic Allocation Plan | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Particulars | Fair value through profit or loss | Other financial liabilities | Total | Fair value through profit or loss | Other financial liabilities | Total | Fair value through profit or loss | Other financial liabilities | Total | Total |
| | ---- Rupees in '000 ---- | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | | |
| Payable to the Management Company | - | 41 | 41 | - | 12 | 12 | - | 18 | 18 | 71 |
| Payable to the Trustee | - | 58 | 58 | - | 24 | 24 | - | 36 | 36 | 118 |
| Accrued expenses and other liabilities | - | 96 | 96 | - | 96 | 96 | - | 111 | 111 | 303 |
| | - | 195 | 195 | - | 132 | 132 | - | 165 | 165 | 492 |

## 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

Transactions and balances with parties who were connected persons due to 10% holding or more units in the comparative period and not in the current period are not disclosed in the comparative period.

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

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | ---- Rupees in '000 ---- | | | | ---- Rupees in '000 ---- | | | |
| **19.1 Transactions during the year / period** | | | | | | | | |
| **HBL Asset Management Limited - Management Company** | | | | | | | | |
| Issuance of nil (2018: 999,202) units | - | - | - | - | - | - | 99,920 | 99,920 |
| Remuneration of the Management Company | 29 | 12 | 6 | 47 | 29 | 15 | 11 | 55 |
| Sindh Sales Tax on remuneration of the Management Company | 4 | 2 | 1 | 7 | 4 | 2 | 1 | 7 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 177 | 95 | 194 | 466 | 217 | 115 | 151 | 483 |
| **Habib Bank Limited - Sponsor** | | | | | | | | |
| Bank charges | 16 | 8 | 11 | 35 | 19 | 11 | 9 | 39 |
| Mark-up on deposits with bank | 104 | 34 | 8 | 146 | 366 | 84 | 61 | 511 |
| **MCB Financial Services Limited - Trustee** | | | | | | | | |
| Remuneration of the Trustee | 180 | 97 | 197 | 474 | 220 | 117 | 153 | 490 |
| **HBL Cash Fund - CIS managed by the Management Company** | | | | | | | | |
| Purchase of 612,126 (2018: 4,925,468) units | 55,260 | - | - | 55,260 | 510,511 | - | - | 510,511 |
| Purchase of 87,574 (2018: 2,428,577) units | - | 3,610 | - | 3,610 | - | 251,762 | - | 251,762 |
| Purchase of 240,163 (2018: 858,335) units | - | - | 22,227 | 22,227 | - | - | 90,271 | 90,271 |
| Redemption of 1,340,860 (2018: 3,694,565) units | 135,864 | - | - | 135,864 | 386,294 | - | - | 386,294 |
| Redemption of 1,087,565 (2018: 1,428,587) units | - | 111,440 | - | 111,440 | - | 150,607 | - | 150,607 |
| Redemption of 443,164 (2018: 478,291) units | - | - | 45,126 | 45,126 | - | - | 50,412 | 50,412 |

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | Rupees in '000 | | | | Rupees in '000 | | | |
| **HBL Stock Fund- CIS managed by the Management Company** | | | | | | | | |
| Purchase of 321,516 (2018: 2,387,508) units | 33,100 | - | - | 33,100 | 257,133 | - | - | 257,133 |
| Purchase of 43,376 (2018: 370,166) units | - | 4,400 | - | 4,400 | - | 37,700 | - | 37,700 |
| Purchase of 464,108 (2018: 1,326,349) units | - | - | 46,916 | 46,916 | - | - | 141,300 | 141,300 |
| Redemption of 1,704,194 (2018: 536,765) units | 170,847 | - | - | 170,847 | 59,000 | - | - | 59,000 |
| Redemption of 149,807 (2018: 121,971) units | - | 15,418 | - | 15,418 | - | 13,210 | - | 13,210 |
| Redemption of 986,912 (2018: 363,022) units | - | - | 96,640 | 96,640 | - | - | 40,000 | 40,000 |
| **HBL Income Fund - CIS managed by the Management Company** | | | | | | | | |
| Purchase of 77,566 (2018: 2,313,255) units | 8,000 | - | - | 8,000 | - | - | 250,415 | 250,415 |
| Purchase of 166,143 (2018: nil) units | - | - | 8,700 | 8,700 | - | - | - | - |
| Dividend income (2018: nil) units | 219 | - | - | 219 | - | - | - | - |
| Dividend income (2018: nil) units | - | - | 5,719 | 5,719 | - | - | - | - |
| Redemption of nil (2018: 1,734,330) units | - | - | - | - | - | - | 190,080 | 190,080 |
| **HBL Money Market Fund - CIS managed by the Management Company** | | | | | | | | |
| Purchase of 544,578 (2018; nil) units | - | 55,616 | - | 55,616 | - | - | - | - |
| Redemption of 5,153 (2018; nil) units | - | 565 | - | 565 | - | - | - | - |
| **HBL Government Securities Fund - CIS managed by the Management Company** | | | | | | | | |
| Purchase of 511,665 (2018; nil) units | - | - | 55,000 | 55,000 | - | - | - | - |
| Dividend income (2018: nil) units | - | - | 547 | 547 | - | - | - | - |
| Redemption of 199,586 (2018: nil) units | - | - | 22,700 | 22,700 | - | - | - | - |
| **Executives of the Management Company** | | | | | | | | |
| Issue of nil (2018: 38,992) units | - | - | - | - | 4,000 | - | - | 4,000 |
| **Patient Welfare Association - Connected person due to 10% holding** | | | | | | | | |
| Issue of nil (2018: 400,000) units | - | - | - | - | - | 40,000 | - | 40,000 |
| Dividend income (2018: nil) units | - | 935 | - | 935 | - | - | - | - |
| **Ferozsons Laboratories Limited - Employees Provident Fund Connected person due to 10% holding** | | | | | | | | |
| Issue of nil (2018: 500,000) units | - | - | - | - | 50,000 | - | - | 50,000 |
| **Mr. Mir Ghulam Ali Talpur - Connected person due to 10% holding** | | | | | | | | |
| Issue of nil (2018: 250,500) units | - | - | - | - | - | - | 25,050 | 25,050 |
| **Mr. Mudassar Iqbal - Connected person due to 10% holding** | | | | | | | | |
| Issue of nil (2018:150,000) units | - | - | - | - | - | 15,000 | - | 15,000 |
| Dividend income (2018: nil) units | - | 361 | - | 361 | - | - | - | - |
| **Mr. Aamer Raza Ataullah Khan - Connected person due to 10% holding** | | | | | | | | |
| Issue of nil (2018: 196,811) units | - | - | - | - | - | - | 20,012 | 20,012 |
| **Mr. Farid Khan - Connected person due to 10% holding** | | | | | | | | |
| Issue of nil (2018: 500,000) units | - | - | - | - | - | 50,000 | - | 50,000 |
| **Mr. Towfiq H. Chinoy - Connected person due to 10% holding** | | | | | | | | |
| Issue of nil (2018: 986,321) units | - | - | - | - | 100,000 | - | - | 100,000 |
| **Sapphire Finishing Mills Limited - Employees Provident Fund Connected person due to 10% holding** | | | | | | | | |
| Issue of nil (2018: 254,254) units | - | - | - | - | - | - | 25,426 | 25,426 |

## 19.2 Balances outstanding as at year end

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **HBL Asset Management Limited - Management Company** | | | | | | | | |
| Remuneration payable to the Management Company | 3 | - | - | 3 | 2 | 1 | 1 | 4 |
| Units held: 999,202 (2018: 999,202) | - | - | 98,954 | 98,954 | - | - | 102,513 | 102,513 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | - | - | - | - | 28 | 11 | 17 | 56 |
| Sales load payable | - | - | - | - | 11 | - | - | 11 |

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Total |
| | Rupees in '000 | | | | Rupees in '000 | | | |
| **Habib Bank Limited - Sponsor** | | | | | | | | |
| Mark-up accrued on deposits with bank | - | - | - | - | 4 | 1 | - | 5 |
| Bank balances | - | - | - | - | 1,268 | 387 | 137 | 1,792 |
| **MCB Financial Services Limited - Trustee** | | | | | | | | |
| Remuneration payable to the Trustee | 9 | 6 | 15 | 30 | 58 | 24 | 36 | 118 |
| **HBL Cash Fund - CIS managed by the Management Company** | | | | | | | | |
| Units held: 502,169 (2018: 1,230,903) | 50,616 | - | - | 50,616 | 130,431 | - | - | 130,431 |
| Units held: nil (2018: 999,990) | - | - | - | - | - | 105,962 | - | 105,962 |
| Units held: 177,043 (2018: 380,044) | - | - | 17,845 | 17,845 | - | - | 40,271 | 40,271 |
| **HBL Stock Fund- CIS managed by the Management Company** | | | | | | | | |
| Units held: 468,065 (2018: 1,850,743) | 42,046 | - | - | 42,046 | 198,155 | - | - | 198,155 |
| Units held: 141,765 (2018: 248,195) | - | 12,735 | - | 12,735 | - | 26,574 | - | 26,574 |
| Units held: 440,522 (2018: 963,327) | - | - | 39,572 | 39,572 | - | - | 103,141 | 103,141 |
| **HBL Income Fund - CIS managed by the Management Company** | | | | | | | | |
| Units held: 77,566 (2018: nil) | 8,227 | - | - | 8,227 | - | - | - | - |
| Units held: 745,068 (2018: 578,925) | - | - | 79,030 | 79,030 | - | - | 64,415 | 64,415 |
| **HBL Money Market Fund - CIS managed by the Management Company** | | | | | | | | |
| Units held: 539,425 (2018: nil) | - | 55,087 | - | 55,087 | - | - | - | - |
| **HBL Government Securities Fund - CIS managed by the Management Company** | | | | | | | | |
| Units held: 312,079 (2018: nil) | - | - | 33,012 | 33,012 | - | - | - | - |
| **Executives of the Management Company** | | | | | | | | |
| Units held: 38,992 (2018: 38,992) | 3,782 | - | - | 3,782 | 4,003 | - | - | 4,003 |
| **Ferozsons Laboratories Limited - Connected person due to 10% holding Employees Provident Fund** | | | | | | | | |
| Units held: nil (2018: 500,000) | - | - | - | - | 51,325 | - | - | 51,325 |
| **Mr. Mir Ghulam Ali Talpur - Connected person due to 10% holding** | | | | | | | | |
| Units held: 250,500 ( 2018: 250,500) | - | - | 24,808 | 24,808 | - | - | 25,682 | 25,682 |
| **Mr. Mudassar Iqbal - Connected person due to 10% holding** | | | | | | | | |
| Units held: 150,000 (2018: 150,000) | 14,548 | - | - | 14,548 | 15,398 | - | - | 15,398 |
| Units held: 153,476 (2018: 150,000) | - | 15,935 | - | 15,935 | - | 15,564 | - | 15,564 |
| **Mr. Aamer Raza Ataullah Khan - Connected person due to 10% holding** | | | | | | | | |
| Units held: nil (2018: 196,811) | - | - | - | - | - | - | 20,178 | 20,178 |
| **Mr. Farid Khan - Connected person due to 10% holding** | | | | | | | | |
| Units held: nil (2018: 500,000) | - | - | - | - | - | 51,880 | - | 51,880 |
| **Mr. Towfiq H. Chinoy - Connected person due to 10% holding** | | | | | | | | |
| Units held: nil (2018: 986,321) | - | - | - | - | 101,246 | - | - | 101,246 |
| **Sapphire Finishing Mills Limited - Employees Provident Fund Connected person due to 10% holding** | | | | | | | | |
| Units held: 254,254 (2018: 254,254) | - | - | 25,180 | 25,180 | - | - | 26,067 | 26,067 |
| **Patient Welfare Association - Connected Person due to 10% holding** | | | | | | | | |
| Units held: 400,000 (2018: 400,000) | - | 41,531 | - | 41,531 | - | 41,504 | - | 41,504 |
| **Asif Nadeen Minhas - Connected Person due to 10% holding** | | | | | | | | |
| Units held: 104,477 (2018: 104,477) | 10,133 | - | - | 10,133 | 10,725 | - | - | 10,725 |
| **Safia Aziz Mirza - Connected Person due to 10% holding** | | | | | | | | |
| Units held: 149,247 (2018: 149,247) | 14,475 | - | - | 14,475 | 15,320 | - | - | 15,320 |

## 20 FINANCIAL RISK MANAGEMENT

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

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

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 20.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

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

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

### 20.1.1 Currency risk

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

### 20.1.2 Interest rate risk

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

**a) Cash flow interest rate risk**

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 10.28% to 13.5% per annum.

In case of 100 basis points increase / decrease in interest rates on June 30, 2019, with all other variables held constant, the net (loss) / income for the year and the net assets would have been higher / lower by Rs. 0.0129 million, Rs. 0.0003 million and Rs. 0.0004 million of Active Allocation Plan, Conservative Allocation plan and of Strategic Allocation Plan (2018: Rs. 0.0814 million, Rs. 0.0043 million and Rs. 0.0015 million) respectively.

**b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

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

Active Allocation Plan

| Particulars | 2019 Effective yield / interest rate | 2019 Exposed to Yield / Interest rate risk: Upto three months | 2019 Exposed to Yield / Interest rate risk: More than three months and upto one year | 2019 Exposed to Yield / Interest rate risk: More than one year | 2019 Not exposed to Yield / Interest rate risk | 2019 Total | 2018 Effective yield / interest rate | 2018 Exposed to Yield / Interest rate risk: Upto three months | 2018 Exposed to Yield / Interest rate risk: More than three months and upto one year | 2018 Exposed to Yield / Interest rate risk: More than one year | 2018 Not exposed to Yield / Interest rate risk | 2018 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | % | Rupees in '000 | | | | | % | Rupees in '000 | | | | |
| **On-balance sheet financial instruments** | | | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | | | |
| Bank balances | 10.28 - 13.5 | 1,293 | - | - | - | 1,293 | 4 - 8.25 | 1,278 | - | - | - | 1,278 |
| Investments - net | | - | - | - | 100,890 | 100,890 | | - | - | - | 328,586 | 328,586 |
| Accrued mark-up | | - | - | - | - | - | | - | - | - | 4 | 4 |
| **Sub total** | | 1,293 | - | - | 100,890 | 102,183 | | 1,278 | - | - | 328,590 | 329,868 |
| **Financial liabilities** | | | | | | | | | | | | |
| Payable to the Management Company | | - | - | - | 11 | 11 | | - | - | - | 41 | 41 |
| Payable to the Trustee | | - | - | - | 8 | 8 | | - | - | - | 58 | 58 |
| Accrued expenses and other liabilities | | - | - | - | 268 | 268 | | - | - | - | 96 | 96 |
| **Sub total** | | - | - | - | 287 | 287 | | - | - | - | 195 | 195 |
| **On-balance sheet gap (a)** | | 1,293 | - | - | 100,602 | 101,895 | | 1,278 | - | - | | |
| **Off-balance sheet financial instruments** | | - | - | - | - | - | | - | - | - | - | - |
| **Off-balance sheet gap (b)** | | - | - | - | - | - | | - | - | - | - | - |
| **Total interest rate sensitivity gap (a) + (b)** | | 1,293 | - | - | 100,602 | 101,895 | | 1,278 | - | - | - | 1,278 |
| **Cumulative interest rate sensitivity gap** | | 1,293 | - | - | | | | 1,278 | - | - | | |

Conservative Allocation Plan

| Particulars | 2019 Effective yield / interest rate | 2019 Exposed to Yield / Interest rate risk: Upto three months | 2019 Exposed to Yield / Interest rate risk: More than three months and upto one year | 2019 Exposed to Yield / Interest rate risk: More than one year | 2019 Not exposed to Yield / Interest rate risk | 2019 Total | 2018 Effective yield / interest rate | 2018 Exposed to Yield / Interest rate risk: Upto three months | 2018 Exposed to Yield / Interest rate risk: More than three months and upto one year | 2018 Exposed to Yield / Interest rate risk: More than one year | 2018 Not exposed to Yield / Interest rate risk | 2018 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | % | Rupees in '000 | | | | | % | Rupees in '000 | | | | |
| **On-balance sheet financial instruments** | | | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | | | |
| Bank balances | 10.28 - 13.5 | 31 | - | - | - | 31 | 4 - 8.25 | 443 | - | - | - | 443 |
| Investments - net | | - | - | - | 67,822 | 67,822 | | - | - | - | 132,536 | 132,536 |
| Accrued mark-up | | - | - | - | - | - | | - | - | - | 1 | 1 |
| **Sub total** | | 31 | - | - | 67,822 | 67,853 | | 443 | - | - | 132,537 | 132,980 |
| **Financial liabilities** | | | | | | | | | | | | |
| Payable to the Management Company | | - | - | - | 6 | 6 | | - | - | - | 12 | 12 |
| Payable to the Trustee | | - | - | - | 5 | 5 | | - | - | - | 24 | 24 |
| Accrued expenses and other liabilities | | - | - | - | 1,151 | 1,151 | | - | - | - | 96 | 96 |
| Payable against redemption of units | | - | - | - | 1 | 1 | | - | - | - | - | - |
| **Sub total** | | - | - | - | 1,163 | 1,163 | | - | - | - | 132 | 132 |
| **On-balance sheet gap (a)** | | 31 | - | - | 66,659 | 66,690 | | 443 | - | - | 132,405 | 132,848 |
| **Off-balance sheet financial instruments** | | - | - | - | - | - | | - | - | - | - | - |
| **Off-balance sheet gap (b)** | | - | - | - | - | - | | - | - | - | - | - |
| **Total interest rate sensitivity gap (a) + (b)** | | 31 | - | - | 66,659 | 66,690 | | 443 | - | - | 132,405 | 132,848 |
| **Cumulative interest rate sensitivity gap** | | 31 | - | - | | | | 443 | - | - | | |

Strategic Allocation Plan

| Particulars | 2019 Effective yield / interest rate | 2019 Exposed to Yield / Interest rate risk: Upto three months | 2019 Exposed to Yield / Interest rate risk: More than three months and upto one year | 2019 Exposed to Yield / Interest rate risk: More than one year | 2019 Not exposed to Yield / Interest rate risk | 2019 Total | 2018 Effective yield / interest rate | 2018 Exposed to Yield / Interest rate risk: Upto three months | 2018 Exposed to Yield / Interest rate risk: More than three months and upto one year | 2018 Exposed to Yield / Interest rate risk: More than one year | 2018 Not exposed to Yield / Interest rate risk | 2018 Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | % | Rupees in '000 | | | | | % | Rupees in '000 | | | | |
| **On-balance sheet financial instruments** | | | | | | | | | | | | |
| **Financial assets** | | | | | | | | | | | | |
| Bank balances | 10.28 - 13.5 | 41 | - | - | - | 41 | 4 - 8.25 | 149 | - | - | - | 149 |
| Investments - net | | - | - | - | 169,458 | 169,458 | | - | - | - | 207,827 | 207,827 |
| Accrued mark-up | | - | - | - | - | - | | - | - | - | - | - |
| **Sub total** | | 41 | - | - | 169,458 | 169,499 | | 149 | - | - | 207,827 | 207,976 |
| **Financial liabilities** | | | | | | | | | | | | |
| Payable to the Management Company | | - | - | - | 14 | 14 | | - | - | - | 18 | 18 |
| Payable to the Trustee | | - | - | - | 13 | 13 | | - | - | - | 36 | 36 |
| Accrued expenses and other liabilities | | - | - | - | 100 | 100 | | - | - | - | 111 | 111 |
| **Sub total** | | - | - | - | 127 | 127 | | - | - | - | 165 | 165 |
| **On-balance sheet gap (a)** | | 41 | - | - | 169,331 | 169,372 | | 149 | - | - | 207,662 | 207,811 |
| **Off-balance sheet financial instruments** | | - | - | - | - | - | | - | - | - | - | - |
| **Off-balance sheet gap (b)** | | - | - | - | - | - | | - | - | - | - | - |
| **Total interest rate sensitivity gap (a) + (b)** | | 41 | - | - | 169,331 | 169,372 | | 149 | - | - | 207,662 | 207,811 |
| **Cumulative interest rate sensitivity gap** | | 41 | - | - | | | | 149 | - | - | | |

### 20.1.3 Price risk

Price risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk as at reporting date.

In case of 5% increase / (decrease) in price of all units held by Funds at the year end, net loss for the year would decrease / increase by Rs. 5.0445 million and Rs. 8.4729 million of Active Allocation Plan and Strategic Allocation Plan (2018: Rs. 16.429 million and 10.391 million) respectively, and net income for the year would increase / decrease by Rs. 3.3911 million of Conservative Allocation Plan (2018: Rs. 6.626 million).

In case of 5% increase / (decrease) in price of all units held by Funds at the year end, net assets of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan would increase / (decrease) by the same amount as a result of gains / losses on units of Fund at fair value through profit or loss.

**20.2 Credit risk**

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

**Management of credit risk**

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in units are settled / paid for upon delivery using the system of Trustee. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

**20.2.1** The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2019:

| | 2019 | | | | |
|---|---|---|---|---|---|
| Name of the bank | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Latest available published rating as at | Rating agency |
| | ------------------ Rupees in '000 ------------------ | | | | |
| Habib Bank Limited | 1,283 | 9 | 28 | AAA | JCR-VIS |
| JS Bank Limited | 10 | 22 | 12 | AA- | PACRA |
| | 1,293 | 31 | 41 | | |

| | 2018 | | | | |
|---|---|---|---|---|---|
| Name of the bank | Active Allocation Plan | Conservative Allocation Plan | Strategic Allocation Plan | Latest available published rating as at | Rating agency |
| | ------------------ Rupees in '000 ------------------ | | | | |
| Habib Bank Limited | 1,268 | 387 | 137 | AAA | JCR-VIS |
| JS Bank Limited | 10 | 56 | 12 | AA- | PACRA |
| | 1,278 | 443 | 149 | | |

The maximum exposure to credit risk as at June 30, 2019 is the carrying amount of other financial assets. Investments in units, however, are not exposed to credit risk.

**Concentration of credit risk**

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's bank balances are held with 2 (2018: 2) banks. Management believes that such banks are reputed institutions.

## 20.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in government securities and term deposit receipts which can be readily disposed / encashed and are considered readily realisable.

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

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

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

| | 2019 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Active Allocation Plan | | | | Conservative Allocation Plan | | | | Strategic Allocation Plan | | | | Total |
| | Up to three months | More than three months and up to one year | More than one year | Total | Up to three months | More than three months and up to one year | More than one year | Total | Up to three months | More than three months and up to one year | More than one year | Total | |
| | Rupees in '000 | | | | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | | | | | |
| Payable to the Management Company | 11 | - | - | 11 | 6 | - | - | 6 | 14 | - | - | 14 | 31 |
| Payable to the Trustee | 8 | - | - | 8 | 5 | - | - | 5 | 13 | - | - | 13 | 26 |
| Accrued expenses and other liabilities | 268 | - | - | 268 | 1,151 | - | - | 1,151 | 100 | - | - | 100 | 1,519 |
| Payable against redemption of units | - | - | - | - | 1 | - | - | 1 | - | - | - | - | 1 |
| | 287 | - | - | 287 | 1,163 | - | - | 1,163 | 127 | - | - | 127 | 1,577 |

| | 2018 | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Active Allocation Plan | | | | Conservative Allocation Plan | | | | Strategic Allocation Plan | | | | Total |
| | Up to three months | More than three months and up to one year | More than one year | Total | Up to three months | More than three months and up to one year | More than one year | Total | Up to three months | More than three months and up to one year | More than one year | Total | |
| | Rupees in '000 | | | | | | | | | | | | |
| **Financial liabilities** | | | | | | | | | | | | | |
| Payable to the Management Company | 41 | - | - | 41 | 12 | - | - | 12 | 18 | - | - | 18 | 71 |
| Payable to the Trustee | 58 | - | - | 58 | 24 | - | - | 24 | 36 | - | - | 36 | 118 |
| Accrued expenses and other liabilities | 96 | - | - | 96 | 96 | - | - | 96 | 111 | - | - | 111 | 303 |
| | 195 | - | - | 195 | 132 | - | - | 132 | 165 | - | - | 165 | 492 |

## 21 UNITS HOLDERS' FUND RISK MANAGEMENT

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

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unit holders;

- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and

- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

## 22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 ( Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and

- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

2019
Active Allocation Plan

| | | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fair value through profit or loss | Amortised Cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | Note | Rupees in '000 | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | |
| **Financial assets measured at fair value** | 22.1 | | | | | | | |
| Investments | | 100,890 | - | 100,890 | 100,890 | - | - | 100,890 |
| | | 100,890 | - | 100,890 | 100,890 | - | - | 100,890 |
| **Financial assets not measured at fair value** | 22.2 | | | | | | | |
| Bank balances | | - | 1,293 | 1,293 | | | | |
| | | - | 1,293 | 1,293 | | | | |
| **Financial liabilities not measured at fair value** | 22.2 | | | | | | | |
| Payable to the Management Company | | - | 11 | 11 | | | | |
| Payable to the Trustee | | - | 8 | 8 | | | | |
| Accrued expenses and other liabilities | | - | 268 | 268 | | | | |
| | | - | 287 | 287 | | | | |

2018
Active Allocation Plan

| | | 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** | 22.1 | | | | | | | | |
| Investments | | 328,586 | - | - | 328,586 | 328,586 | - | - | 328,586 |
| | | 328,586 | - | - | 328,586 | 328,586 | - | - | 328,586 |
| **Financial assets not measured at fair value** | 22.2 | | | | | | | | |
| Bank balances | | - | 1,278 | - | 1,278 | | | | |
| Accrued mark-up | | - | 4 | - | 4 | | | | |
| | | - | 1,282 | | 1,282 | | | | |
| **Financial liabilities not measured at fair value** | 22.2 | | | | | | | | |
| Payable to the Management Company | | - | - | 41 | 41 | | | | |
| Payable to the Trustee | | - | - | 58 | 58 | | | | |
| Accrued expenses and other liabilities | | - | - | 96 | 96 | | | | |
| | | - | - | 195 | 195 | | | | |

2019
Conservative Allocation Plan

| | | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fair value through profit or loss | Amortised Cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | Note | Rupees in '000 | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | |
| **Financial assets measured at fair value** | 22.1 | | | | | | | |
| Investments | | 67,822 | - | 67,822 | 67,822 | - | - | 67,822 |
| | | 67,822 | - | 67,822 | 67,822 | - | - | 67,822 |
| **Financial assets not measured at fair value** | 22.2 | | | | | | | |
| Bank balances | | - | 31 | 31 | | | | |
| | | - | 31 | 31 | | | | |
| **Financial liabilities not measured at fair value** | 22.2 | | | | | | | |
| Payable to the Management Company | | - | 6 | 6 | | | | |
| Payable to the Trustee | | - | 5 | 5 | | | | |
| Accrued expenses and other liabilities | | - | 1,151 | 1,151 | | | | |
| Payable against redemption of units | | - | 1 | 1 | | | | |
| | | - | 1,163 | 1,163 | | | | |

**2018**
**Conservative Allocation Plan**

| | Note | 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 |
| | | Rupees in '000 | | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | | |
| **Financial assets measured at fair value** | 22.1 | | | | | | | | |
| Investments | | 132,536 | - | - | 132,536 | 132,536 | - | - | 132,536 |
| | | 132,536 | - | - | 132,536 | 132,536 | - | - | 132,536 |
| **Financial assets not measured at fair value** | 22.2 | | | | | | | | |
| Bank balances | | - | 443 | - | 443 | | | | |
| Accrued mark-up | | - | 1 | - | 1 | | | | |
| | | - | 444 | | 444 | | | | |
| **Financial liabilities not measured at fair value** | 22.2 | | | | | | | | |
| Payable to the Management Company | | - | - | 12 | 12 | | | | |
| Payable to the Trustee | | - | - | 24 | 24 | | | | |
| Accrued expenses and other liabilities | | - | - | 96 | 96 | | | | |
| | | - | - | 132 | 132 | | | | |

**2019**
**Strategic Allocation Plan**

| | Note | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | | Fair value through profit or loss | Amortised Cost | Total | Level 1 | Level 2 | Level 3 | Total |
| | | Rupees in '000 | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | |
| **Financial assets measured at fair value** | 22.1 | | | | | | | |
| Investments | | 169,458 | - | 169,458 | 169,458 | - | - | 169,458 |
| | | 169,458 | - | 169,458 | 169,458 | - | - | 169,458 |
| **Financial assets not measured at fair value** | 22.2 | | | | | | | |
| Bank balances | | - | 41 | 41 | | | | |
| | | - | 41 | 41 | | | | |
| **Financial liabilities not measured at fair value** | 22.2 | | | | | | | |
| Payable to the Management Company | | - | 14 | 14 | | | | |
| Payable to the Trustee | | - | 13 | 13 | | | | |
| Accrued expenses and other liabilities | | - | 100 | 100 | | | | |
| | | - | 127 | 127 | | | | |

**2018**
**Strategic Allocation Plan**

| | Note | 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 |
| | | Rupees in '000 | | | | | | | |
| **On-balance sheet financial instruments** | | | | | | | | | |
| **Financial assets measured at fair value** | 22.1 | | | | | | | | |
| Investments | | 207,827 | - | - | 207,827 | 207,827 | - | - | 207,827 |
| | | 207,827 | - | - | 207,827 | 207,827 | - | - | 207,827 |
| **Financial assets not measured at fair value** | 22.2 | | | | | | | | |
| Bank balances | | - | 149 | | 149 | | | | |
| | | - | 149 | | 149 | | | | |
| **Financial liabilities not measured at fair value** | 22.2 | | | | | | | | |
| Payable to the Management Company | | - | - | 18 | 18 | | | | |
| Payable to the Trustee | | - | - | 36 | 36 | | | | |
| Accrued expenses and other liabilities | | - | - | 111 | 111 | | | | |
| | | - | - | 165 | 165 | | | | |

**22.1 Valuation techniques**

For level 1 investments at fair value through profit or loss in units of mutual funds, Fund uses daily NAVs which are taken from MUFAP at reporting date.

**22.2** The Fund has not disclosed the fair values of these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**22.3 Transfers during the year**

There were no transfers between various levels of fair value hierarchy during the year.

## 23 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

There were no brokers during the year ended June 30, 2019.

## 24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2019 are as follows:

| S.no. | Name | Designation | Qualification | Experience in years |
|---|---|---|---|---|
| 1 | Farid Ahmed Khan | Chief Executive Officer | CFA, MBA | 26+ |
| 2 | Muhammad Imran | Chief Investment Officer | MBA - Finance | 19+ |
| 3 | Jawad Naeem | Head of Equities | MBA | 11+ |
| 4 | Adeel Abdul Wahab | Specialist - Equity | ACCA | 11+ |
| 5 | Faizan Saleem | Head of Fixed Income | MBA - Finance | 11+ |
| 6 | Wamiq Sakrani | Specialist - Fixed Income | MBA - Finance | 10+ |
| 7 | Sateesh Balani | Head of Research | CFA, MBA | 8+ |
| 8 | Noman Ameer * | Manager Risk | MBA - Finance | 12+ |

* Employee resigned from the service of the company effective from June 10, 2019

## 25 PATTERN OF UNITHOLDING

| Category | Number of units holders (2019) | Number of units held (2019) | Investment amount (2019) | Percentage (2019) |
|---|---|---|---|---|
| | | | Rupees in '000 | |
| **Active Allocation Plan** | | | | |
| Individuals | 61 | 1,018,940 | 98,823 | 96.31% |
| Director | 1 | 38,993 | 3,782 | 3.69% |
| | 62 | 1,057,933 | 102,605 | 100% |
| **Conservative Allocation Plan** | | | | |
| Individuals | 12 | 245,802 | 25,521 | 38.06% |
| Trust | 1 | 400,000 | 41,531 | 61.94% |
| | 13 | 645,802 | 67,051 | 100% |
| **Strategic Allocation Plan** | | | | |
| Individuals | 19 | 456,212 | 45,180 | 26.68% |
| Associated company | 1 | 999,201 | 98,953 | 58.44% |
| Retirement funds | 1 | 254,254 | 25,180 | 14.87% |
| | 21 | 1,709,667 | 169,313 | 100% |

| Category | Number of units holders | Number of units held | Investment amount | Percentage |
|---|---|---|---|---|
| | | 2018 | | |
| | | | Rupees in '000 | |
| **Active Allocation Plan** | | | | |
| Individuals | 91 | 1,643,940 | 168,751 | 51.07% |
| Associated company and director | 2 | 1,025,313 | 105,248 | 31.85% |
| Retirement funds | 2 | 550,000 | 56,458 | 17.08% |
| | 95 | 3,219,253 | 330,457 | 100% |
| **Conservative Allocation Plan** | | | | |
| Individuals | 23 | 888,493 | 41,504 | 68.96% |
| Other corporate | 1 | 400,000 | 92,191 | 31.04% |
| | 24 | 1,288,493 | 133,695 | 100% |
| **Strategic Allocation Plan** | | | | |
| Individuals | 25 | 760,582 | 77,977 | 37.40% |
| Associated company | 1 | 999,202 | 102,441 | 49.13% |
| Retirement funds | 1 | 254,254 | 26,067 | 12.50% |
| Trust | 1 | 19,873 | 2,037 | 0.98% |
| | 28 | 2,033,911 | 208,522 | 100% |

## 26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

Six meetings of the Board of Directors were held during the year on July 04, 2018 , August 31, 2018, October 17, 2018, November 14, 2018, February 08, 2019 and April 30, 2019 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

| S.No. | Name of Director | Number of meetings | | | Meetings not attended |
|---|---|---|---|---|---|
| | | Held | Attended | Leave | |
| 1 | Mr. Agha Sher Shah ** | 6 | 5 | 1 | November 14, 2018 |
| 2 | Mr. Farid Ahmed Khan *** | 6 | 6 | 0 | - |
| 3 | Ms. Ava A. Cowasjee * | 6 | 6 | 0 | - |
| 4 | Mr. Rayomond H. Kotwal * | 6 | 5 | 1 | February 8, 2019 |
| 5 | Mr. Rizwan Haider * | 6 | 5 | 1 | November 14, 2018 |
| 6 | Mr. Shabbir Hussain Hashmi * | 6 | 6 | 0 | - |
| 7 | Mr. Shahid Ghaffar * | 6 | 6 | 0 | - |
| 8 | Mr. Aamir Hasan Irshad **** | 1 | 1 | 0 | - |

* Completed term and reappointed on April 26, 2019.
** Completed term and reappointed on April 26, 2019. Resigned on June 02, 2019.
*** Completed term and appointed as deemed director effective from April 26, 2019.
**** Appointed on April 26, 2019.

## 27 TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2019 is 0.55%, 0.68% and 0.74% (2018: 0.39%, 0.51% and 0.60%) which includes 0.10%, 0.10% and 0.11% (2018: 0.11%, 0.15% and 0.12%) representing Government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively.

**28 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on **August 29, 2019** by the Board of Directors of the Management Company.

**29 CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**30 GENERAL**

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

**For HBL Asset Management Limited**
**(Management Company)**

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |


# HBL Growth Fund

HBL AML Financial annual report 2018-19

| | |
|---|---|
| **NAME OF FUND** | **HBL GROWTH FUND** |
| **NAME OF AUDITOR** | **Deloitte Yousuf Adil, Chartered Accountants** |
| **NAME OF TRUSTEE** | **Central Depository Company of Pakistan Limited.** |
| **NAME OF BANKERS** | **MCB Bank Limited**<br>**JS Bank Limited**<br>**Habib Bank Limited**<br>**Soneri Bank Limited** |

### Type and Category of Fund

Equity / Open-end

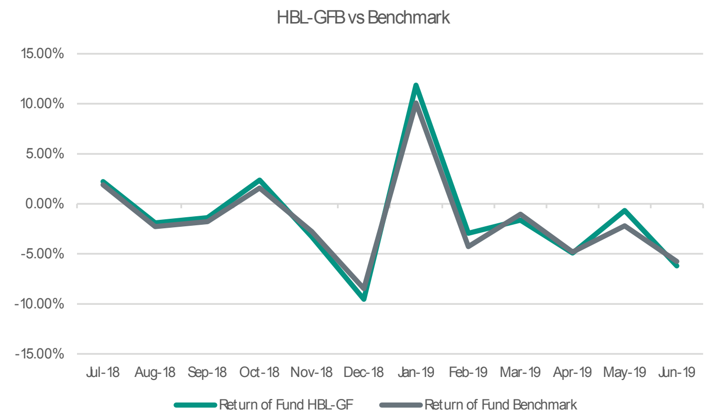
### Investment Objective and Accomplishment of Objective

The objective of HBL Growth Fund is to maximize the wealth of the unit holders by investing primarily in listed equities in the best available opportunities, while considering acceptable risk parameters and applicable rules and regulations. The Collective Investment Scheme achieved its stated objective.

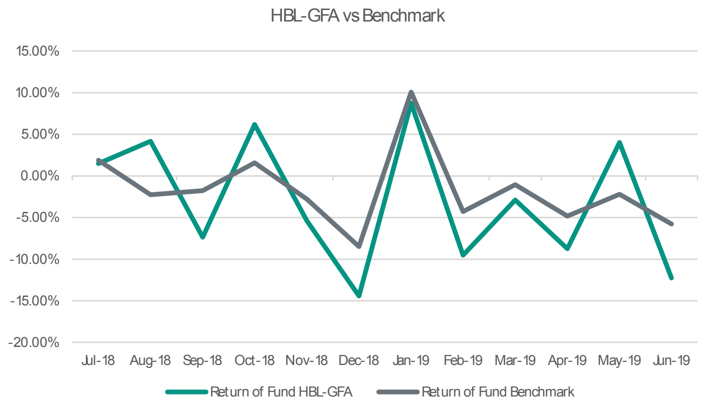
### Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KSE–100 Index.

| Month | Return of Fund | |
|---|---|---|
| | HBL-GF | Benchmark |
| Jun-19 | -6.20% | -5.76% |
| May-19 | -0.67% | -2.20% |
| Apr-19 | -4.91% | -4.83% |
| Mar-19 | -1.64% | -1.04% |
| Feb-19 | -2.94% | -4.28% |
| Jan-19 | 11.85% | 10.07% |
| Dec-18 | -9.55% | -8.47% |
| Nov-18 | -3.29% | -2.77% |
| Oct-18 | 2.38% | 1.59% |
| Sep-18 | -1.38% | -1.78% |
| Aug-18 | -1.90% | -2.27% |
| Jul-18 | 2.23% | 1.91% |



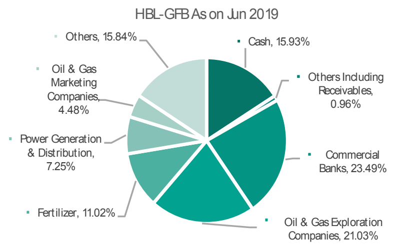

| Month | Return of Fund | |
|---|---|---|
| | HBL-GFA | Benchmark |
| Jun-19 | -12.26% | -5.76% |
| May-19 | 4.04% | -2.20% |
| Apr-19 | -8.75% | -4.83% |
| Mar-19 | -2.90% | -1.04% |
| Feb-19 | -9.52% | -4.28% |
| Jan-19 | 8.77% | 10.07% |
| Dec-18 | -14.42% | -8.47% |
| Nov-18 | -5.36% | -2.77% |
| Oct-18 | 6.20% | 1.59% |
| Sep-18 | -7.37% | -1.78% |
| Aug-18 | 4.16% | -2.27% |
| Jul-18 | 1.49% | 1.91% |

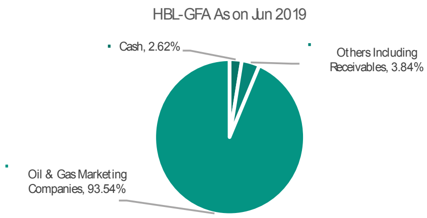


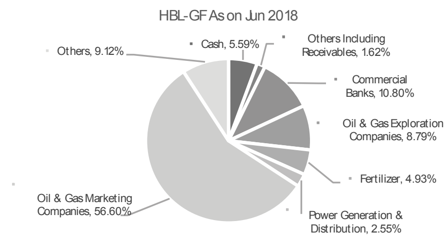

### Strategies and Policies employed during the Year

During the year under review, the Fund decreased its exposure in equities from 93% on June 30, 2018 to 84% on June 30, 2019. Further, sectors wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposures in Oil and Gas Exploration, Commercial Banks, Power generation & distribution and Fertilizers were increased; however exposure in Oil & Gas Marketing were decreased.

## Asset Allocation




### Significant Changes in Asset Allocation during the Year

The following table shows a comparison of top sector wise allocation of equity investments in the Fund as on June 30, 2019 and June 30, 2018:

| Sector Name | As on Jun 2019 | As on Jun 2018 |
|---|---|---|
| Cash | 15.93% | 5.59% |
| Others Including Receivables | 0.96% | 1.62% |
| Commercial Banks | 23.49% | 10.80% |
| Oil & Gas Exploration Companies | 21.03% | 8.79% |
| Fertilizer | 11.02% | 4.93% |
| Power Generation & Distribution | 7.25% | 2.55% |
| Oil & Gas Marketing Companies | 4.48% | 56.60% |
| Others | 15.84% | 9.12% |
| **Total** | **100.00%** | **100.00%** |

| Sector Name | As on Jun 2019 |
|---|---|
| Cash | 2.62% |
| Others Including Receivables | 3.84% |
| Oil & Gas Marketing Companies | 93.54% |
| **Total** | **100.00%** |

### Fund Performance

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

The Fund as a whole incurred a total and net loss of Rs. 404.80 million and Rs. 760.37 million respectively during the year under review. The fund size of the fund stood at Rs. 9.31 billion as on June 30, 2019.

Performance review of each class is presented below:

### HBL Growth Fund – Class 'A'

HBL Growth Fund – Class 'A' earned a total and net income of Rs. 293.69 million and Rs. 101.17 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Class 'A' was Rs. 17.1016 per unit as on June 30, 2019 as compared to Rs. 25.51 as at June 30, 2018 at the time of conversion, thereby giving a negative return of 32.96%. During the year the benchmark KSE 100 index yielded a negative return of 19.11%. The size of Class 'A' was Rs. 4.85 billion as on June 30, 2019 as compared to Rs. 7.23 billion at the start of the year.

### HBL Growth Fund – Class 'B'

HBL Growth Fund – Class 'B' incurred a total and net loss of Rs. 698.49 million and Rs. 865.68 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Class 'B' was Rs. 16.0884 per unit as on June 30, 2019 as compared to Rs. 19.20 as at June 30, 2018 at the time of conversion, thereby giving a negative return of 16.21%. During the year the benchmark KSE 100 index yielded a negative return of 19.11%. The size of Class 'B' was Rs. 4.46 billion as on June 30, 2019 as compared to Rs. 5.44 billion at the start of the year.

**Market Review**

The market remained under pressure throughout the year owing to weak macroeconomic environment and massive adjustment in currency and interest rates. Lack of clarity on the economic and political front weakened the investors' sentiment leading to flows towards risk free avenues like National Savings schemes and fixed income funds. Investors were also spooked by the FY20 Budget which envisions massive increase in tax revenue, fiscal consolidation and abolishment of subsidies.

The benchmark KSE-100 index recorded 8,009 points decline (-19%) during FY19 to close at 33,902 level. Major decline in the index was contributed by Oil & Gas (Exploration & Production), Cement and Banking sector stocks which caused cumulative attrition of 3,356pts due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive returns during the year. On the flows side, foreigners were the net sellers during the FY19 and sold shares of worth USD356mn, compared to net selling of USD290mn during FY18. However, it is important to note that foreign selling was skewed towards 1HFY19 as foreigners were net buyers in 2HFY19.

Moving ahead, Pakistan equities are expected to remain range bound due to tough macroeconomic environment. However, index heavyweights (Banks E&Ps, and Power) would remain in limelight as results of macroeconomic changes over the last 18 months (50% PKR depreciation and 750 bps cumulative interest rate hike) would start to reflect in earnings in FY20. Thus, we will maintain our strategy focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

**Distribution**

The Board of Directors of HBL Asset Management Limited (the Management Company) has declared NIL dividend for the year ended June 30, 2019.

**Significant Changes in the State of Affairs**

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

**Breakdown of Certificate Holding by Size**

| From – To (No. of Certificates) | No. of Certificate Holders (Class 'A' Units) | Total No. of Certificates Held (Class 'A' Units) | No. of Certificate Holders (Class 'B' Units) | Total No. of Certificates Held (Class 'B' Units) |
|---|---|---|---|---|
| | | | | |
| 1 – 100 | 451 | 23,899 | 453 | 23,649 |
| 101 – 500 | 2,757 | 749,134 | 2,751 | 745,250 |
| 501 – 1,000 | 1,179 | 934,184 | 892 | 647,094 |
| 100,1 – 10,000 | 3,602 | 12,796,050 | 3,777 | 12,141,460 |
| 10,001 – 100,000 | 1,118 | 30,619,497 | 1,177 | 29,168,197 |
| 100,001 – 500,000 | 112 | 22,457,386 | 136 | 24,780,275 |
| 500,001 – 1,000,000 | 17 | 11605,562 | 15 | 10,378,063 |
| 1,000,001 – 5,000,000 | 13 | 18,794,957 | 11 | 19,017,562 |
| 5,000,001 and above | 10 | 185,519,331 | 9 | 180,532,831 |
| **Total** | **9,259** | **283,500,000** | **9,221** | **277,434,381** |

**Certificate Splits**

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. Upon the conversion of the Fund, every Certificate holder of the Fund of the closed-end fund was entitled to the following for each certificate held:

- One Class 'A' Unit of the Fund representing Frozen Portfolio and related Assets and Liabilities
- One Class 'B' Unit of the Fund representing Unfrozen Portfolio and related Assets and Liabilities.

This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

Circumstances materially affecting the Interest of Certificate Holders

Investments are subject to market risk.

Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

# PERFORMANCE TABLE – HBL GROWTH FUND
*As at June 30, 2019*

| | 2019 | | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|
| | Class A | Class B | | | | | | |
| Net assets at the period end(Rs'000) | 4,848,295 | 4,463,482 | 12,675,960 | 14,582,713 | 11,830,393 | 11,442,602 | 12,866,130 | 10,749,427 |
| **NET ASSETS VALUE PER UNIT/CERTIFICATE AT 30 JUNE - RUPEES** | 17.10 | 16.09 | 44.71 | 51.44 | 41.73 | 40.36 | 45.38 | 37.92 |
| Redemption - Class B unit type B | - | 15.28 | | | | | | |
| Redemption - Class B unit type C | - | 16.09 | | | | | | |
| Offer - Class B unit type C | - | 16.45 | | | | | | |
| **OFFER / REDEMPTION DURING THE PERIOD - RUPEES** | | | | | | | | |
| Highest offer price per unit - Class B unit type C | - | 20.48 | | | | | | |
| Lowest offer price per unit - Class B unit type C | - | 16.09 | | | | | | |
| Highest redemption price per unit - Class B unit type B | - | 19.25 | | | | | | |
| Lowest redemption price per unit - Class B unit type B | - | 14.95 | | | | | | |
| Highest redemption price per unit - Class B unit type C | - | 20.03 | | | | | | |
| Lowest redemption price per unit - Class B unit type C | - | 15.74 | | | | | | |
| **RETURN ( % )** | | | | | | | | |
| Total return | *-32.96% | *-16.21% | -8.23% | 25.36% | 3.39% | -0.72% | 35.41% | 58.55% |
| Income distribution | 0.00% | 0.00% | 0.00% | 27.50% | 7.50% | - | 45.00% | 45.00% |
| Capital growth | *-32.96% | *-16.21% | -8.23% | -2.14% | -4.11% | -0.72% | -9.59% | 13.55% |
| **DISTRIBUTION** | | | | | | | | |
| First Interin dividend distribution | | | | | | | - | |
| Second Interin dividend distribution | | | | | | | - | |
| Third Interin dividend distribution | | | | | | | - | |
| First Interim dividend distribution | - | - | - | 2.75 | 0.75 | - | 4.50 | 4.5 |
| Date of Income Distribution | - | - | - | 25-Aug-17 | 26-Aug-16 | - | 27-Aug-14 | 4-Sep-13 |
| Total dividend distribution for the year/ period | - | - | - | 2.75 | 0.75 | - | 4.50 | 4.50 |
| **AVERAGE RETURNS ( % )** | | | | | | | | |
| Average annual return 1 year | *-32.96% | *-16.21% | -8.23% | 25.36% | 3.39% | -0.71% | 35.41% | 58.55% |
| Average annual return 2 year | N/A | N/A | 4.38% | 13.85% | 1.31% | 15.95% | 46.52% | 27.91% |
| Average annual return 3 year | N/A | N/A | 4.05% | 8.77% | 11.60% | 28.68% | 30.36% | 24.08% |
| **PORTFOLIO COMPOSITION - (%)** | | | | | | | | |
| Percentage of Total Assets as at 30 June: | | | | | | | | |
| Bank Balances | 3% | 16% | 6% | 4% | 3% | 5% | 1% | 2% |
| GoP Ijarah Sukuks | - | - | - | - | - | - | - | - |
| Placement with Banks and DFIs | - | - | - | - | - | - | - | - |
| Corporate Sukuks | - | - | - | - | - | - | - | - |
| Stock / Equities | 94% | 84% | 93% | 94% | 78% | 94% | 95% | 98% |
| Others | 4% | 0% | 2% | - | 19% | 1% | 4% | 0% |

**Note:**
The Fund converted to open end fund on July 02, 2018
* Since conversion from Closed-End to Open-End
**Disclaimer:**

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

Summary of Actual Proxy voted by CIS

| HBL Growth Fund | Meetings | Resolutions | For | Against |
|---|---|---|---|---|
| Number | 7 | 15 | 15 | - |
| (%ages) | | 100% | 100% | - |

(h) AMC did not participate in shareholders' meetings

| Investee Company | AGM Meeting Dt | EOGM Meeting Dt |
|---|---|---|
| Allied Bank Ltd | 14/11/2018)(28/3/2019)(16/5/2019) | 27/08/2018 |
| Amreli Steels Limited | 23/10/2018 | |
| Askari Bank Ltd | 25/3/2019 | |
| AGP Limited | 17/4/2019 | |
| Bank of Punjab | 29/3/2019 | |
| Bank Al Habib Ltd | 27/3/2019 | |
| Bank Alfalah Ltd | 25/09/2018)(28/3/2019) | |
| DG Khan Cement Ltd | 27/10/2018 | 17/4/2019 |
| Engro Corporation Ltd | (3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019) | (25/09/2018)(28/5/2019) |
| Engro Fertilizer Ltd | (2/10/2018)(26/11/2018)(28/3/2019) | 27/5/2019 |
| Engro Polymer & Chemicals Ltd | (18/09/2018)(1/4/2019) | |
| Exide Pakistan Ltd | | |
| Fauji Fertilizer Bin Qasim Ltd | 29/3/2019 | |
| Fauji Fertilizer Co Ltd | (28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019) | |
| Faysal Bank Limited | 28/3/2019 | 07/10/18 |
| Highnoon Lab | 29/4/2019 | 31/08/2018 |
| Habib Bank Limited | (19/09/2018)(17/12/2018)(27/3/2019)(21/6/2019) | 21/6/2019 |
| Hub Power Company Ltd | (5/10/2018)(30/4/2019) | (22/6/2018)(16/4/2019) |
| Hascol Petroleum | (18/09/2018)(19/11/2018)(29/4/2019) | 10-10-18 |
| Indus Motor Company Limited | (16/10/2018)(19/11/2018)(18/3/2019)(17/5/2019) | |
| International Industries Ltd | (28/09/2018)(22/3/2019) | |
| International Steels Limited | (25/09/2018)(22/3/2019) | |
| Kohat Cement Co Ltd | 25/10/2018 | 29/6/2019 |
| Kohinoor Textile Mill Ltd | 27/10/2018)(21/3/2019) | |
| Lucky Cement Ltd | (28/09/2018)(27/10/2018) | |
| Lotte Chemical Pakistan Ltd | (19/11/2018)(18/4/2019) | |
| Maple Leaf Cement Factory | 27/10/2018 | |
| Mughal Iron & Steel Industries | 27/10/2018 | |
| Mari Petroleum Company Ltd | 18/10/2018)(20/3/2019) | |
| Meezan Bank Ltd | 2/10/2018)(28/3/2019)(20/5/2019 | 17/11/2018 |
| MCB Bank Ltd | (28/08/2018)(22/11/2018)(29/3/2019)(23/5/2019) | |
| Mughal iron & Steel | 27/10/2018 | |
| Nishat (Chunian) Ltd | 26/10/2018)(17/4/2019) | 20/08/2018 |
| Nishat Mills Ltd | 27/10/2018)(17/4/2019) | |
| Nishat Chunian Power Ltd | 26/10/2018)(2/4/2019)(23/6/2019) | |
| Oil & Gas Development Co Ltd | (25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019) | |
| Pakgen Power Ltd | 30/4/2019 | 25/10/2018 |
| Pakistan Petroleum Ltd | 26/10/2018 | |
| Pakistan Oilfields Ltd | (25/09/2018)(20/3/2019) | |
| Pakistan State Oil Company Ltd | (02/10/2018)(16/10/2018)(19/6/2019) | |
| Sitara Chemical Ind. | 27/10/2018 | 20/6/2019 |
| Sui Northern Gas Pipeline Ltd | 23/5/2019 | |
| TPL Insurance | (27/09/2018)(16/10/2018)(12/11/2018)(17/4/2019) | |
| Thal Limited | (22/10/2018)(20/3/2019) | |
| The Searle Company Ltd | 22/11/2018 | |
| United Bank Ltd | (18/09/2018)(19/11/2018)(28/3/2019)(16/6/2019)(18/6/2019) | |

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED
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S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
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Email: info@cdcpak.com

## TRUSTEE REPORT TO THE UNIT HOLDERS

## HBL GROWTH 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 Growth Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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.

**Badiuddin Akber**
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019

CENTRAL DEPOSITORY COMPANY

Deloitte.

**Deloitte Yousuf Adil**
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
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# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL GROWTH FUND

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **HBL Growth Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| 1 | **Valuation and existence of investments**<br><br>As disclosed in note 6 to the financial statements, investments amounted to Rs. 8,659 million as at June 30, 2019.<br><br>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and their valuation and existence is a significant area during our audit. There is a risk that appropriate quoted prices may not be used to determine fair value. | We performed the following steps during our audit of investments:<br><br>• independent testing of valuations by obtaining quoted market prices from the Pakistan Stock Exchange Limited and ensuring the existence of number of securities held at reporting date by comparing the internal records with Central |

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| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| | Further, the Fund may have included investments in its financial statements which were not owned by Fund. | Depository Company (CDC) statement;<br>• performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding the weightage average cost of the securities; and<br>• any differences identified during our testing that were over our acceptable threshold were investigated further and reported, if required. |
| 2 | **Adoption of IFRS 9 "Financial Instruments".**<br><br>As disclosed in note 4.2 of the financial statements, from July 01, 2018, the Fund has changed its accounting policies due to the application of the IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement"<br><br>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.<br><br>Management has determined that the most significant impact of the new standard on the Fund's financial statements relates to classification of investment according the business model of the Fund. The requirements relating to impairment model have been deferred by SECP letter SCD/AMCW/RS/MUFAP/2017-148.<br><br>Management also assessed the additional disclosure required to be made by the new accounting standard in the financial statement.<br><br>We considered this as a key audit matter since the adoption of the new accounting standards has a material impact on the financial statements due to the judgments involved in the assessment of classification of financial assets. | We have performed the following audit procedures:<br>• Reviewed management's impact assessment and evaluated the management key decisions with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standards and assessed their appropriateness based on business model;<br>• Reviewed the classification of investment by management and ensured that it is in accordance with the business model;<br>• Evaluate and tested the adjustment, if any, recorded in financial statement in accordance with the change; and<br>• Evaluated the adequacy and appropriateness of disclosure made in the financial statements. |

**Information Other than the Financial Statements and Auditor's Report Thereon**

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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**Deloitte Yousuf Adil**
Chartered Accountants

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management Company and Those Charged with Governance for the Financial Statements**

Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.

- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going

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Member of
**Deloitte Touche Tohmatsu Limited**

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Deloitte Yousuf Adil
Chartered Accountants

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

Deloitte Yousuf Adil
**Chartered Accountants**

**Date:** September 27, 2019
**Place:** Karachi

Member of
**Deloitte Touche Tohmatsu Limited**

## Statement of Assets and Liabilities

*As at June 30, 2019*

| | | 2019 | | | 2018 |
|---|---|---|---|---|---|
| | | Class A | Class B | Total | Total |
| | Note | ------------------- (Rupees in '000) ------------------- | | | |
| **Assets** | | | | | |
| Bank balances | 5 | 127,708 | 786,197 | 913,905 | 729,178 |
| Investments | 6 | 4,556,990 | 4,101,848 | 8,658,838 | 12,112,200 |
| Dividend receivable and accrued mark-up | 7 | 187,264 | 8,480 | 195,744 | 205,437 |
| Deposits and other receivables | 8 | 184 | 3,101 | 3,285 | 3,176 |
| **Total assets** | | 4,872,146 | 4,899,626 | 9,771,772 | 13,049,991 |
| **Liabilities** | | | | | |
| Payable to Management Company | 9 | 14,910 | 13,538 | 28,448 | 24,928 |
| Payable to the Trustee | 10 | 561 | 578 | 1,139 | 786 |
| Payable to the Securities and Exchange Commission of Pakistan | 11 | 6,017 | 4,876 | 10,893 | 12,397 |
| Payable against purchase of investment | | - | 2,079 | 2,079 | 28,631 |
| Accrued expenses and other liabilities | 12 | 2,363 | 280,915 | 283,278 | 170,516 |
| Unclaimed dividend | | - | 134,158 | 134,158 | 136,773 |
| **Total liabilities** | | 23,851 | 436,144 | 459,995 | 374,031 |
| **Net assets** | | 4,848,295 | 4,463,482 | 9,311,777 | 12,675,960 |
| **Unit holders' fund (as per statement attached)** | | 4,848,295 | 4,463,482 | 9,311,777 | 12,675,960 |
| **Contingencies and commitments** | 13 | | | | |
| | | -----------------Number of units----------------- | | | |
| **Number of units in issue** | 14 | 283,500,000 | 277,434,381 | | 283,500,000 |
| | | -----------------(Rupees)----------------- | | | |
| **Net assets value per unit** | | 17.1016 | 16.0884 | | 44.71 |

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**
**(Management Company)**

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | ------------------- (Rupees in '000) ------------------- | | | |
| **Income** | | | | | |
| Capital loss on sale of investments - net | | (199) | (290,444) | (290,643) | (721,880) |
| Dividend income | | 278,912 | 223,913 | 502,825 | 738,620 |
| Unrealised diminution on re-measurement of investment at fair value through profit or loss - net | | - | (714,012) | (714,012) | (292,200) |
| Discount income on treasury bills | | 891 | 1,782 | 2,673 | 760 |
| Mark-up on deposits with banks | | 14,089 | 72,195 | 86,284 | 67,578 |
| Back end load | | - | 8,074 | 8,074 | - |
| | | 293,693 | (698,492) | (404,799) | (207,122) |
| **Expenses** | | | | | |
| Remuneration of the Management Company | 9.1 | 126,676 | 102,632 | 229,308 | 260,360 |
| Sindh Sales Tax on remuneration of the Management Company | 9.2 | 16,468 | 13,342 | 29,810 | 33,847 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 6,334 | 5,132 | 11,466 | 13,018 |
| Remuneration of the Trustee | 10.1 | 7,823 | 6,356 | 14,179 | 8,909 |
| Annual fee to Securities and Exchange Commission of Pakistan | | 6,017 | 4,876 | 10,893 | 12,397 |
| Selling and Marketing Expense | | 25,179 | 20,272 | 45,451 | - |
| Security transaction charges | | - | 11,944 | 11,944 | 9,984 |
| Auditors' remuneration | 15 | 368 | 101 | 469 | 1,001 |
| Fee and subscription charges | | 946 | 603 | 1,549 | 1,367 |
| Conversion expense from close end to open end fund | | - | 396 | 396 | 9,726 |
| Settlement and bank charges | | 646 | 1,529 | 2,175 | 1,552 |
| | | 190,457 | 167,183 | 357,640 | 352,161 |
| | | 103,236 | (865,675) | (762,439) | (559,283) |
| Provision for Sindh Workers' Welfare fund | 12.2 | (2,065) | - | (2,065) | - |
| **Net income / (loss) for the year before taxation** | | 101,171 | (865,675) | (760,374) | (559,283) |
| Taxation | 16 | - | - | | - |
| **Net income / loss for the year after taxation** | | 101,171 | (865,675) | (760,374) | (559,283) |
| **Allocation of net income / (loss) for the year:** | | | | | |
| Income already paid on redemption of units | | - | - | - | - |
| Accounting income available for distribution: | | | | | |
| - Relating to capital gains | | - | - | - | - |
| - Excluding capital gains | | - | - | - | - |
| | | - | - | - | - |
| | | 101,171 | (865,675) | (760,374) | (559,283) |
| **Earnings per unit** | 17 | | | | |

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**
**(Management Company)**

| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |
|---|---|---|

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | ------------------- (Rupees in '000) ------------------- | | | |
| **Net income / (loss) for the year after taxation** | | 101,171 | (865,675) | (764,504) | (559,283) |
| **Item that may be reclassified subsequently to Income Statement** | | | | | |
| Unrealised diminution re-measurement of investments classified as available-for-sale | | - | - | - | (567,845) |
| **Items that will not be reclassified to income statement** | | | | | |
| Unrealised diminution on re-measurement of investments classified as fair value through other comprehensive income | | (2,485,290) | - | (2,485,290) | - |
| **Total comprehensive loss for the year** | | (2,384,119) | (865,675) | (3,249,794) | (1,127,128) |

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**
**(Management Company)**

**Chief Financial Officer** **Chief Executive Officer** **Director**

| | 2019 | | | | | | | | 2018 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Class A | | | | | Class B | | | Total | | | | |
| | Capital value | Undistributed Income | Unrealized Income/ (loss) on Investment | Premium on issue of certificates | Total | Capital value | Undistributed Income | Total | Capital Value | Undistributed Income | Unrealized Income/(loss) on Investment | Premium on issue of certificates | Total |
| | (Rupees) | | | | | | | | | | | | |
| **Net assets at beginning of the year** | 2,835,000 | 1,226,556 | 5,621,904 | 2,992,500 | 12,675,960 | - | - | - | 2,835,000 | 2,565,464 | 6,189,749 | 2,992,500 | 14,582,713 |
| Transfer from premium on issue of certificates | - | 984,688 | - | (984,688) | - | - | - | - | - | - | - | - | - |
| Issue of 283,500,000 Class B units at the time of conversion | - | (5,443,546) | - | - | (5,443,546) | 2,835,000 | 2,608,546 | 5,443,546 | - | - | - | - | - |
| Issue of 1,318,291 units | | | | | | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | - | - | - | - | - | 25,048 | - | 25,048 | - | - | - | - | - |
| - Element of loss | - | - | - | - | - | (103) | - | (103) | - | - | - | - | - |
| Total proceeds on issuance of units | - | - | - | - | - | 24,945 | - | 24,945 | - | - | - | - | - |
| Redemption of 7,383,910 units | | | | | | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | - | - | - | - | - | 140,294 | - | 140,294 | - | - | - | - | - |
| - Element of loss | - | - | - | - | - | (279,629) | - | (279,629) | - | - | - | - | - |
| Total payment on redemption of units | - | - | - | - | - | (139,335) | - | (139,335) | - | - | - | - | - |
| Total comprehensive income / (loss) for the year | - | 101,171 | (2,485,290) | - | (2,384,119) | - | (865,675) | (865,675) | - | (559,283) | (567,845) | - | (1,127,129) |
| Distribution during the year year | - | - | - | - | - | - | - | - | - | (779,625) | - | - | (779,625) |
| **Net income / (loss) for the year less distribution** | - | 101,171 | (2,485,290) | | (2,384,119) | - | (865,675) | (865,675) | - | (1,338,908) | (567,845) | | (1,906,754) |
| **Net assets at end of the year** | 2,835,000 | (3,131,131) | 3,136,614 | 2,007,812 | 4,848,295 | 2,720,611 | 1,742,871 | 4,463,482 | 2,835,000 | 1,226,556 | 5,621,904 | 2,992,500 | 12,675,960 |

| | 2019 Class A | 2019 Class B | 2018 Total |
|---|---|---|---|
| **Undistributed income brought forward** | | | |
| - Realised | 1,518,756 | - | 1,748,697 |
| - Unrealised | (292,200) | - | 816,767 |
| | 1,226,556 | - | 2,565,464 |
| Transfer from premium on issue of certificates | 984,688 | | |
| Transferred to Class B - Segment on conversion of Fund | (5,443,546) | 2,608,546 | - |
| Net loss for the year | 101,171 | (865,675) | (559,283) |
| Distribution during the year | - | - | (779,625) |
| **(Accumulated loss) / undistributed income carried forward** | (3,131,131) | 1,742,871 | 1,226,556 |
| **(Accumulated loss) / undistributed income carried forward** | | | |
| - Realised | (3,131,131) | 2,354,105 | 1,287,740 |
| - Unrealised | - | (611,234) | (61,184) |
| | (3,131,131) | 1,742,871 | 1,226,556 |
| | (Rupees) | | |
| **Net assets value per unit at beginning of the year** | 25.5112 | 19.2012 | 51.44 |
| **Net assets value per unit at end of the year** | 17.1016 | 16.0884 | 44.71 |

The annexed notes 1 to 30 form an integral part of these financial statements.

**NOTE:** Consequent to the conversion of the Fund from a closed-end scheme to an open-end scheme with effect from July 02, 2018, the comparative figures disclosed above have been prepared in accordance with the requirements of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 as applicable to an open-end scheme.

**For HBL Asset Management Limited**
**(Management Company)**

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | ------------------- (Rupees in '000) ------------------- | | | |
| **Cash flow from operating activities** | | | | | |
| Net income / (loss) for the year before taxation | | 101,171 | (865,675) | (764,504) | (559,283) |
| **Adjustments of non-cash items** | | | | | |
| Capital loss on sale of investments - net | | 199 | 290,444 | 290,643 | 721,880 |
| Unrealised diminution on remeasurement of investments classified as financial asset at fair value through profit or loss - net | | - | 714,012 | 714,012 | 292,200 |
| Dividend income | | (278,912) | (223,913) | (502,825) | (738,620) |
| Discount income on treasury bills | | (891) | (1,782) | (2,673) | - |
| Mark-up on deposits with banks | | (14,089) | (72,195) | (86,284) | (67,578) |
| | | (192,522) | (159,109) | (351,631) | (351,401) |
| **Decrease / (increase) in assets** | | | | | |
| Investments | | 691 | (34,600) | (33,909) | 424,199 |
| Security deposits | | (184) | 75 | (109) | (494) |
| | | 507 | (34,525) | (34,018) | 423,705 |
| **Increase / (decrease) in liabilities** | | | | | |
| Payable to Management Company | | 14,910 | (11,390) | 3,520 | (3,743) |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 561 | (208) | 353 | (1,061) |
| Payable to the Securities and Exchange Commission of Pakistan | | 6,017 | (7,521) | (1,504) | (1,111) |
| Payable against purchase of investment | | - | (26,552) | (26,552) | - |
| Accrued expenses and other liabilities | | 2,363 | 110,399 | 112,762 | 2,782 |
| Unclaimed dividend (including dividend payable) | | - | (2,615) | (2,615) | - |
| | | 23,851 | 62,113 | 85,964 | (3,133) |
| **Cash (used in) / generated from operations** | | (168,164) | (131,521) | (299,685) | 69,171 |
| Dividend received | | 282,776 | 231,610 | 514,386 | 65,868 |
| Mark-up received on bank deposit | | 13,096 | 71,320 | 84,416 | 706,684 |
| | | 295,872 | 302,930 | 598,802 | 772,552 |
| **Net cash generated from operating activities** | | 127,708 | 171,409 | 299,117 | 841,723 |
| Cash flow from financing activities | | | | | |
| Amount received on issue of units | | - | 24,945 | 24,945 | - |
| Amount paid on redemption of units | | - | (139,335) | (139,335) | - |
| Dividend paid | | - | - | - | (762,271) |
| **Net cash used in financing activities** | | - | (114,390) | (114,390) | (762,271) |
| Net increase in cash and cash equivalents | | 127,708 | 57,019 | 184,727 | 79,452 |
| Cash and cash equivalents at beginning of the year | | - | 729,178 | 729,178 | 649,726 |
| Cash and cash equivalents at end of the year | 5 | 127,708 | 786,197 | 913,905 | 729,178 |

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**
**(Management Company)**

**Chief Financial Officer** **Chief Executive Officer** **Director**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

**1.1** HBL Growth Fund was established under a Trust Deed, HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee.

**1.2** The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

**1.3** The objective of the Fund is to maximize the wealth of the unit holders by investing primarily in listed equities in the best available opportunities, while considering acceptable risk parameters and applicable rules and regulations.

1.4 As per Regulation 65 of the NBFC Regulations, all closed end funds were required to converted into open end schemes upon expiry of five years from November 21, 2007 i.e. by November 21, 2012. However Closed end funds whose portfolios were frozen as a result of Consent Agreements with Government of Pakistan were allowed to be converted into open end schemes within three months from the date of the removal of the freezing of the portfolios. Since the Fund has Frozen Portfolio comprising shares of Pakistan State Oil Company Limited and Sui Northern Gas Pipelines Limited, its conversion into an open end scheme was deferred.

The Board of the Management Company (HBL Asset Management Limited) of the Fund in its meeting held on November 23, 2017 approved the Conversion Plan (the Plan) of the fund for the conversion of the Fund into an Open End Scheme, with the approval of the Certificate Holders of the Fund to fulfill the requirements of the merger order dated August 31, 2016. For this purpose, the Plan was presented to and approved by the Certificate Holders of the Fund in its General Meeting dated January 10, 2018. The Plan was also approved by Securities and Exchange Commission of Pakistan (the Commission) on February 16, 2018.

The Replacement Trust Deed and Replacement Offering Document were approved by SECP vide its letter no. SCD/AMCW/HIF/339/2018 dated April 18, 2018 and letter no. SCD/AMCW/HIF/398/2018 dated June 7, 2018 respectively. As per the approved Plan, the conversion took place on July 2, 2018 and every Certificate Holder of the closed end fund was entitled to following for each certificate held:

- One Class-A Unit of the Fund was issued to every Certificate Holders of Fund for each certificate held representing Frozen Portfolio and related assets and liabilities.

- One Class-B Unit of the Fund was issued to the every Certificate Holder of Fund for each certificate held representing Unfrozen Portfolio and related assets and liabilities.

The Plan also envisages that Class-A Units would not be redeemable and would be traded on the Pakistan Stock Exchange, whereas Class-B Units can be redeemed at the redemption price.

**1.5** JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2+' (Positive outlook) to the Management Company.

**1.6** Title to the assets of the Fund is held in the name of Central Depository Company Limited as trustee of the Fund.

**2. BASIS OF PREPARATION**

**2.1 Statements of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention.

**2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

**2.4 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

(i) classification and valuation of financial assets note 4.2.1

**3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS, THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2018**

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019**

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements except as otherwise disclosed.

| | Effective from accounting periods beginning on or after: |
|---|---|
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9. | January 01, 2018 |
| IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. | July 01, 2018 |
| IFRS 15 'Revenue from Contracts with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date. | July 01, 2018 |
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property | January 01, 2018 |
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | January 01, 2018 |

Certain annual improvements have also been made to a number of IFRSs.

**3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

| | Effective from accounting periods beginning on or after: |
|---|---|
| Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business | January 01, 2020 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture | Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted. |
| IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date. | January 01, 2019 |

| | |
|---|---|
| Amendments to References to the Conceptual Framework in IFRS Standards | January 01, 2020 |
| Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material | January 01, 2020 |
| Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements. | January 01, 2019 |
| Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. | January 01, 2019 |
| IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. | January 01, 2019 |

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 4.2.

### 4.1 Cash and cash equivalent

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

### 4.2 IFRS 9 'Financial Instruments

On application of IFRS - 9 'Financial Instruments', there is no material change in the Fund’s financial risk management objectives and policies and are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2018.

**Impact of initial application of IFRS 9 Financial Instruments**

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures for the year ended June 30, 2019.

**IFRS 9 introduced new requirements for:**

1) The classification and measurement of financial assets and financial liabilities;
2) Impairment of financial assets; and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

**4.2.1 (a) Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the aforegoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- the Fund's investment in debt instruments that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVTPL because they are held within a business model whose objective is primarily to sell the bonds. The change in the fair value on these redeemable notes will be recorded in the profit of loss account;

- there is no change in the measurement of the Fund's investments in debt instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

- the Fund's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been reclassified as at FVTPL. The change in fair value on these equity instruments will be recorded in the profit or loss account;

- there is no change in the measurement of the Fund's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Fund's statement of asset and liabilities, income statement and statement of other comprehensive income or total comprehensive income for the year.

**(b) Impairment of financial assets**

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

**(c) Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the Fund does not have any financial liabilities designated as FVTPL.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

**(d) Disclosures in relation to the initial application of IFRS 9**

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

| | Carrying amount as per IAS 39 as on June 30, 2018 | Reclassif-ications | Remeasu-rements | Carrying amount on initial adoption of IFRS 9 on July 01, 2018 | Effect on July 01, 2018 on Retained Earnings |
|---|---|---|---|---|---|
| | ---------------------------- (Rupees in '000) | | | --------------------------------- | |
| **Financial assets** | | | | | |
| **Fair Value through Other Comprehensive Income** | | | | | |
| From available for sale (IAS 39) | 1,420,375 | 1,420,375 | - | 1,420,375 | - |
| **Total** | 1,420,375 | 1,420,375 | - | 1,420,375 | - |

## 4.3 Financial instruments as per IAS 39

### 4.3.1 Financial assets

#### 4.3.1.1 Classification

The management determines the appropriate classification of financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

**a) Investments at fair value through profit or loss - held-for-trading**
An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**c) Available for sale**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, there are no investments of the fund classified as available for sale.

**4.3.1.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

**4.3.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held for trading", in which case the transaction costs are charged off to the income statement and statement of comprehensive income.

**4.3.1.4 Subsequent measurement**

**a) Financial assets 'at fair value through profit or loss - held-for-trading' and 'available-for-sale'**

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss - held-for-trading' and 'available-for-sale' are valued as follows:

**Basis of valuation of equity securities**

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss - held-for-trading' are taken to the income statement.

Net gains and losses arising from changes in fair value of 'available-for-sale' financial assets are recognised as 'other comprehensive income' in the Income Statement of Comprehensive Income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

**b) Loans and receivables**

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gains or losses are recognised under operating income in 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

**4.3.1.5 Impairment**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**4.3.1.6 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

**4.3.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**4.3.3 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**4.4 Provisions**

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

**4.5 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the Provisions of Section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

**4.6 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

**4.7 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

**4.8 Net assets value per unit**

The net asset value (NAV) per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net asset of the Fund by the number of units in issue at the year end.

**4.9 Revenue recognition**

- Realised capital gain / (loss) arising on sale of investments are included in the income statement on the date at which the transaction takes place.

- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

- Dividend income from equity securities is recognised when the right to receive dividend is established.

- Mark up / return on Term finance certificates, bank deposits and investment in debt securities are recognized on a time apportment basis using effective interest method.

**4.10 Expenses**

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the Income Statement on an accrual basis.

**5. BANK BALANCES**

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | ------------------ (Rupees in '000) ------------------ | | | |
| Balances with banks in: | | | | | |
| Savings account | | 127,708 | 786,197 | 913,905 | 729,178 |

**5.1** This represents bank accounts held with different banks. Mark-up rates on these accounts range between 5.35% to 13.5% per annum (June 30, 2018: 4.50% - 7.50% per annum).

## 6. INVESTMENTS

| | | 2019 | | | 2018 |
|---|---|---|---|---|---|
| | | Class A | Class B | Total | Total |
| At fair value through profit or loss | Note | ------------------ (Rupees in '000) ------------------ | | | |
| - Listed equity securities | 6.1 | - | 4,101,848 | 4,101,848 | 5,069,921 |
| At fair value through other comprehensive income | | | | | |
| - Listed equity securities | 6.2 | 4,556,990 | - | 4,556,990 | 7,042,279 |
| | | 4,556,990 | 4,101,848 | 8,658,838 | 12,112,200 |

## 6.1 Listed equity securities - At fair value through profit or loss

### Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

| Name of the Investee Company | Number of shares | | | | | Market value as at June 30, 2019 (Rupees in '000) | Percentage in Relation to | | |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2018 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30, 2019 | | Net Assets of the fund | Total Investments | Investee Paidup Capital |
| **CLASS B** | | | | | | | | | |
| **INSURANCE** | | | | | | | | | |
| TPL Insurance Limited | 1,500 | - | 195 | - | 1,695 | 36 | 0.00% | 0.00% | - |
| Adamjee Insurance Limited | - | 1,229,500 | - | 8,000 | 1,221,500 | 42,814 | 0.96% | 1.04% | 0.35% |
| | 1,500 | 1,229,500 | 195 | 8,000 | 1,223,195 | 42,850 | | | |
| **TEXTILE COMPOSITE** | | | | | | | | | |
| Gul Ahmed Textile Mills Ltd | - | 527,000 | - | 527,000 | - | - | 0.00% | 0.00% | - |
| Interloop Limited | - | 1,578,415 | - | - | 1,578,415 | 69,876 | 1.57% | 1.70% | 18.16% |
| Kohinoor Textile Mills Limited | - | 904,500 | - | 190,000 | 714,500 | 17,898 | 0.40% | 0.44% | 0.68% |
| Nishat (Chunian) Limited | - | 425,000 | - | 425,000 | - | - | 0.00% | 0.00% | - |
| Nishat Mills Limited | 1,067,600 | 565,500 | - | 601,200 | 1,031,900 | 96,318 | 2.16% | 2.35% | 0.29% |
| | 1,067,600 | 4,000,415 | - | 1,743,200 | 3,324,815 | 184,092 | | | |
| **CEMENT** | | | | | | | | | |
| Cherat Cement Company Limited | - | 828,000 | - | 828,000 | - | - | 0.00% | 0.00% | - |
| D G Khan Cement Company Limited | - | 450,000 | - | 450,000 | - | - | 0.00% | 0.00% | - |
| Kohat Cement Limited | - | 588,000 | 52,590 | 258,090 | 382,500 | 20,093 | 0.45% | 0.49% | 0.30% |
| Lucky Cement Limited | 321,450 | 200,400 | - | 223,050 | 298,800 | 113,684 | 2.55% | 2.77% | 0.09% |
| Maple Leaf Cement Factory Limited | - | 2,996,000 | - | 2,996,000 | - | - | 0.00% | 0.00% | - |
| Pioneer Cement Limited | 500,000 | - | - | 500,000 | - | - | - | - | - |
| | 821,450 | 5,062,400 | 52,590 | 5,255,140 | 681,300 | 133,777 | | | |
| **POWER GENERATION & DISTRIBUTION** | | | | | | | | | |
| Hub Power Company Limited | 3,074,100 | 1,416,756 | - | 1,071,000 | 3,419,856 | 269,314 | 6.03% | 6.57% | 0.30% |
| K-Electric Limited | 8,642,000 | 3,877,500 | - | 1,909,000 | 10,610,500 | 46,580 | 1.04% | 1.14% | 0.04% |
| Nishat Chunian Power Limited | - | 1,245,000 | - | 144,000 | 1,101,000 | 19,168 | 0.43% | 0.47% | 0.30% |
| Pakgen Power Limited | - | 1,600,000 | - | - | 1,600,000 | 22,688 | 0.51% | 0.55% | 0.43% |
| Hub Power Company Limited - LOR | - | 405,302 | - | 405,302 | - | - | 0.00% | 0.00% | - |
| | 11,716,100 | 8,544,558 | - | 3,529,302 | 16,731,356 | 357,750 | | | |
| **ENGINEERING** | | | | | | | | | |
| Aisha Steel Mills Limited | 1,470,997 | - | - | 1,470,997 | - | - | 0.00% | 0.00% | - |
| Aisha Steel Mills Limited - Pref. Shares | 257,327 | - | - | - | 257,327 | 3,860 | 0.09% | 0.09% | 0.58% |
| Aisha Steel Mills Limited. - Conv. Cum. Pref. Shares | 1,628,663 | - | - | - | 1,628,663 | 70,033 | 1.57% | 1.71% | 55.94% |
| Amreli Steels Limited | 734,000 | - | - | 734,000 | - | - | 0.00% | 0.00% | - |
| Crescent Steel and Allied Products Limited | - | 352,500 | | 352,500 | - | - | 0.00% | 0.00% | - |
| International Industries Limited | 235,400 | 448,500 | - | 683,900 | - | - | 0.00% | 0.00% | - |
| International Steels Limited | 681,300 | 245,100 | - | 926,400 | - | - | 0.00% | 0.00% | - |
| Mughal Iron & Steel Industries Limited | 571,500 | 360,000 | - | 931,500 | - | - | 0.00% | 0.00% | - |
| | 5,579,187 | 1,406,100 | - | 5,099,297 | 1,885,990 | 73,893 | | | |
| **AUTOMOBILE ASSEMBLER** | | | | | | | | | |
| Honda Atlas Cars (Pakistan) Limited | 114,450 | - | - | 114,450 | - | - | 0.00% | 0.00% | - |
| Indus Motor Company Limited | 47,120 | - | - | 47,120 | - | - | 0.00% | 0.00% | - |
| Millat Tractors Limited | 87,000 | - | - | 87,000 | - | - | 0.00% | 0.00% | - |
| | 248,570 | - | - | 248,570 | - | - | | | |
| **CABLE & ELECTRICAL GOODS** | | | | | | | | | |
| Pak Elektron Limited | 1,047,000 | 90,500 | - | 1,137,500 | - | - | 0.00% | 0.00% | - |
| | 1,047,000 | 90,500 | - | 1,137,500 | - | - | | | |

| Name of the Investee Company | Number of shares | | | | | Market value as at June 30, 2019 (Rupees in '000) | Percentage in Relation to | | |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2018 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30, 2019 | | Net Assets of the fund | Total Investments | Investee Paidup Capital |
| **TRANSPORT** | | | | | | | | | |
| Pakistan National Shipping Corp Limited | - | 140,500 | - | - | 140,500 | 8,971 | 0.20% | 0.22% | 0.11% |
| | - | 140,500 | - | - | 140,500 | 8,971 | | | |
| **PHARMACEUTICALS** | | | | | | | | | |
| AGP Limited | - | 845,000 | - | 445,000 | 400,000 | 27,412 | 0.61% | 0.67% | 0.01% |
| Highnoon Laboratories Limited | - | 31,000 | 1,000 | - | 32,000 | 8,101 | 0.18% | 0.20% | - |
| The Searle Company Limited | 171,220 | 203,000 | 633 | 227,000 | 147,853 | 21,669 | 0.49% | 0.53% | 0.08% |
| | 171,220 | 1,079,000 | 1,633 | 672,000 | 579,853 | 57,182 | | | |
| **PAPER & BOARD** | | | | | | | | | |
| Century Paper & Board Mills Limited | - | 294,000 | - | - | 294,000 | 9,158 | 0.21% | 0.22% | 0.20% |
| | - | 294,000 | - | - | 294,000 | 9,158 | | | |
| **GLASS & CERAMICS** | | | | | | | | | |
| Shabbir Tiles & Ceramics Limited | 125,000 | 230,000 | - | 355,000 | - | - | 0.00% | 0.00% | - |
| | 125,000 | 230,000 | - | 355,000 | - | - | | | |
| **OIL & GAS EXPLORATION COMPANIES** | | | | | | | | | |
| Mari Petroleum Company Limited | 182,440 | 99,580 | 17,394 | 19,200 | 280,214 | 282,828 | 6.34% | 6.90% | 0.25% |
| Oil & Gas Development Company Limited | 1,709,200 | 1,489,400 | - | 720,500 | 2,478,100 | 325,845 | 7.30% | 7.94% | 0.06% |
| Pakistan Oilfields Limited | 409,050 | 158,800 | 69,810 | 184,200 | 453,460 | 184,055 | 4.12% | 4.49% | 0.19% |
| Pakistan Petroleum Limited | 1,544,200 | 933,700 | 231,630 | 1,011,800 | 1,697,730 | 245,203 | 5.49% | 5.98% | 0.09% |
| | 3,844,890 | 2,681,480 | 318,834 | 1,935,700 | 4,909,504 | 1,037,931 | | | |
| **OIL & GAS MARKETING COMPANIES** | | | | | | | | | |
| Hascol Petroleum Limited | 140,000 | - | 35,000 | 175,000 | - | - | 0.00% | 0.00% | - |
| Pakistan State Oil Company Limited | 605,700 | 617,700 | 126,780 | 425,900 | 924,280 | 156,786 | 3.51% | 3.82% | 0.28% |
| Sui Northern Gas Pipeline Limited | 1,080,200 | 882,500 | - | 1,041,000 | 921,700 | 64,049 | 1.43% | 1.56% | 0.15% |
| | 1,825,900 | 1,500,200 | 161,780 | 1,641,900 | 1,845,980 | 220,835 | | | |
| **COMMERCIAL BANKS** | | | | | | | | | |
| Allied Bank Limited | - | 1,632,300 | - | 240,000 | 1,392,300 | 146,219 | 3.28% | 3.56% | 0.12% |
| Askari Bank Limited | - | 557,500 | - | 557,500 | - | - | 0.00% | 0.00% | - |
| Bank Alfalah Limited | 5,001,000 | 2,480,000 | 410,550 | 2,701,000 | 5,190,550 | 226,257 | 5.07% | 5.52% | 0.33% |
| Bank Al-Habib Limited | 1,748,000 | 2,582,000 | - | 2,354,000 | 1,976,000 | 154,879 | 3.47% | 3.78% | 0.18% |
| Bank of Punjab Limited | 8,192,500 | 9,399,500 | - | 7,971,500 | 9,620,500 | 88,028 | 1.97% | 2.15% | 1.82% |
| Faysal Bank Limited | 2,237,000 | 75,000 | - | 2,286,750 | 25,250 | 543 | 0.01% | 0.01% | - |
| Habib Bank Limited* | 1,596,300 | 1,362,300 | - | 1,033,100 | 1,925,500 | 218,082 | 4.89% | 5.32% | 0.13% |
| Habib Metropolitan Bank Limited | - | 106,000 | - | 106,000 | - | - | 0.00% | 0.00% | - |
| MCB Bank Limited** | 1,411,200 | 137,500 | - | 897,000 | 651,700 | 113,689 | 2.55% | 2.77% | 0.06% |
| Meezan Bank Limited | 476,000 | 125,000 | 60,100 | 661,100 | - | - | 0.00% | 0.00% | - |
| National Bank of Pakistan Limited | - | 1,432,000 | - | 445,000 | 987,000 | 33,222 | 0.74% | 0.81% | 0.05% |
| United Bank Limited | 1,597,100 | 1,087,000 | - | 1,469,200 | 1,214,900 | 179,052 | 4.01% | 4.37% | 0.10% |
| | 22,259,100 | 20,976,100 | 470,650 | 20,722,150 | 22,983,700 | 1,159,971 | | | |
| **FERTILIZER** | | | | | | | | | |
| Engro Corporation Limited | 952,100 | 649,600 | 88,070 | 663,000 | 1,026,770 | 272,710 | 6.11% | 6.65% | 0.20% |
| Engro Fertilizers Limited | 3,049,000 | 924,500 | - | 1,736,500 | 2,237,000 | 143,101 | 3.21% | 3.49% | 0.17% |
| Fauji Fertilizer Bin Qasim Limited | - | 1,438,000 | - | 1,438,000 | - | - | 0.00% | 0.00% | - |
| Fauji Fertilizer Company Limited | 1,175,500 | 1,060,500 | - | 769,500 | 1,466,500 | 127,879 | 2.87% | 3.12% | 0.12% |
| | 5,176,600 | 4,072,600 | 88,070 | 4,607,000 | 4,730,270 | 543,690 | | | |
| **CHEMICAL** | | | | | | | | | |
| Engro Polymer & Chemicals Limited | 1,671,000 | 3,394,699 | - | 1,766,500 | 3,299,199 | 88,946 | 1.99% | 2.17% | 0.26% |
| Engro Polymer & Chemicals Limited - LOR | 599,699 | - | - | 599,699 | - | - | 0.00% | 0.00% | - |
| Lotte Chemical Pakistan Limited | - | 2,138,000 | - | 662,000 | 1,476,000 | 22,509 | 0.50% | 0.55% | 0.10% |
| Sitara Chemical Industries Limited | - | 28,200 | - | - | 28,200 | 8,626 | 0.19% | 0.21% | 0.13% |
| | 2,270,699 | 5,560,899 | - | 3,028,199 | 4,803,399 | 120,081 | | | |
| **AUTOMOBILE PARTS & ACCESSORIES** | | | | | | | | | |
| Thal Limited | 258,750 | 182,950 | - | 25,100 | 416,600 | 151,667 | 3.40% | 3.70% | 0.51% |
| | 258,750 | 182,950 | - | 25,100 | 416,600 | 151,667 | | | |
| **TECHNOLOGY & COMMUNICATION** | | | | | | | | | |
| Systems Limited | 590,000 | - | - | 590,000 | - | - | 0.00% | 0.00% | - |
| | 590,000 | - | - | 590,000 | - | - | | | |
| **Total as at June 30, 2019** | **57,003,566** | **57,051,202** | **1,093,752** | **50,598,058** | **64,550,462** | **4,101,848** | | | |
| Total as at June 30, 2018 | 49,947,765 | 45,704,930 | 1,018,657 | 39,667,786 | 57,003,566 | 5,069,921 | | | |
| **Cost at June 30, 2019** | | | | | | **4,815,860** | | | |

*Sponsor of the Management Company

**Connected person due to holding more than 10% units

**6.1.1** 4 million shares of Bank Al-Falah Limited and 0.8 million shares of United Bank Limited having market value amounting to Rs. 174.360 million and Rs. 117.904 million, respectively, (2018: 4 million shares of Bank Al-Falah Limited and 0.8 million shares of United Bank Limited having market value amounting to Rs. 209.16 million and Rs. 135.18 million, respectively) have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the Pakistan Stock Exchange.

**6.1.2** These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. 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% 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 (MUFAP), has filed a petition in Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld shares equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.839 million at June 30, 2019 (June 30, 2018: Rs. 1.363) and not yet deposited in CDC account of Department of Income tax. Management is of the view that the decision will be in their favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

## 6.2 Listed equity securities - At fair value through other comprehensive income

| Name of the Investee Company | Number of shares | | | | | Market value as at June 30, 2019 (Rupees in '000) | Percentage in Relation to | | |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2018 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30, 2019 | | Net Assets of the fund | Total Investments | Investee Paid up Capital |
| **CLASS A** | | | | | | | | | |
| **Oil and Gas Marketing Companies** | | | | | | | | | |
| Pakistan State Oil Company Limited | 19,003,406 | - | 3,800,681 | - | 22,804,087 | 3,868,257 | 79.79% | 84.89% | 6.99% |
| Sui Northern Gas Pipeline Limited | 9,911,246 | - | - | - | 9,911,246 | 688,732 | 14.21% | 15.11% | 1.56% |
| **Total June 30, 2019** | **28,914,652** | - | **3,800,681** | - | **32,715,333** | **4,556,990** | | | |
| **Total June 30, 2018** | 25,747,418 | - | 3,167,234 | - | 28,914,652 | 7,042,279 | | | |
| **Cost at June 30, 2019** | | | | | | **1,420,375** | | | |

**6.2.1** The above mentioned shares of Pakistan State Oil Company Limited and Sui Northern Gas Pipelines Limited are blocked / frozen by an order of the Government of Pakistan (GoP) as the same form part of a strategic shareholding under the control of the GoP. As a result, the Fund is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus / right shares in respect thereof. Consequently, the exposure limit mentioned in Regulation 55 of the NBFC Regulations, does not apply to the above frozen shares.

**6.2.2** These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. 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% 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 (MUFAP), has filed a petition in Sindh High Court to declare the amendments brought in Income Tax

Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld shares equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 32.325 million at June 30, 2019 (June 30, 2018: Rs. 50.408 million) and not yet deposited in CDC account of Department of Income tax. Management is of the view that the decision will be in their favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end

## 7. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| Dividend receivable | | 186,270 | 2,920 | 189,190 | 200,752 |
| Mark-up accrued on bank deposits | | 994 | 5,560 | 6,554 | 4,685 |
| | | 187,264 | 8,480 | 195,744 | 205,437 |

## 8. DEPOSITS AND OTHER RECEIVABLES

| | | Class A | Class B | Total | 2018 Total |
|---|---|---|---|---|---|
| Security deposits with: | | | | | |
| - Central Depository Company of Pakistan Limited | | - | 175 | 175 | 275 |
| - National Clearing Company of Pakistan Limited | | 100 | 2,500 | 2,600 | 2,500 |
| Other receivables | | 84 | 426 | 510 | 401 |
| | | 184 | 3,101 | 3,285 | 3,176 |

## 9. PAYABLE TO MANAGEMENT COMPANY

| | Note | Class A | Class B | Total | 2018 Total |
|---|---|---|---|---|---|
| Management fee | 9.1 | 8,284 | 7,524 | 15,808 | 21,126 |
| Sindh sales tax | 9.2 | 1,077 | 978 | 2,055 | 2,746 |
| Allocation of expenses relating to registrar services, accounting, operation and valuation services | 9.3 | 414 | 376 | 790 | 1,056 |
| Selling and marketing expenses | | 5,135 | 4,660 | 9,795 | - |
| | | 14,910 | 13,538 | 28,448 | 24,928 |

**9.1** Under the provisions of the Offering Document of the Fund the Management Company is entitled to a Remuneration at the rate of 2% of the average annual net asset of the fund. The remuneration is paid to the Management Company monthly in arrears. The remuneration is also subject to Sindh Sales Tax on services at applicable rate.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (2018: 13 percent) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

**9.3** As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

## 10. PAYABLE TO THE TRUSTEE

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 10.1 | 561 | 518 | 1,079 | 726 |
| CDS charges payable | | - | 60 | 60 | 60 |
| | | 561 | 578 | 1,139 | 786 |

**10.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

The tariff structure applicable to the Fund is as follows:

| Amount of Funds Under Management [Average Net Assets Value (NAV)] | Tariff per annum |
|---|---|
| From Rs. 1 million to Rs 1000 million. | Rs. 0.7 million or 0.20% p.a. of NAV whichever is higher |
| On amount exceeding Rs.1,000 million. | Rs. 2.0 million plus 0.10% p.a. of NAV on amount exceeding Rs.1,000 million. |

## 11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| Annual fee | 11.1 | 6,017 | 4,876 | 10,893 | 12,397 |

**11.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorized as a money market scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095% of the average annual net assets of the scheme. The fee is payable annually in arrears.

## 12. ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| Provision for Federal Excise Duty | 12.1 | - | 125,303 | 125,303 | 125,303 |
| Provision for Sindh Workers' Welfare Fund | 12.2 | 2,065 | 40,775 | 42,840 | 40,775 |
| Brokerage | | - | 624 | 624 | 517 |
| Auditors' remuneration | | 258 | 194 | 452 | 783 |
| National Clearing Company Pakistan Limited Charges | | - | 45 | 45 | 60 |
| Withholding tax | | 12 | 54 | 66 | 530 |
| Payable to Class A | 12.3 | - | 113,070 | 113,070 | - |
| Others | | 28 | 850 | 878 | 2,548 |
| | | 2,363 | 280,915 | 283,278 | 170,516 |

**12.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan along-with Central Depository Company of Pakistan Limited with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated June 30, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The Finance Act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ended June 30, 2018 and June 30, 2019.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 125.303 million. (2018: Rs. 125.303 million) for Class B fund. Had the provision not been made, the Net Asset Value per certificate as at June 30, 2019 would have been higher by Rs. 0.452 (2018: Rs. 0.442 ) per unit for Class B fund.

**12.2 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that “Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid.

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry’s letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which were issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has been adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

However, the Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

Further, the Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan, in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

Considering the above developments, the Management Company assessed the position of the Fund with regard to reversal of provision of WWF and recognition of provision of SWWF, and decided in the prior year that:

- the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and

- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and, Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 118.07 million and started recognising provision for SWWF.

As at June 30, 2019, the provision in relation to SWWF amounted to Rs. 2.065 and Rs. 40.775 million (2018: Rs. 40.775 million) for Class A and Class B fund respectively. Had the provision not being made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 0.007 and Rs. 0.147 (June 30, 2018: Rs. 0.144) per unit for Class A and Class B fund respectively.

**12.3** This amount represents the dividend received for Class A fund from Pakistan State Oil (PSO) into the bank account of class B fund, as the dividend account was same during the period. Dividend was subsequently transferred to Class A fund on July 02, 2019.

## 13. CONTINGENCIES AND COMMITMENTS

There were no contingencies or commitments outstanding as at June 30, 2019 and as at June 30, 2018.

## 14. NUMBER OF UNITS IN ISSUE

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | ---------- (Rupees in '000) | ---------- | | |
| Total units in issue at the beginning of the year | | 283,500,000 | - | 283,500,000 | 283,500,000 |
| Units issued | | - | 284,818,291 | 284,818,291 | - |
| Units redeemed | | - | 7,383,910 | 7,383,910 | - |
| Total units in issue at the end of the year | | 283,500,000 | 277,434,381 | 560,934,381 | 283,500,000 |

## 15. AUDITORS' REMUNERATION

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | ---------- (Rupees in '000) | ---------- | | |
| Annual audit fee | | 256 | 62 | 318 | 360 |
| Fee for half yearly review | | 87 | 32 | 119 | 165 |
| Other certifications and out of pocket expenses | | 25 | 7 | 32 | 476 |
| | | 368 | 101 | 469 | 1,001 |

## 16. TAXATION

No provision for taxation has been made as the Fund has incurred a net loss and as such is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the 'Income statement' and 'Statement of comprehensive income'.

## 17. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

## 18. TOTAL EXPENSES RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the SECP, the total expense ratio for the year ended June 30, 2019 is 3.04% and 3.26% which includes 0.40% and 0.40% representing government levy, and SECP fee of the Class A and Class B respectively.

## 19. TRANSACTION AND BALANCES WITH CONNECTED PERSONS

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.

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

**19.1 Details of the transactions with connected persons and balances with them are as follows:**

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | Class A | Class B | Total | Total |
| | ------------------- (Rupees in '000) ------------------- | | | |
| **HBL Asset Management Limited - Management Company** | | | | |
| Remuneration of the Management Company | 126,676 | 102,632 | 229,308 | 260,360 |
| Sales tax on remuneration of the management company | 16,468 | 13,342 | 29,810 | 33,847 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 6,334 | 5,132 | 11,466 | 13,018 |
| Selling and marketing expense | 25,179 | 20,272 | 45,451 | - |
| **Habib Bank Limited - Sponsor** | | | | |
| Dividend income | - | 8,622 | 8,622 | 6,143 |
| Mark-up on deposits with banks | - | 104 | 104 | 1,404 |
| Bank charges | - | 1 | 1 | 1 |
| **MCB Bank Limited- Connected person - due to holding more than 10% Units** | | | | |
| Dividend income | - | 15,803 | 15,803 | 19,505 |
| Mark-up on deposits with banks | 2,495 | 14,053 | 16,548 | 13,368 |
| Bank charges | 3 | 13 | 16 | 34 |
| **Central Depository Company of Pakistan Limited-Trustee** | | | | |
| Trustee Fee | 7,823 | 6,356 | 14,179 | 8,909 |
| CDS Charges | - | 682 | 682 | 831 |
| CDC Annual Listing Fee | 633 | - | 633 | 497 |
| HBL Islamic Asset Allocation Fund | | | | |
| Purchase 20,000 shares of OGDC (2018: nil shares) | - | 2,834 | 2,834 | - |
| Purchase 27,000 shares of PPL (2018: nil shares) | - | 4,824 | 4,824 | - |
| Purchase 65,000 shares of EPCL (2018: nil shares) | - | 2,343 | 2,343 | - |
| Purchase 40,000 shares of MLCF (2018: nil shares) | - | 1,552 | 1,552 | - |
| Purchase 25,000 shares of EFERT (2018: nil shares) | - | 1,793 | 1,793 | - |
| Purchase 8,000 shares of PSO (2018: nil shares) | - | 1,680 | 1,680 | - |
| Purchase 50,000 shares of LOTCHEM (2018: nil shares) | - | 687 | 687 | - |
| Purchase 6,000 shares of LUCK (2018: nil shares) | - | 2,601 | 2,601 | - |
| Purchase 10,000 shares of KOHC (2018: nil shares) | - | 879 | 879 | - |
| Purchase 35,000 shares of HUBC (2018: nil shares) | - | 2,728 | 2,728 | - |
| Purchase 5,000 shares of SITC (2018: nil shares) | - | 1,287 | 1,287 | - |
| Purchase 74,000 shares of KTML (2018: nil shares) | - | 2,134 | 2,134 | - |
| Purchase 6,000 shares of SEARL (2018: nil shares) | - | 806 | 806 | - |

## 19.2 Balances at year end

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | Class A | Class B | Total | Total |
| | ------------------- (Rupees in '000) ------------------- | | | |
| **HBL Asset Management Company Limited - Management Company** | | | | |
| Payable to Management Company | 8,284 | 7,524 | 15,808 | 21,126 |
| Sindh sales tax on remuneration of Management Company | 1,077 | 978 | 2,055 | 2,746 |
| Allocation of expenses relating to registrar services, accounting, operation and valuation services | 414 | 376 | 790 | 1,056 |
| Selling and marketing expense payable | 5,135 | 4,660 | 9,795 | - |
| **Habib Bank Limited - Sponsor** | | | | |
| Banks Balances- savings accounts | - | 1,366 | 1,366 | 1,281 |
| **MCB Bank Limited- Connected person - due to holding more than 10% units** | | | | |
| Banks Balance - savings account | 175 | 333,226 | 333,401 | 167,595 |
| Mark-up Receivable | - | 1,256 | 1,256 | 859 |
| Units held: 43,482,858 Units (June 2018: 43,482,858 Units) at par value | 434,829 | - | 434,829 | 434,829 |
| Units held: 43,482,858 Units (June 2018: Nil Units) | - | 699,571 | 699,571 | - |
| **Pakistan Reinsurance Company Limited - Connected person - due to holding more than 10% units** | | | | |
| Units held: 30,406,721 Units (June 2018: 30,406,721 Units) at par value | 304,067 | - | 304,067 | 304,067 |
| Units held: 30,406,721 Units (June 2018: Nil Units) | - | 489,196 | 489,196 | - |
| **Pension Reserves Investment Trust Fund - Connected person - due to holding more than 10% units** | | | | |
| Units held: 36,096,714 Units (June 2018: 36,096,714 Units) at par value | 360,967 | - | 360,967 | 360,967 |
| Units held: 36,096,714 Units (June 2018: Nil Units) | - | 580,739 | 580,739 | - |
| **Central Depository Company of Pakistan Limited - Trustee** | | | | |
| Trustee remuneration payable | 561 | 518 | 1,079 | 726 |
| Security deposit with trustee | 100 | 175 | 275 | 275 |
| CDS charges payable | - | 60 | 60 | 60 |
| **Jubilee General Insurance Company Limited - associate** | | | | |
| Units held: 142,500 Units (June 2018: 200,000 Units) at par value | 1,425 | - | 1,425 | 1,425 |
| Units held: 142,500 Units (June 2018: Nil Units) | - | 2293 | 2,293 | - |
| **Directors and Executives of the Management Company** | | | | |
| Units held: 18,000 Units (June 2018: 18,000 Units) at par value | 180 | - | 180 | 180 |
| Units held: 18,000 Units (June 2018: Nil Units) | - | 290 | 290 | - |

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

| | Class A | | |
|---|---|---|---|
| | ------------------- As on June 30, 2019 ------------------- | | |
| | At amortised cost | At fair value through other comprehensive income | Total |
| | ------------------ Rupees in '000 ------------------ | | |
| **Assets** | | | |
| Investments | - | 4,556,990 | 4,556,990 |
| Bank balances | 127,708 | - | 127,708 |
| Dividend receivable and accrued mark-up | 187,264 | - | 187,264 |
| Deposits | 184 | - | 184 |
| | 315,156 | 4,556,990 | 4,872,146 |

| | Class A | | |
|---|---|---|---|
| | ------------------- As on June 30, 2019 ------------------- | | |
| | At fair value through profit or loss | Other financial liabilities | Total |
| | ---------------------- Rupees in '000 ---------------------- | | |
| **Liabilities** | | | |
| Payable to the Management Company | - | 13,833 | 13,833 |
| Payable to the Trustee | - | 496 | 496 |
| Accrued expenses and other liabilities | - | 286 | 286 |
| | - | 14,616 | 14,616 |

| | Class B | | |
|---|---|---|---|
| | ------------------- As on June 30, 2019 ------------------- | | |
| | At amortised cost | At fair value through profit or loss | Total |
| | ------------------ Rupees in '000 ------------------ | | |
| **Assets** | | | |
| Investments | - | 4,101,848 | 4,101,848 |
| Bank balances | 786,197 | - | 786,197 |
| Dividend receivable and accrued mark-up | 8,480 | - | 8,480 |
| Deposits | 3,101 | - | 3,101 |
| | 797,778 | 4,101,848 | 4,899,626 |

| | Class B | | |
|---|---|---|---|
| | **As on June 30, 2019** | | |
| | **At fair value through profit or loss** | **Other financial liabilities** | **Total** |
| | **Rupees in '000** | | |
| **Liabilities** | | | |
| Payable to the Management Company | **-** | **12,560** | **12,560** |
| Payable to the Trustee | **-** | **458** | **458** |
| Accrued expenses and other liabilities | **-** | **114,783** | **114,783** |
| Payable against the purchase of investment - net | **-** | **2,079** | **2,079** |
| Unclaimed dividend | **-** | **134,158** | **134,158** |
| | **-** | **264,038** | **264,038** |

| | As on June 30, 2018 | | | |
|---|---|---|---|---|
| | Financial assets at fair value through profit or loss - held for trading | Loans and receivables | Available for sale | Total |
| | Rupees in '000 | | | |
| **Assets** | | | | |
| Bank balances | - | 729,178 | - | 729,178 |
| Investments | 5,069,921 | - | 7,042,279.00 | 12,112,200 |
| Dividend receivable and accrued mark-u | - | 205,437 | - | 205,437 |
| | 5,069,921 | 934,615 | 7,042,279 | 13,046,815 |

| | As on June 30, 2018 | | |
|---|---|---|---|
| | Liabilities at fair value through profit or loss | Financial liabilities at amortised cost | Total |
| | Rupees in '000 | | |
| **Liabilities** | | | |
| Payable to the Management Company | - | 22,182 | 22,182 |
| Payable to the Trustee | - | 602 | 602 |
| Accrued expenses and other liabilities | - | 3,908 | 3,908 |
| Payable against the purchase of investment - net | - | 28,631 | 28,631 |
| Unclaimed dividend | - | 136,773 | 136,773 |
| | - | 192,096 | 192,096 |

## 21. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

| S.no. | Name | Designation | Qualification | Experience in years |
|---|---|---|---|---|
| 1 | Farid Ahmed Khan | Chief Executive Officer | MBA , CFA | 26+ years |
| 2 | Muhammad Imran | Chief Investment Officer | MBA - Finance | 19+ years |
| 3 | Jawad Naeem | Head of Equities | MBA - Finance | 11+ years |
| 4 | Adeel Abdul Wahab | Specialist - Equity | ACCA | 11+ years |
| 5 | Sateesh Balani | Head of Research | MBA, CFA | 8+ years |
| 6 | Noman Ameer * | Manager - Risk | MBA - Finance | 12+ years |

* Employee resigned from the service of the company effective from June 10, 2019

## 22. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top brokers during the year ended June 30, 2019

1 Al Falah Securities (Private) Limited
2 Arif Habib Limited
3 BMA Capital Management Limited
4 DJM Securities (Private) Limited
5 EFG Hermes Pakistan Limited
6 Intermarket Securities Limited
7 JS Global Capital Limited
8 Optimus Capital Management (Private) Limited
9 Taurus Securities Limited.
10 Topline Securities (Private) Limited.

Top brokers during the year ended June 30, 2018

1 Next Capital Limited
2 Intermarket Securities Limited
3 Optimus Capital Management (Private) Limited
4 DJM Securities (Private) Limited
5 JS Global Capital Limited
6 Taurus Securities Limited.
7 Insight Securities (Private) Limited
8 BMA Capital Management Limited
9 EFG Hermes Pakistan Limited
10 Al Falah Securities (Private) Limited

## 23. PATTERN OF UNIT HOLDING

| | Class A | | | |
|---|---|---|---|---|
| | As at June 30, 2019 | | | |
| Category | Number of units holders | Number of units held | Unit holding or investment amount | Percentage of total |
| | | | Rupees in '000' | |
| Individuals | 8,672 | 80,686,377 | 1,379,864 | 28.46% |
| Director | 1 | 18,000 | 308 | 0.01% |
| Associated company | 2 | 6,609,300 | 113,029 | 2.33% |
| Insurance companies | 5 | 42,691,625 | 730,094 | 15.06% |
| Banks and DFIs | 12 | 53,226,324 | 910,254 | 18.77% |
| NBFCs | 8 | 110,512 | 1,890 | 0.04% |
| Foreign companies | 6 | 59,004,650 | 1,009,072 | 20.81% |
| Modarbas | 1 | 15,000 | 257 | 0.01% |
| Others | 89 | 26,284,869 | 449,513 | 9.27% |
| Foreign individuals | 463 | 14,853,343 | 254,015 | 5.24% |
| | 9,259 | 283,500,000 | 4,848,295 | 100.00% |

| Category | Class B | | | |
|---|---|---|---|---|
| | As at June 30, 2019 | | | |
| | Number of units holders | Number of units held | Unit holding or investment amount | Percentage of total |
| | | | Rupees in '000' | |
| Individuals | **9,092** | **92,707,020** | **1,491,510** | **33.42%** |
| Associated company | **2** | **6,609,300** | **106,333** | **2.38%** |
| Director | **1** | **18,000** | **290** | **0.01%** |
| Banks and DFIs | **7** | **52,478,699** | **844,300** | **18.92%** |
| Insurance companies | **4** | **42,445,625** | **682,883** | **15.30%** |
| Retirement funds | **9** | **838,983** | **13,498** | **0.30%** |
| Trust | **9** | **50,505,356** | **812,552** | **18.20%** |
| Foreign Investors | **1** | **1,500** | **24** | **0.00%** |
| Others | **96** | **31,829,898** | **512,093** | **11.47%** |
| | **9,221** | **277,434,381** | **4,463,482** | **100.00%** |

| Category | As at June 30, 2018 | | |
|---|---|---|---|
| | Number of units held | Unit holding or investment amount | Percentage of total |
| | | Rupees in '000' | |
| Individuals | 9,242 | 95,174,420 | 33.57% |
| Associated company | 3 | 6,627,300 | 2.34% |
| Insurance companies | 5 | 42,691,625 | 15.06% |
| Banks and DFIs | 19 | 53,246,324 | 18.78% |
| NBFCs | 2 | 106,012 | 0.04% |
| Foreign companies | 6 | 59,650,650 | 21.04% |
| Modarbas | 1 | 15,000 | 0.01% |
| Others | 93 | 25,988,669 | 9.17% |
| | 9,371 | 283,500,000 | 100.00% |

## 24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Six meetings of the Board of Directors were held on July 04,2018 ,August 31, 2018, October 17, 2018, November 14, 2018, February 08, 2019 and April 30, 2019 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

| S.No. | Name of Director | Number of meetings Held | Attended | Leave granted | Meetings not attended |
|---|---|---|---|---|---|
| 1 | Mr. Agha Sher Shah 1 - 2 | 6 | 5 | 1 | November 14,2018 |
| 2 | Mr. Farid Ahmed Khan 3 | 6 | 6 | - | - |
| 3 | Ms. Ava A. Cowasjee 1 | 6 | 6 | - | - |
| 4 | Mr. Rayomond H. Kotwal 1 | 6 | 5 | 1 | February 08, 2019 |
| 5 | Mr. Rizwan Haider 1 | 6 | 5 | 1 | November 14, 2018 |
| 6 | Mr. Shabbir Hussain Hashmi 1 | 6 | 6 | - | - |
| 7 | Mr. Shahid Ghaffar 1 | 6 | 6 | - | - |
| 8 | Mr. Aamir Hasan Irshad 4 | 1 | 1 | - | - |

1 Completed term and reappointed on April 26, 2019.
2 Resigned on June 02, 2019.
3 Completed term and appointed as deemed director effective from April 26, 2019.
4 Appointed on April 26, 2019.

## 25. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in a portfolio of equity investments, government securities and in other money market instruments. These activities are exposed to a variety of financial risks, market risks, credit risks and liquidity risks.

**25.1** The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 25.1.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk ; currency risk, interest rate risk and other price risk.

### 25.1.2 Currency risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pak Rupees.

### 25.1.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

**a) Cash flow interest rate risk**

The Fund's interest rate risk arises from the balances in savings accounts, Term deposit receipts and clean placements. The net income for the year would have increased / (decreased) by Rs. 9.139 million (2018: Rs. 7.291million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

### 25.1.4 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as financial assets 'at fair value through profit or loss' and 'at fair value through other comprehensive income'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive document / regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company, whichever is lower, and sector exposure limit to 30% of net assets. However, relaxation in this regard has been obtained from the regulators in respect of frozen investments classified as 'at fair value through other comprehensive income' as disclosed in note

In case of 5% increase / decrease in the fair value of the Fund's equity securities on June 30, 2019, net assets of the Fund would have increased / decreased by Rs. 205.092 million (2018: Rs. 253.496 million) as a result of gains / losses on equity securities in 'fair value through profit and loss' category, with corresponding effect on operating income reported in 'Income statement'.

In case of 5% increase / decrease in the fair value of the Fund's equity securities on June 30, 2018, net assets of the Fund would have increased / decreased by Rs. 227.850 million (2018: Rs. 352.114 million) as a result of gains / losses on equity securities in 'at fair value through other comprehensive income' category, with corresponding effect on other comprehensive income reported in 'Statement of comprehensive income'.

### 25.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities and profit receivable on bank deposits.

#### Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2019:

| Name of the bank | Balance as at June 30, 2019 | | | Latest available published rating as at June 30, 2019 | Rating agency |
|---|---|---|---|---|---|
| | Class A | Class B | Total | | |
| | ----Rupees in '000---- | | | | |
| MCB Bank Limited | 175 | 333,226 | 333,401 | AAA | PACRA |
| JS Bank Limited | 14,559 | 48,851 | 63,410 | AA- | PACRA |
| Habib Bank Limited | - | 1,366 | 1,366 | AAA | JCR-VIS |
| Soneri Bank Limited | 112,974 | 402,754 | 515,728 | AA- | PACRA |
| | 127,708 | 786,197 | 913,905 | | |

| Name of the bank | Balance as at June 30, 2018 | Latest available published rating as at June 30, 2018 | Rating agency |
|---|---|---|---|
| MCB Bank Limited | 167,595 | AA- | PACRA |
| JS Bank Limited | 560,282 | AA- | PACRA |
| Habib Bank Limited | 1,281 | AAA | JCR-VIS |
| Soneri Bank Limited | 20 | AA- | PACRA |
| | 729,178 | | |

The maximum exposure to credit risk before considering any collateral as at June 30, 2019 and June 30, 2018 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

**Concentration of credit risk**

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's major bank balance is held with one Bank. Management believes that such bank is a reputed institution.

**25.3 Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through other facilities. The Fund manages the liquidity risk by maintaining sufficient cash balance with banks and marketable securities.

The Fund has a policy to invest the majority of its assets in investments that are traded in an active market and can be readily disposed off. The Fund's listed securities are considered readily realisable, as they are listed on the Pakistan Stock Exchange Limited.

The Fund is not materially exposed to liquidity risk as all obligations / commitments of the Fund are short-term in nature and are restricted to the extent of available liquidity and significant assets of the Fund are readily disposable in the market.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

**Type A**

| | Total | Upto three months | More than three months and upto one year | More than one year |
|---|---|---|---|---|
| | ----As at June 30, 2019---- | | | |
| | ---- Rupees in '000' ---- | | | |
| Payable to the Management Company | 13,833 | 13,833 | - | - |
| Payable to the Trustee | 496 | 496 | - | - |
| Accrued expenses and other liabilities | 286 | 286 | - | - |
| | **14,615** | **14,615** | - | - |

**Type B**

| | Total | Upto three months | More than three months and upto one year | More than one year |
|---|---|---|---|---|
| | ----As at June 30, 2019---- | | | |
| | ---- Rupees in '000' ---- | | | |
| Payable to the Management Company | 12,560 | 12,560 | - | - |
| Payable to the Trustee | 458 | 458 | - | - |
| Accrued expenses and other liabilities | 114,783 | 114,783 | - | - |
| Payable against purchase of investments - net | 2,079 | 2,079 | - | - |
| Unclaimed dividend | 134,158 | 134,158 | - | - |
| | **264,038** | **264,038** | - | - |

| | Total | Upto three months | More than three months and upto one year | More than one year |
|---|---|---|---|---|
| | ----As at June 30, 2018---- | | | |
| | ---- Rupees in '000' ---- | | | |
| Payable to the Management Company | 22,182 | 22,182 | - | - |
| Payable to the Trustee | 702 | 702 | - | - |
| Accrued expenses and other liabilities | 3,908 | 3,908 | - | - |
| Payable against purchase of investments | 28,631 | 28,631 | - | - |
| Unclaimed dividend | 136,773 | 136,773 | - | - |
| | 192,196 | 192,196 | - | - |

## 26. 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 year 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:

- Fair value measurements using quoted price (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

  The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

26.1

| | Class A | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2019 | | | | | | | |
| | Carrying amount | | | | Fair Value | | | |
| | Fair value through profit or loss | Fair value through other comprehensive income | At amortised cost | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial instruments** | ---------- (Rupees in '000) ---------- | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | |
| Investment in listed equity securities | - | 4,556,990 | - | 4,556,990 | 4,556,990 | - | - | 4,556,990 |
| | - | 4,556,990 | - | 4,556,990 | 4,556,990 | - | - | 4,556,990 |
| **Financial assets not measured at fair value** | | | | | | | | |
| Bank balances | - | - | 127,708 | 127,708 | | | | |
| Dividend and profit receivable | - | - | 187,264 | 187,264 | | | | |
| Security Deposit | - | - | 100 | 100 | | | | |
| | - | - | 315,072 | 315,072 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Payable to Management Company | - | - | 13,833 | 13,833 | | | | |
| Payable to trustee | - | - | 496 | 496 | | | | |
| Accrued expenses and other liabilities | - | - | 286 | 286 | | | | |
| | - | - | 14,615 | 14,615 | | | | |

26.2

| | Class B | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | June 30, 2019 | | | | | | | |
| | Carrying amount | | | | Fair Value | | | |
| | Fair value through profit or loss | Fair value through other comprehensive income | Other financial assets / liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial instruments** | ---------- (Rupees in '000) ---------- | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | |
| Investment in listed equity securities | 4,101,848 | - | - | 4,101,848 | 4,101,848 | - | - | 4,101,848 |
| | | - | - | 4,101,848 | 4,101,848 | - | - | 4,101,848 |
| **Financial assets not measured at fair value** | | | | | | | | |
| Bank balances | - | - | 786,197 | 786,197 | | | | |
| Dividend and profit receivable | - | - | 8,480 | 8,480 | | | | |
| Security Deposit | | | 2,675 | 2,675 | | | | |
| | - | - | 797,352 | 797,352 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Payable to Management Company | - | - | 12,560 | 12,560 | | | | |
| Payable to trustee | - | - | 512 | 512 | | | | |
| Accrued expenses and other liabilities | - | - | 114,792 | 114,792 | | | | |
| | - | - | 127,864 | 127,864 | | | | |

| | June 30, 2018 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Carrying amount | | | | | Fair Value | | | |
| | Held for trading | Available for sale | Loans and receivables | Other financial assets / liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| **Financial instruments** | (Rupees in '000) | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | |
| Investment in listed equity securities | 7,042,279 | 5,069,921 | - | - | 12,112,200 | 12,112,200 | - | - | 12,112,200 |
| | 7,042,279 | 5,069,921 | - | - | 12,112,200 | 12,112,200 | - | - | 12,112,200 |
| Financial assets not measured at fair value | | | | | - | | | | |
| Bank balances | - | - | - | 729,178 | 729,178 | | | | |
| Dividend and profit receivable | - | - | - | 205,437 | 205,437 | | | | |
| Security Deposit | - | - | - | 2,775 | 2,775 | | | | |
| | - | - | - | 937,390 | 937,390 | | | | |
| Financial liabilities not measured at fair value | | | | | | | | | |
| Payable to Management Company | - | - | - | 22,182 | 22,182 | | | | |
| Payable to trustee | - | - | - | 696 | 696 | | | | |
| Accrued expenses and other liabilities | - | - | - | 3,908 | 3,908 | | | | |
| | - | - | - | 26,786 | 26,786 | | | | |

The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 27. UNITS HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund. Unit holders fund risk management is carried out by the Management Company through following steps:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;

- Redeem and issue units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and

- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g., yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on **August 29, 2019**.

## 29. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of bettercpresentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**30. GENERAL**

**30.1** Figures have been rounded off to the nearest thousand rupees.

**For HBL Asset Management Limited**
**(Management Company)**

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |


HBL Investment Fund

HBL AML Financial annual report 2018-19

**NAME OF FUND** HBL INVESTMENT FUND

**NAME OF AUDITOR** Deloitte Yousuf Adil, Chartered Accountants

**NAME OF TRUSTEE** Central Depository Company of Pakistan Limited.

**NAME OF BANKERS**
MCB Bank Limited
JS Bank Limited
Habib Bank Limited
Soneri Bank limited

**Type and Category of Fund**

Equity / Open-end

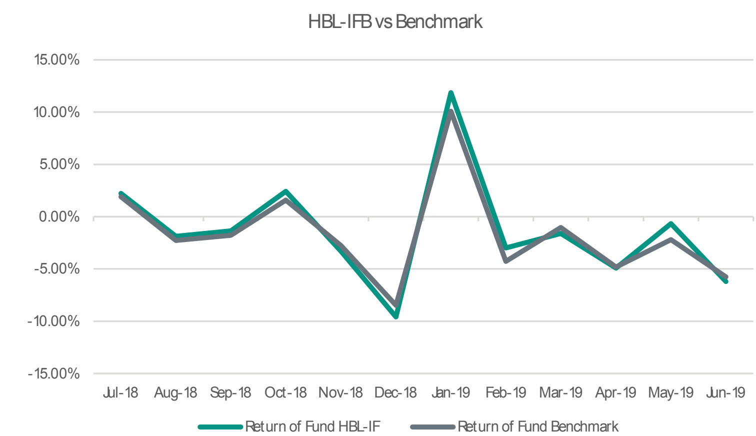
**Investment Objective and Accomplishment of Objective**

The objective of HBL Investment Fund is to maximize the wealth of the unit holders by investing primarily in listed equities in the best available opportunities, while considering acceptable risk parameters and applicable rules and regulations. The Collective Investment Scheme achieved its stated objective.

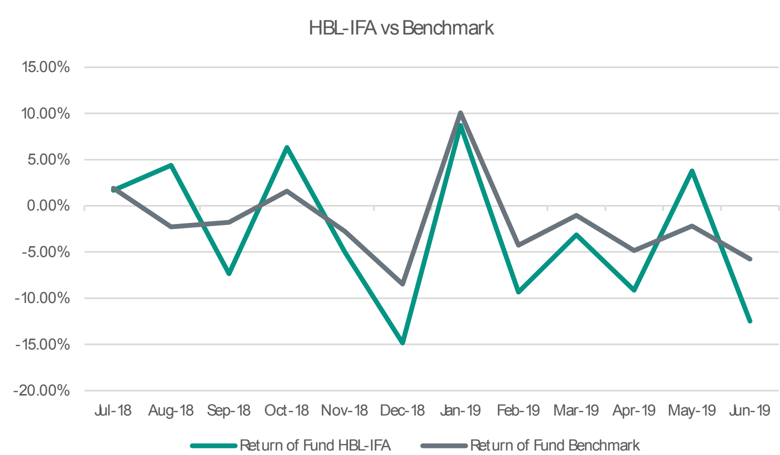
**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KSE–100 Index.

| Month | Return of Fund | |
|---|---|---|
| | HBL-IFB | Benchmark |
| Jun-19 | -6.20% | -5.76% |
| May-19 | -0.67% | -2.20% |
| Apr-19 | -4.92% | -4.83% |
| Mar-19 | -1.61% | -1.04% |
| Feb-19 | -2.99% | -4.28% |
| Jan-19 | 11.85% | 10.07% |
| Dec-18 | -9.60% | -8.47% |
| Nov-18 | -3.30% | -2.77% |
| Oct-18 | 2.42% | 1.59% |
| Sep-18 | -1.37% | -1.78% |
| Aug-18 | -1.89% | -2.27% |
| Jul-18 | 2.22% | 1.91% |



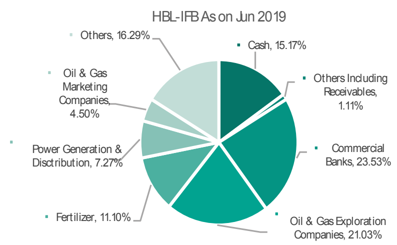

| Month | Return of Fund | |
|---|---|---|
| | HBL-IFA | Benchmark |
| Jun-19 | -12.48% | -5.76% |
| May-19 | 3.79% | -2.20% |
| Apr-19 | -9.14% | -4.83% |
| Mar-19 | -3.13% | -1.04% |
| Feb-19 | -9.33% | -4.28% |
| Jan-19 | 8.72% | 10.07% |
| Dec-18 | -14.84% | -8.47% |
| Nov-18 | -5.01% | -2.77% |
| Oct-18 | 6.30% | 1.59% |
| Sep-18 | -7.34% | -1.78% |
| Aug-18 | 4.39% | -2.27% |
| Jul-18 | 1.67% | 1.91% |

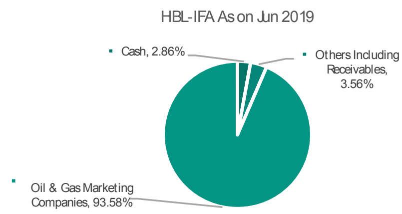


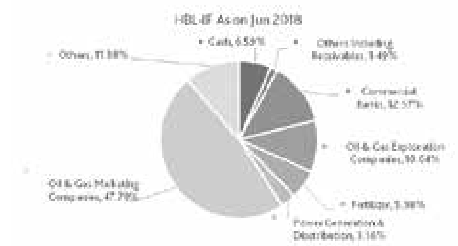

**Strategies and Policies employed during the Year**

During the year under review, the Fund decreased its exposure in equities from 92% on June 30, 2018 to 84% on June 30, 2019. Further, sectors wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposures in Oil and Gas Exploration, Commercial Banks, Power generation & distribution and Fertilizers were increased; however exposure in Oil & Gas Marketing was decreased.

### Asset Allocation



**Significant Changes in Asset Allocation during the Year**

The following table shows a comparison of top sector wise allocation of equity investments in the Fund as on June 30, 2018 and June 30, 2017:

HBL IFB

| Sector Name | As on Jun 2019 | As on Jun 2018 |
|---|---|---|
| Cash | 15.17% | 6.59% |
| Others Including Receivables | 1.11% | 1.49% |
| Commercial Banks | 23.53% | 12.97% |
| Oil & Gas Exploration Companies | 21.03% | 10.64% |
| Fertilizer | 11.10% | 5.98% |
| Power Generation & Disctribution | 7.27% | 3.16% |
| Oil & Gas Marketing Companies | 4.50% | 47.79% |
| Others | 16.29% | 11.38% |
| **Total** | **100.00%** | **100.00%** |

HBL IFA

| Sector Name | As on Jun 2019 |
|---|---|
| Cash | 2.86% |
| Others Including Receivables | 3.56% |
| Oil & Gas Marketing Companies | 93.58% |
| **Total** | **100.00%** |

Fund Performance

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

The Fund as a whole incurred a total and net loss of Rs. 266.14 million and Rs. 424.72 million respectively during the year under review. The fund size of the fund stood at Rs. 4.06 billion as on June 30, 2019.

Performance review of each class is presented below:

HBL Investment Fund – Class 'A'

HBL Investment Fund – Class 'A' earned a total and net income of Rs. 101.20 million and Rs. 31.05 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Class 'A' was Rs. 6.0597 per unit as on June 30, 2019 as compared to Rs. 9.09 as at June 30, 2018 at the time of conversion, thereby giving a negative return of 33.34%. During the year the benchmark KSE 100 index yielded a negative return of 19.11%. The size of Class 'A' was Rs. 1.72 billion as on June 30, 2019 as compared to Rs. 2.58 billion at the start of the year.

**HBL Investment Fund – Class 'B'**

HBL Investment Fund – Class 'B' incurred a total and net loss of Rs. 367.34 million and Rs. 455.77 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) per unit of the Class 'B' was Rs. 8.4072 per unit as on June 30, 2019 as compared to Rs. 10.04 as at June 30, 2018 at the time of conversion, thereby giving a negative return of 16.26%. During the year the benchmark KSE 100 index yielded a negative return of 19.11%. The size of Class 'B' was Rs. 2.34 billion as on June 30, 2019 as compared to Rs. 2.85 billion at the start of the year.

**Review of Market invested in**

The market remained under pressure throughout the year owing to weak macroeconomic environment and massive adjustment in currency and interest rates. Lack of clarity on the economic and political front weakened the investors' sentiment leading to flows towards risk free avenues like National Savings schemes and fixed income funds. Investors were also spooked by the FY20 Budget which envisions massive increase in tax revenue, fiscal consolidation and abolishment of subsidies.

The benchmark KSE-100 index recorded 8,009 points decline (-19%) during FY19 to close at 33,902 level. Major decline in the index was contributed by Oil & Gas (Exploration & Production), Cement and Banking sector stocks which caused cumulative attrition of 3,356pts due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive returns during the year. On the flows side, foreigners were the net sellers during the FY19 and sold shares of worth USD356mn, compared to net selling of USD290mn during FY18. However, it is important to note that foreign selling was skewed towards 1HFY19 as foreigners were net buyers in 2HFY19.

Moving ahead, Pakistan equities are expected to remain range bound due to tough macroeconomic environment. However, index heavyweights (Banks E&Ps, and Power) would remain in limelight as results of macroeconomic changes over the last 18 months (50% PKR depreciation and 750 bps cumulative interest rate hike) would start to reflect in earnings in FY20. Thus, we will maintain our strategy focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

**Distribution**

The Board of Directors of HBL Asset Management Limited (the Management Company) has declared NIL dividend for the year ended June 30, 2019.

**Significant Changes in the State of Affairs**

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

**Breakdown of Certificate Holding by Size**

| From – To (No. of Certificates) | No. of Certificate Holders (Class 'A' Units) | Total No. of Certificates Held (Class 'A' Units) | No. of Certificate Holders (Class 'B' Units) | Total No. of Certificates Held (Class 'B' Units) |
|---|---|---|---|---|
| | | | | |
| 1 – 100 | 3,148 | 197,161 | 3,142 | 196,815 |
| 101 – 500 | 6,762 | 1,717,675 | 6,760 | 1,715,444 |
| 501 – 1,000 | 2,192 | 1,617,675 | 2,177 | 1,602,430 |
| 100,1 – 10,000 | 2,464 | 7,906,118 | 2,450 | 7,827,536 |
| 10,001 – 100,000 | 580 | 19,129,434 | 567 | 18,398,427 |
| 100,001 – 500,000 | 101 | 20,678,808 | 100 | 21,066,441 |
| 500,001 – 1,000,000 | 20 | 13,936,170 | 18 | 12,895,460 |
| 1,000,001 – 5,000,000 | 17 | 43,428,288 | 18 | 50,442,653 |
| 5,000,001 and above | 9 | 175,513,671 | 7 | 164,190,126 |
| **Total** | **15,293** | **284,125,000** | **15,239** | **278,335,332** |

**Certificate Splits**

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. Upon the conversion of the Fund, every Certificate holder of the Fund of the closed-end fund was entitled to the following for each certificate held:

- One Class 'A' Unit of the Fund representing Frozen Portfolio and related Assets and Liabilities
- One Class 'B' Unit of the Fund representing Unfrozen Portfolio and related Assets and Liabilities.

This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

**Circumstances materially affecting the Interest of Certificate Holders**

Investments are subject to market risk.

**Soft Commission**

The Management Company from time to time receives research reports and presentations from brokerage houses.

| | 2019 | | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|
| | Class A | Class B | | | | | | |
| Net assets at the period end(Rs'000) | 1,721,698 | 2,340,009 | 5,435,289 | 6,330,569 | 5,251,256 | 5,043,364 | 5,757,484 | 4,853,116 |
| NET ASSETS VALUE PER UNIT/CERTIFICATE AT 30 JUNE - RUPEES | 6.0597 | 8.4072 | 19.13 | 22.28 | 18.48 | 17.75 | 20.26 | 17.08 |
| Redemption - Class B unit type B | - | 7.9868 | - | - | - | - | - | |
| Redemption - Class B unit type C | - | 8.4072 | - | - | - | - | - | |
| Offer - Class B unit type C | - | 8.5972 | - | - | - | - | - | |
| OFFER / REDEMPTION DURING THE PERIOD - RUPEES | | | | | | | | |
| Highest offer price per unit - Class B unit type C | - | 10.7063 | - | - | - | - | - | - |
| Lowest offer price per unit - Class B unit type C | - | 8.4074 | - | - | - | - | - | - |
| Highest redemption price per unit - Class B unit type B | - | 9.8040 | - | - | - | - | - | - |
| Lowest redemption price per unit - Class B unit type B | - | 7.8105 | - | - | - | - | - | - |
| Highest redemption price per unit - Class B unit type C | - | 10.4697 | - | - | - | - | - | |
| Lowest redemption price per unit - Class B unit type C | - | 8.2216 | - | - | - | - | - | |
| RETURN ( % ) | | | | | | | | |
| Total return | *-33.34% | *-16.26% | -8.54% | 23.18% | 4.11% | -1.12% | 35.39% | 54.85% |
| Income distribution | 0.00% | 0.00% | 0.00% | 13.50% | 4.20% | - | 22.00% | 22.00% |
| Capital growth | *-33.34% | *-16.26% | -8.54% | 9.68% | -0.09% | -1.12% | 13.39% | 32.85% |
| DISTRIBUTION | | | | | | | | |
| First Interin dividend distribution | | | | | | | - | |
| Second Interin dividend distribution | | | | | | | - | |
| Third Interin dividend distribution | | | | | | | - | |
| First Interim dividend distribution | - | - | - | 1.35 | 0.42 | - | 2.20 | 2.20 |
| Date of Income Distribution | - | - | - | 25-Aug-17 | 26-Aug-16 | - | 27-Aug-14 | 4-Sep-13 |
| Total dividend distribution for the year/ period | - | - | - | 1.35 | 0.42 | - | 2.20 | 2.20 |
| AVERAGE RETURNS ( % ) | | | | | | | | |
| Average annual return 1 year | *-33.34% | *-16.26% | -8.54% | 23.18% | 4.11% | -1.12% | 35.39% | 54.85% |
| Average annual return 2 year | N/A | N/A | 2.84% | 13.25% | 1.46% | 15.70% | 44.79% | 27.06% |
| Average annual return 3 year | N/A | N/A | 3.26% | 8.24% | 11.70% | 27.52% | 29.78% | 24.08% |
| PORTFOLIO COMPOSITION - (%) | | | | | | | | |
| Percentage of Assets as at 30 June: | | | | | | | | |
| Bank Balances | 2.86% | 15.17% | 6.59% | 5% | 6% | 7% | 2% | 2% |
| GoP Ijarah Sukuks | - | - | - | - | - | - | - | - |
| Placement with Banks and DFIs | - | - | - | - | - | - | - | - |
| Corporate Sukuks | - | - | - | - | - | - | - | - |
| Stock / Equities | 93.58% | 83.72% | 91.93% | 94% | 93% | 92% | 93% | 97% |
| Others | 3.56% | 1.11% | 1.49% | 1% | 1% | 1% | 5% | 1% |

Note:
The Fund converted to open end fund on July 02, 2018
* Since conversion from Closed-End to Open-End
Disclaimer:

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

Summary of Actual Proxy voted by CIS

| HBL Investment Fund | Meetings | Resolutions | For | Against |
|---|---|---|---|---|
| Number | 7 | 15 | 15 | - |
| (%ages) | | 100% | 100% | - |

(h) AMC did not participate in shareholders' meetings

| Investee Company | AGM Meeting Dt | EOGM Meeting Dt |
|---|---|---|
| Allied Bank Ltd | 14/11/2018)(28/3/2019)(16/5/2019) | 27/08/2018 |
| Adamjee Insurance Co | 27/09/2018)(29/4/2019) | 25/02/2019 |
| Amreli Steels Limited | 23/10/2018 | |
| Askari Bank Ltd | 25/3/2019 | |
| AGP Limited | 17/4/2019 | |
| Bank of Punjab | 29/3/2019 | |
| Bank Al Habib Ltd | 27/3/2019 | |
| Bank Alfalah Ltd | 25/09/2018)(28/3/2019) | |
| DG Khan Cement Ltd | 27/10/2018 | 17/4/2019 |
| Engro Corporation Ltd | (3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019) | (25/09/2018)(28/5/2019) |
| Engro Fertilizer Ltd | (2/10/2018)(26/11/2018)(28/3/2019) | 27/5/2019 |
| Engro Polymer & Chemicals Ltd | (18/09/2018)(1/4/2019) | |
| Fauji Fertilizer Bin Qasim Ltd | 29/3/2019 | |
| Fauji Fertilizer Co Ltd | (28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019) | |
| Faysal Bank Limited | 28/3/2019 | 07-10-18 |
| Highnoon Lab | 29/4/2019 | 31/08/2018 |
| Habib Bank Limited | (19/09/2018)(17/12/2018)(27/3/2019)(21/6/2019) | 21/6/2019 |
| Hub Power Company Ltd | (5/10/2018)(30/4/2019) | (16/4/2019) |
| Hascol Petroleum | (18/09/2018)(19/11/2018)(29/4/2019) | 10-10-18 |
| International Industries Ltd | (28/09/2018)(22/3/2019) | |
| International Steels Limited | (25/09/2018)(22/3/2019) | |
| Kohat Cement Co Ltd | 25/10/2018 | 29/6/2019 |
| Kohinoor Textile Mill Ltd | 27/10/2018)(21/3/2019) | |
| Lucky Cement Ltd | (28/09/2018)(27/10/2018) | |
| Lotte Chemical Pakistan Ltd | (19/11/2018)(18/4/2019) | |
| Maple Leaf Cement Factory | 27/10/2018 | |
| Mughal Iron & Steel Industries | 27/10/2018 | |
| Mari Petroleum Company Ltd | 18/10/2018)(20/3/2019) | |
| Meezan Bank Ltd | 2/10/2018)(28/3/2019)(20/5/2019 | 17/11/2018 |
| MCB Bank Ltd | (28/08/2018)(22/11/2018)(29/3/2019)(23/5/2019) | |
| Mughal iron & Steel | 27/10/2018 | |
| Nishat (Chunian) Ltd | 26/10/2018)(17/4/2019) | 20/08/2018 |
| Nishat Mills Ltd | 27/10/2018)(17/4/2019) | |
| Nishat Chunian Power Ltd | 26/10/2018)(2/4/2019)(23/6/2019) | |
| Oil & Gas Development Co Ltd | (25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019) | |
| Pakgen Power Ltd | 30/4/2019 | 25/10/2018 |
| Pakistan Petroleum Ltd | 26/10/2018 | |
| Pakistan Oilfields Ltd | (25/09/2018)(20/3/2019) | |
| Pakistan State Oil Company Ltd | (02/10/2018)(16/10/2018)(19/6/2019) | |
| Sitara Chemical Ind. | 27/10/2018 | 20/6/2019 |
| Sui Northern Gas Pipeline Ltd | 23/5/2019 | |
| TPL Insurance | (27/09/2018)(16/10/2018)(12/11/2018)(17/4/2019) | |
| Thal Limited | (22/10/2018)(20/3/2019) | |
| The Searle Company Ltd | 22/11/2018 | |
| United Bank Ltd | (18/09/2018)(19/11/2018)(28/3/2019)(16/6/2019)(18/6/2019) | |

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED
**Head Office**
CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com

## TRUSTEE REPORT TO THE UNIT HOLDERS

## HBL INVESTMENT 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 Investment Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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.

**Badiuddin Akber**
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019

CENTRAL DEPOSITORY COMPANY

**Deloitte.**

**Deloitte Yousuf Adil**
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

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## INDEPENDENT AUDITORS' REPORT
## TO THE UNIT HOLDERS OF HBL INVESTMENT FUND

### Report on the Audit of the Financial Statements

**Opinion**

We have audited the financial statements of **HBL Investment Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| 1 | **Valuation and existence of investments**<br><br>As disclosed in note 6 to the financial statements, investments amounted to Rs. 3,774 million as at June 30, 2019.<br><br>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and their valuation and existence is a significant area during | We performed the following steps during our audit of investments:<br><br>• independent testing of valuations by obtaining quoted market prices from the Pakistan Stock Exchange Limited and ensuring the existence of number of securities held at reporting date by comparing the internal records with Central |

Member of
**Deloitte Touche Tohmatsu Limited**

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

| S. No. | Key audit matters | How the matters were addressed in our audit |
|---|---|---|
| | our audit. There is a risk that appropriate quoted prices may not be used to determine fair value.<br><br>Further, the Fund may have included investments in its financial statements which were not owned by Fund. | Depository Company (CDC) statement;<br><br>• performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding the weightage average cost of the securities; and<br><br>• any differences identified during our testing that were over our acceptable threshold were investigated further and reported, if required. |
| 2 | **Adoption of IFRS 9 "Financial Instruments".**<br><br>As disclosed in note 4.2 of the financial statements, from July 01, 2018, the Fund has changed its accounting policies due to the application of the IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement"<br><br>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.<br><br>Management has determined that the most significant impact of the new standard on the Fund's financial statements relates to classification of investment according the business model of the Fund. The requirements relating to impairment model have been deferred by SECP letter SCD/AMCW/RS/MUFAP/2017-148.<br><br>Management also assessed the additional disclosure required to be made by the new accounting standard in the financial statement.<br><br>We considered this as a key audit matter since the adoption of the new accounting standards has a material impact on the financial statements due to the judgments involved in the assessment of classification of financial assets. | We have performed the following audit procedures:<br><br>• Reviewed management's impact assessment and evaluated the management key decisions with respect to accounting policies, estimates and judgements in relation to adoption of the new accounting standards and assessed their appropriateness based on business model;<br><br>• Reviewed the classification of investment by management and ensured that it is in accordance with the business model;<br><br>• Evaluate and tested the adjustment, if any, recorded in financial statement in accordance with the change; and<br><br>• Evaluated the adequacy and appropriateness of disclosure made in the financial statements. |

**Information Other than the Financial Statements and Auditor's Report Thereon**

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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Member of
Deloitte Touche Tohmatsu Limited

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Deloitte Yousuf Adil
Chartered Accountants

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management Company and Those Charged with Governance for the Financial Statements**

Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.

- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going

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Deloitte.

**Deloitte Yousuf Adil**
Chartered Accountants

concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

Deloitte Yousuf Adil
**Chartered Accountants**

**Date:** September 27, 2019
**Place:** Karachi

Member of
**Deloitte Touche Tohmatsu Limited**

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | ------------------- (Rupees in '000) ------------------- | | | |
| **Assets** | | | | | |
| Bank balances | 5 | 49,550 | 390,621 | 440,171 | 371,142 |
| Investments | 6 | 1,619,479 | 2,154,419 | 3,773,898 | 5,179,170 |
| Dividend receivable and accrued mark-up | 7 | 61,446 | 4,254 | 65,700 | 79,037 |
| Receivable against sale of equity | | - | 21,933 | 21,933 | - |
| Advances and deposits | 8 | 100 | 3,217 | 3,317 | 3,317 |
| **Total assets** | | 1,730,575 | 2,574,444 | 4,305,019 | 5,632,666 |
| **Liabilities** | | | | | |
| Payable to the Management Company | 9 | 5,304 | 7,099 | 12,403 | 10,689 |
| Payable to the Trustee | 10 | 259 | 352 | 611 | 421 |
| Payable to the Securities and Exchange Commission of Pakistan | 11 | 2,156 | 2,548 | 4,704 | 5,304 |
| Payable against purchase of investment | | - | 16,064 | 16,064 | 13,183 |
| Accrued expenses and other liabilities | 12 | 1,158 | 122,353 | 123,511 | 81,509 |
| Unclaimed dividend | | - | 86,019 | 86,019 | 86,271 |
| **Total liabilities** | | 8,877 | 234,435 | 243,312 | 197,377 |
| **Net assets** | | 1,721,698 | 2,340,009 | 4,061,707 | 5,435,289 |
| **Unit holders' fund (as per statement attached)** | | 1,721,698 | 2,340,009 | 4,061,707 | 5,435,289 |
| **Contingencies and commitments** | 14 | | | | |
| | | -----------------Number of units----------------- | | | |
| **Number of units in issue** | 13 | 284,125,000 | 278,335,332 | | 284,125,000 |
| | | -----------------(Rupees)----------------- | | | |
| **Net assets value per unit** | 4.8 | 6.0597 | 8.4072 | | 19.13 |

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**
**(Management Company)**

**Chief Financial Officer** **Chief Executive Officer** **Director**

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | ------------------ (Rupees in '000) ------------------ | | | |
| **Income** | | | | | |
| Capital loss on sale of government securities | | (80) | (151,542) | (151,622) | (381,296) |
| Dividend income | | 95,713 | 117,340 | 213,053 | 304,352 |
| Income from Government securities | | 356 | 891 | 1,247 | 304 |
| Mark-up on deposits with banks | | 5,209 | 36,288 | 41,497 | 33,612 |
| Back end load income | | - | 4,559 | 4,559 | - |
| | | 101,198 | 7,536 | 108,734 | (43,028) |
| Unrealised diminution on re-measurement of investments classified as financial asset at fair value through profit or loss - net | | - | (374,874) | (374,874) | (155,380) |
| | | 101,198 | (367,338) | (266,140) | (198,408) |
| **Expenses** | | | | | |
| Remuneration of Management Company | 9.1 | 45,382 | 53,645 | 99,027 | 111,662 |
| Sindh Sales Tax on remuneration of the Management Company | 9.2 | 5,900 | 6,974 | 12,874 | 14,516 |
| Remuneration of Trustee | | 3,133 | 3,685 | 6,818 | 4,708 |
| Annual fee to the Securities and Exchange Commission of Pakistan | | 2,156 | 2,548 | 4,704 | 5,304 |
| Selling & marketing expense | | 9,020 | 10,609 | 19,629 | - |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 2,269 | 2,682 | 4,951 | 5,583 |
| Securities transaction costs | | - | 6,183 | 6,183 | 5,168 |
| Auditors' remuneration | 15 | 289 | 138 | 427 | 973 |
| Printing charges | | 28 | 30 | 58 | - |
| Fee and subscription charges | | 689 | 625 | 1,314 | 603 |
| Settlement and bank charges | | 646 | 1,033 | 1,679 | 1,533 |
| Conversion expense from closed end to open end fund | | - | 283 | 283 | 10,238 |
| | | 69,512 | 88,435 | 157,947 | 160,288 |
| **Net Income / (loss) from operating activities** | | 31,686 | (455,773) | (424,087) | (358,696) |
| Provision for Sindh Workers' Welfare Fund | 12.2 | (634) | - | (634) | - |
| **Net income / (loss) for the year before taxation** | | 31,052 | (455,773) | (424,721) | (358,696) |
| Taxation | 16 | - | - | - | - |
| **Net income / (loss) for the year after taxation** | | 31,052 | (455,773) | (424,721) | (358,696) |
| **Allocation of net income / (loss) for the year:** | | | | | |
| Income already paid on redemption of units | | - | - | - | |
| Accounting income available for distribution: | | | | | |
| - Relating to capital gains | | - | - | - | - |
| - Excluding capital gains | | - | - | - | - |
| | | - | - | - | - |
| | | 31,052 | (455,773) | (424,721) | (358,696) |
| **Earning per unit** | 17 | | | | |

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**
**(Management Company)**

**Chief Financial Officer** | **Chief Executive Officer** | **Director**

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | ---- (Rupees in '000) ---- | | | |
| **Net income / (loss) for the year after taxation** | | 31,052 | (455,773) | (424,721) | (358,696) |
| **Item that may be reclassified subsequently to Income Statement** | | | | | |
| Unrealised diminution re-measurement of investments classified as available-for-sale | | - | - | - | (153,016) |
| **Items that will not be reclassified to income statement** | | | | | |
| Unrealised diminution on re-measurement of investments classified as fair value through other comprehensive income | | (891,965) | - | (891,965) | - |
| **Total comprehensive loss for the year** | | (860,913) | (455,773) | (1,316,686) | (511,712) |

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**
**(Management Company)**

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

| | 2019 Class A | | | | | | 2019 Class B | | | 2018 Total | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital value | Accumulated loss | Unrealised income / (loss) on investment | Premium on issue of certificates | General reserve | Total | Capital value | Accumulated loss | Total | Capital value | Undistributed income / (Accumulated loss) | Unrealised income / (loss) on investment | Premium on issue of certificates | General reserve | Total |
| | ---------- (Rupees in '000) ---------- | | | | | | | | | | | | | | |
| **Net assets at beginning of the year** | 2,841,250 | (384,828) | 1,993,954 | 984,688 | 225 | 5,435,289 | - | - | - | 2,841,250 | 357,436 | 2,146,970 | 984,688 | 225 | 6,330,569 |
| Transfer from premium on issue of certificates | - | 984,688 | - | (984,688) | - | - | - | - | - | - | - | - | - | - | - |
| Transfer from general reserve | - | 225 | - | - | (225) | - | - | - | - | - | - | - | - | - | - |
| | - | 984,913 | - | (984,688) | (225) | - | | | | - | - | - | - | - | - |
| Issuance of 284,125,000 Class B units at the time of conversion | - | (2,852,678) | - | - | - | (2,852,678) | 2,841,250 | 11,428 | 2,852,678 | | | | | | |
| Issuance of 5,352,206 units | | | | | | | | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | - | - | - | - | - | - | 53,737 | - | 53,737 | - | - | - | - | - | - |
| - Element of loss | - | - | - | - | - | - | (868) | - | (868) | - | - | - | - | - | - |
| Total proceeds on issuance of units | - | - | - | - | - | - | 52,869 | - | 52,869 | - | - | - | | | - |
| Redemption of 11,141,874 units | | | | | | | | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the year) | - | - | - | - | - | - | (111,867) | - | (111,867) | - | - | - | - | - | - |
| - Element of income | - | - | - | - | - | - | 2,102 | - | 2,102 | - | - | - | - | - | - |
| Total payment on redemption of units | - | - | - | - | - | - | (109,765) | - | (109,765) | - | - | - | - | - | - |
| Total comprehensive income/ (loss) for the year | - | 31,052 | (891,965) | - | - | (860,913) | - | (455,773) | (455,773) | - | (358,696) | (153,016) | - | - | (511,712) |
| Distribution during the year | - | - | - | - | - | - | - | - | - | - | (383,568) | - | - | - | (383,568) |
| Net income/(loss) for the year less distribution | - | 31,052 | (891,965) | - | - | (860,913) | - | (455,773) | (455,773) | - | (742,264) | (153,016) | - | - | (895,280) |
| **Net assets at end of the year** | 2,841,250 | (2,221,541) | 1,101,989 | - | - | 1,721,698 | 2,784,354 | (444,345) | 2,340,009 | 2,841,250 | (384,828) | 1,993,954 | 984,688 | 225 | 5,435,289 |

| | 2019 Class A | 2019 Class B | 2018 |
|---|---|---|---|
| **Undistributed income / (loss) brought forward** | | | |
| - Realised | (229,448) | - | (80,439) |
| - Unrealised | (155,380) | - | 437,875 |
| | (384,828) | - | 357,436 |
| Transfer from premium on issue of certificates | 984,688 | - | - |
| Transfer from general reserve | 225 | - | - |
| Transferred to Class B - Segment on conversion of Fund | (2,852,678) | 11,428 | - |
| Net income / (loss) for the year | 31,052 | (455,773) | (358,696) |
| Distribution during the year | - | - | (383,568) |
| **Accumulated loss carried forward** | (2,221,541) | (444,345) | (384,828) |
| **Accumulated loss carried forward** | | | |
| - Realised | (2,221,541) | (69,471) | (229,448) |
| - Unrealised | - | (374,874) | (155,380) |
| | (2,221,541) | (444,345) | (384,828) |
| | ----------(Rupees)---------- | | |
| Net assets value per unit at beginning of the year | 9.0897 | 10.0402 | 22.28 |
| Net assets value per unit at end of the year | 6.0597 | 8.4072 | 19.13 |

The annexed notes 1 to 30 form an integral part of these financial statements

**NOTE:** Consequent to the conversion of the Fund from a closed-end scheme to an open-end scheme with effect from July 02, 2018, the comparative figures disclosed above have been prepared in accordance with the requirements of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 as applicable to an open-end scheme.

**For HBL Asset Management Limited**
**(Management Company)**

| | | |
|---|---|---|
| **Chief Financial Officer** | **Chief Executive Officer** | **Director** |

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | ------------------- (Rupees in '000) ------------------- | | | |
| **Cash flow from operating activities** | | | | | |
| Net income / (loss) for the period before taxation | | 31,052 | (455,773) | (424,721) | (358,696) |
| **Adjustments of non-cash items** | | | | | |
| Capital loss on sale of investment | | 80 | 151,542 | 151,622 | 381,296 |
| Income from government securities | | (356) | (891) | (1,247) | (304) |
| Unrealised diminution on remeasurement of investments classified as financial asset at fair value through profit or loss - net | | - | 374,874 | 374,874 | 155,380 |
| Dividend income | | (95,713) | (117,340) | (213,053) | (304,352) |
| Mark-up on deposits with banks | | (5,209) | (36,288) | (41,497) | (33,612) |
| | | (70,146) | (83,876) | (154,022) | (160,288) |
| **(Increase) / decrease in assets** | | | | | |
| Investments | | (80) | (13,110) | (13,190) | 235,741 |
| Receivable against sale of investments | | - | (21,933) | (21,933) | - |
| Advances, deposits and prepayments | | - | - | - | 481 |
| | | (80) | (35,043) | (35,123) | 236,222 |
| **Increase / (decrease) in liabilities** | | | | | |
| Payable to Management Company | | 5,304 | (3,590) | 1,714 | (1,758) |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 259 | (69) | 190 | (544) |
| Payable to the Securities and Exchange Commission of Pakistan | | 2,156 | (2,756) | (600) | (593) |
| Payable against purchase of investment | | - | 2,881 | 2,881 | - |
| Unclaimed dividend | | - | (252) | (252) | |
| Accrued expenses and other liabilities | | 1,158 | 40,844 | 42,002 | 238 |
| | | 8,877 | 37,058 | 45,935 | (2,657) |
| **Cash (used in) / generated from operations** | | (61,349) | (81,861) | (143,210) | 73,277 |
| Dividend received | | 105,712 | 121,434 | 227,146 | 292,446 |
| Mark-up received on bank deposit | | 4,831 | 35,911 | 40,742 | 33,336 |
| Income received from governement securities | | 356 | 891 | | |
| | | 110,899 | 158,236 | 267,888 | 325,782 |
| **Net cash generated from operating activities** | | 49,550 | 76,375 | 124,678 | 399,059 |
| **Cash flow from financing activities** | | | | | |
| Amount received on issue of units | | - | 52,869 | 52,869 | - |
| Amount paid on redemption of units | | - | (109,765) | (109,765) | - |
| Dividend paid | | - | - | - | (378,548) |
| **Net cash used in financing activities** | | - | (56,896) | (56,896) | (378,548) |
| Net increase in cash and cash equivalents | | 49,550 | 19,479 | 67,782 | 20,511 |
| **Cash and cash equivalents at beginning of the year** | | - | 371,142 | 371,142 | 350,631 |
| **Cash and cash equivalents at end of the year** | 5 | 49,550 | 390,621 | 440,171 | 371,142 |

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**
**(Management Company)**

**Chief Financial Officer** | **Chief Executive Officer** | **Director**

## 1. STATUS AND NATURE OF BUSINESS

**1.1** HBL Investment Fund was established under a Trust Deed, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee.

**1.2** The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

**1.3** The objective of the Fund is to maximize the wealth of the unit holders by investing primarily in listed equities in the best available opportunities, while considering acceptable risk parameters and applicable rules and regulations.

**1.4** As per Regulation 65 of the NBFC Regulations, all closed end funds were required to be converted into open end schemes upon expiry of five years from November 21, 2007 i.e. by November 21, 2012. However Closed end funds whose portfolios were frozen as a result of Consent Agreements with Government of Pakistan were allowed to be converted into open end schemes within three months from the date of the removal of the freezing of the portfolios. Since the Fund has Frozen Portfolio comprising shares of Pakistan State Oil Company Limited and Sui Northern Gas Pipelines Limited, its conversion into an open end scheme was deferred.

The Board of the Management Company (HBL Asset Management Limited) of the Fund in its meeting held on November 23, 2017 approved the Conversion Plan (the Plan) for the conversion of the Fund into an Open End Scheme, with the approval of the Certificate Holders of the Fund to fulfill the requirements of the merger order dated August 31, 2016. For this purpose, the Plan was presented to and approved by the Certificate Holders of the Fund in its General Meeting dated January 10, 2018. The Plan was also approved by Securities and Exchange Commission of Pakistan (the Commission) on February 16, 2018.

The Replacement Trust Deed and Replacement Offering Document were approved by SECP vide its letter no. SCD/AMCW/HIF/339/2018 dated April 18, 2018 and letter no. SCD/AMCW/HIF/398/2018 dated June 7, 2018 respectively. As per the approved Plan, the conversion took place on July 2, 2018 and every Certificate Holder of the closed end fund was entitled to following for each certificate held;

- One Class-A Unit of the Fund was issued to every Certificate Holder of Fund for each certificate held representing Frozen Portfolio and related assets and liabilities.

- One Class-B Unit of the Fund was issued to the every Certificate Holder of Fund for each certificate held representing Unfrozen Portfolio and related assets and liabilities.

The Plan also envisages that Class-A Units would not be redeemable and would be traded on the Pakistan Stock Exchange. Whereas Class-B Units can be redeemed at the redemption price.

**1.5** JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2+' (Positive outlook) to the Management Company.

**1.6** Title to the assets of the Fund is held in the name of Central Depository Company Limited as trustee of the Fund.

## 2. BASIS OF PREPARATION

### 2.1 Statements of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention.

**2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

**2.4 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

(i) classification and valuation of financial assets (notes 4.2.1.1)

**3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS**

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2019**

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

| | Effective from accounting periods beginning on or after: |
|---|---|
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions | January 01, 2018 |
| IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9. | January 01, 2018 |
| IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date. | July 01, 2018 |
| IFRS 15 'Revenue from Contract with Customer' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date. | July 01, 2018 |
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property | January 01, 2018 |
| IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency. | January 01, 2018 |

Certain annual improvements have also been made to a number of IFRSs.

**3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

| | Effective from accounting periods beginning on or after: |
|---|---|
| Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business | January 01, 2020 |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities | January 01, 2019 |
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture | Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted. |
| IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date. | January 01, 2019 |

| | Effective from accounting periods beginning on or after: |
|---|---|
| Amendments to References to the Conceptual Framework in IFRS Standards | January 01, 2020 |
| Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material | January 01, 2020 |
| Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements. | January 01, 2019 |
| Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. | January 01, 2019 |
| IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. | January 01, 2019 |

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

## 4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 4.2.

### 4.1 Cash and cash equivalent

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

### 4.2 IFRS 9 'Financial Instruments

On application of IFRS - 9 'Financial Instruments', there is no material change in the Fund's financial risk management objectives and policies and are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2018.

**Impact of initial application of IFRS 9 Financial Instruments**

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures for the half year ended June 30, 2019.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities;
2) Impairment of financial assets; and
3) General hedge accounting

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

**4.2.1 (a) Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the aforegoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- the Fund's investment in debt instruments that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVTPL because they are held within a business model whose objective is primarily to sell the bonds. The change in the fair value on these redeemable notes will be recorded in the profit of loss account;

- there is no change in the measurement of the Fund's investments in debt instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

- the Fund's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been reclassified as at FVTPL. The change in fair value on these equity instruments will be recorded in the profit or loss account;

- there is no change in the measurement of the Fund's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9

None of the other reclassifications of financial assets have had any impact on the Fund's financial position, profit or loss, other comprehensive income or total comprehensive income for the period.

**(b) Impairment of financial assets**

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

**(c) Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the Fund does not have any financial liabilities designated as FVTPL.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

**(d) Disclosures in relation to the initial application of IFRS 9**

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

| | Carrying amount as per IAS 39 as on June 30, 2018 | Reclassif-ications | Remeasu-rements | Carrying amount on initial adoption of IFRS 9 on July 01, 2018 | Effect on July 01, 2018 on Retained Earnings |
|---|---|---|---|---|---|
| | ---------------------------- (Rupees in '000) | | | ---------------------------------- | |
| **Financial assets** | | | | | |
| **Fair Value through Other Comprehensive Income** | | | | | |
| From available for sale (IAS 39) | 2,511,445 | 2,511,445 | - | 2,511,445 | - |
| **Total** | 2,511,445 | 2,511,445 | - | 2,511,445 | - |

## 4.3 Financial instruments as per IAS 39

### 4.3.1 Financial assets

#### 4.3.1.1 Classification

The management determines the appropriate classification of financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

**a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**c) Available for sale**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, there are no investments of the fund classified as available for sale.

**4.3.1.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

**4.3.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held for trading", in which case the transaction costs are charged off to the income statement and statement of comprehensive income.

**4.3.1.4 Subsequent measurement**

**a) Financial assets 'at fair value through profit or loss - held-for-trading' and 'available-for-sale'**

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss - held-for-trading' and 'available-for-sale' are valued as follows:

**Basis of valuation of equity securities**

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss - held-for-trading' are taken to the income statement.

Net gains and losses arising from changes in fair value of 'available-for-sale' financial assets are recognised as 'other comprehensive income' in the Income Statement of Comprehensive Income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

**b) Loans and receivables**

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gains or losses are recognised under operating income in 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

**4.3.1.5 Impairment**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

**4.3.1.6 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

**4.3.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

**4.3.3 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

**4.4 Provisions**

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

**4.5 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the Provisions of Section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

**4.6 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

**4.7 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

**4.8 Net assets value per unit**

The net asset value (NAV) per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net asset of the Fund by the number of units in issue at the year end.

**4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.

- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

- Dividend income from equity securities is recognised when the right to receive dividend is established.

- Mark up / return on Term finance certificates, bank deposits and investment in debt securities are recognized on a time apportment basis using effective interest method.

**4.10 Expenses**

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the Income Statement on an accrual basis.

| | | 2019 | | | 2018 |
|---|---|---|---|---|---|
| **5 BANK BALANCES** | | Class A | Class B | Total | Total |
| | Note | (Rupees in '000) | | | |
| Savings accounts | 5.1 | 49,550 | 390,621 | 440,171 | 371,142 |

**5.1** These accounts carry mark-up at rates ranging between 5.35% and 13.50% (2018: 5.35% and 6.70%) per annum.

## 6 INVESTMENTS

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | ------------------- (Rupees in '000) ------------------- | | | |
| At fair value through profit or loss | | | | | |
| - Listed equity securities | 6.1 | - | 2,154,419 | 2,154,419 | 2,667,725 |
| - Governement Securities- Market Treasury Bills | 6.2 | - | - | - | - |
| At fair value through other comprehensive income | | | | | |
| - Listed equity securities | 6.3 | 1,619,479 | - | 1,619,479 | 2,511,445 |
| | | 1,619,479 | 2,154,419 | 3,773,898 | 5,179,170 |

## 6.1 Listed equity securities - At fair value through profit or loss

### Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

| Name of the Investee Company | ------------------------------Number of shares------------------------------ | | | | | Market value as at June 30, 2019 (Rupees in '000) | Market value as a percentage of | | Par value as a percentage of issued capital of the investee company |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 01, 2018 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30, 2019 | | Total Investments | Net Assets | |
| | ---------------------------(Units in '000)-------------------- | | | | | | | | |
| **TEXTILE COMPOSITE** | | | | | | | | | |
| Gul Ahmed Textile Mills Limited | - | 275,000 | - | 275,000 | - | - | - | - | - |
| Interloop Limited | - | 799,642 | - | - | 799,642 | 35,400 | 2% | 1.5% | 9.20% |
| Kohinoor Textile Mills Limited | - | 496,000 | - | 96,000 | 400,000 | 10,020 | 0.47% | 0.4% | 0.38% |
| Nishat (Chunian) Limited | - | 220,500 | - | 220,500 | - | - | - | 0.0% | - |
| Nishat Mills Limited | 567,100 | 302,700 | - | 326,300 | 543,500 | 50,730 | 2% | 2.2% | 0.15% |
| | **567,100** | **2,093,842** | **-** | **917,800** | **1,743,142** | **96,150** | | | |
| **CEMENT** | | | | | | | | | |
| Cherat Cement Company Limited. | - | 428,100 | - | 428,100 | - | - | - | - | - |
| D G Khan Cement Company Limited | - | 240,000 | - | 240,000 | - | - | - | - | - |
| Kohat Cement Limited | - | 304,700 | 25,560 | 125,760 | 204,500 | 10,742 | 0.50% | 0.5% | 0.16% |
| Lucky Cement Limited | 166,000 | 99,200 | - | 108,500 | 156,700 | 59,620 | 3% | 2.5% | 0.05% |
| Maple Leaf Cement Factory Limited | - | 1,531,000 | - | 1,531,000 | - | - | - | - | - |
| Pioneer Cement Limited | 250,000 | - | - | 250,000 | - | - | - | - | - |
| | **416,000** | **2,603,000** | **25,560** | **2,683,360** | **361,200** | **70,362** | | | |
| **POWER GENERATION & DISTRIBUTION** | | | | | | | | | |
| Hub Power Company Limited | 1,654,200 | 758,709 | - | 623,500 | 1,789,409 | 140,916 | 7% | 6.0% | 0.15% |
| K-Electric Limited | 4,527,000 | 1,970,000 | - | 925,000 | 5,572,000 | 24,461 | 1.1% | 1.0% | 0.02% |
| Nishat Chunian Power Limited | - | 671,000 | - | 90,000 | 581,000 | 10,115 | 0.47% | 0.4% | 0.16% |
| Pakgen Power Limited | - | 832,000 | - | - | 832,000 | 11,798 | 0.5% | 0.5% | 0.22% |
| Hub Power Company Limited - LOR | - | 209,233 | - | 209,233 | - | - | - | - | |
| | **6,181,200** | **4,440,942** | **-** | **1,847,733** | **8,774,409** | **187,290** | | | |
| **ENGINEERING** | | | | | | | | | |
| Aisha Steel Mills Ltd | 1,103,600 | - | - | 1,103,600 | - | - | | | |
| Aisha Steel Mills Ltd - Pref. Shares | 130,000 | - | - | - | 130,000 | 1,950 | 0.09% | 0.1% | 0.29% |
| Aisha Steel Mills Ltd. - Conv. Cum. Pref. Shar | 1,065,000 | - | - | - | 1,065,000 | 45,795 | 0.02 | 2.0% | 36.58% |
| Amreli Steels Limited | 388,000 | - | - | 388,000 | - | - | - | - | - |
| Crescent Steels & Allied Products Limited | - | 177,500 | - | 177,500 | - | - | - | - | - |
| International Industries Limited | 129,100 | 224,600 | - | 353,700 | - | - | - | - | - |
| International Steels Limited | 357,600 | 143,000 | - | 500,600 | - | - | - | - | - |
| Mughal Iron & Steel Industries Limited | 310,500 | 175,000 | - | 485,500 | - | - | - | - | - |
| | **3,483,800** | **720,100** | **-** | **3,008,900** | **1,195,000** | **47,745** | | | |
| **AUTOMOBILE PARTS & ACCESSOR** | | | | | | | | | |
| Honda Atlas Cars (Pakistan) Limited | 58,750 | - | - | 58,750 | - | - | - | - | - |
| Indus Motor Company Limited | 26,680 | - | - | 26,680 | - | - | - | - | - |
| Millat Tractors Limited | 45,000 | - | - | 45,000 | - | - | - | - | - |
| Thal Limited | 136,100 | 106,700 | - | 25,000 | 217,800 | 79,292 | 3.7% | 3.4% | 0.27% |
| | **266,530** | **106,700** | **-** | **155,430** | **217,800** | **79,292** | | | |
| **TECHNOLOGY & COMMUNICATION** | | | | | | | | | |
| Systems Limited | 308,500 | - | - | 308,500 | - | - | - | - | - |
| | **308,500** | **-** | **-** | **308,500** | **-** | **-** | | | |
| **PHARMACEUTICALS** | | | | | | | | | |
| AGP Limited | - | 447,500 | - | 238,000 | 209,500 | 14,357 | 0.7% | 0.6% | 0.01% |
| Highnoon Laboratories Limited | - | 16,000 | 500 | - | 16,500 | 4,177 | 0.2% | 0.2% | - |
| The Searle Company Limited | 85,140 | 103,500 | 456 | 112,100 | 76,996 | 11,285 | 0.5% | 0.5% | 0.05% |
| | **85,140** | **567,000** | **956** | **350,100** | **302,996** | **29,819** | | | |

| Name of the Investee Company | ----------------------------Number of shares---------------------------- | | | | | Market value as at June 30, 2019 (Rupees in '000) | Market value as a percentage of | | Par value as a percentage of issued capital of the investee company |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 01, 2018 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30, 2019 | | Total Investments | Net Assets | |
| | ---------------------------(Units in '000)------------------- | | | | | | | | |
| **OIL & GAS EXPLORATION COMPANIES** | | | | | | | | | |
| Mari Petroleum Company Limited | 94,880 | 53,120 | 9,088 | 10,140 | 146,948 | 148,319 | 6.9% | 6.3% | 0.13% |
| Oil & Gas Development Company Limited | 892,400 | 763,500 | - | 365,000 | 1,290,900 | 169,740 | 7.9% | 7.3% | 0.03% |
| Pakistan Oilfields Limited | 214,300 | 79,500 | 36,860 | 93,100 | 237,560 | 96,423 | 4.5% | 4.1% | 0.10% |
| Pakistan Petroleum Limited | 808,700 | 472,100 | 121,305 | 523,400 | 878,705 | 126,911 | 5.9% | 5.4% | 0.04% |
| | **2,010,280** | **1,368,220** | **167,253** | **991,640** | **2,554,113** | **541,393** | | | |
| **OIL & GAS MARKETING COMPANIES** | | | | | | | | | |
| Hascol Petroleum Limited | 71,500 | - | 17,875 | 89,375 | - | - | - | - | - |
| Pakistan State Oil Company Limited | 317,800 | 312,500 | 64,560 | 210,500 | 484,360 | 82,162 | 3.8% | 3.5% | 0.15% |
| Sui Northern Gas Pipeline Limited | 572,500 | 444,500 | - | 532,500 | 484,500 | 33,668 | 1.6% | 1.4% | 0.08% |
| | **961,800** | **757,000** | **82,435** | **832,375** | **968,860** | **115,830** | | | |
| **COMMERCIAL BANKS** | | | | | | | | | |
| Allied Bank Limited | - | 831,600 | - | 102,000 | 729,600 | 76,623 | 3.6% | 3.3% | 0.06% |
| Askari Bank Limited | - | 300,000 | - | 300,000 | - | - | 0.0% | 0.0% | - |
| Bank Al-Falah Limited | 2,620,500 | 1,243,500 | 212,650 | 1,414,000 | 2,662,650 | 116,065 | 5.4% | 5.0% | 0.17% |
| Bank Al-Habib Limited | 900,500 | 1,355,500 | - | 1,237,500 | 1,018,500 | 79,830 | 3.7% | 3.4% | 0.09% |
| Bank of Punjab Limited | 4,338,500 | 4,800,000 | - | 4,110,500 | 5,028,000 | 46,006 | 2.1% | 2.0% | 0.95% |
| Faysal Bank Limited | 1,219,275 | 17,500 | - | 1,218,775 | 18,000 | 387 | 0.0% | 0.0% | - |
| Habib Bank Limited** | 828,000 | 688,400 | - | 513,700 | 1,002,700 | 113,566 | 5.3% | 4.9% | 0.07% |
| Habib Metropolitan Bank Limited | - | 60,000 | - | 60,000 | - | - | 0.0% | 0.0% | - |
| MCB Bank Limited | 732,000 | 80,000 | - | 465,200 | 346,800 | 60,499 | 2.8% | 2.6% | 0.03% |
| Meezan Bank Limited | 200,000 | 125,000 | 32,500 | 357,500 | - | - | 0.0% | 0.0% | - |
| National Bank of Pakistan Limited | - | 766,500 | - | 218,000 | 548,500 | 18,463 | 0.9% | 0.8% | 0.03% |
| United Bank Limited | 826,200 | 537,300 | - | 726,500 | 637,000 | 93,881 | 4.4% | 4.0% | 0.05% |
| | **11,664,975** | **10,805,300** | **245,150** | **10,723,675** | **11,991,750** | **605,320** | | | |
| **FERTILIZER** | | | | | | | | | |
| Engro Corporation Limited | 494,100 | 326,800 | 45,900 | 328,100 | 538,700 | 143,079 | 6.6% | 6.1% | 0.16% |
| Engro Fertilizers Limited | 1,590,500 | 471,000 | - | 889,500 | 1,172,000 | 74,973 | 3.5% | 3.2% | 0.09% |
| Fauji Fertilizer Bin Qasim Limited | - | 748,500 | - | 748,500 | - | - | 0.0% | 0.0% | - |
| Fauji Fertilizer Company Limited | 636,000 | 560,500 | - | 419,000 | 777,500 | 67,798 | 3.1% | 2.9% | 0.06% |
| | **2,720,600** | **2,106,800** | **45,900** | **2,385,100** | **2,488,200** | **285,850** | | | |
| **CHEMICAL** | | | | | | | | | |
| Engro Polymer & Chemicals Limited | 875,000 | 1,647,462 | - | 796,000 | 1,726,462 | 46,545 | 2.2% | 2.0% | 0.14% |
| Engro Polymer & Chemicals Limited - LOR | 314,462 | - | - | 314,462 | - | - | 0.0% | 0.0% | - |
| Lotte Chemical Pakistan Limited | - | 1,046,000 | - | 260,000 | 786,000 | 11,987 | 0.6% | 0.5% | 0.05% |
| Sitara Chemical Industries Limited | - | 17,900 | - | - | 17,900 | 5,475 | 0.3% | 0.2% | 0.08% |
| | **1,189,462** | **2,711,362** | **-** | **1,370,462** | **2,530,362** | **64,007** | | | |
| **TRANSPORT** | | | | | | | | | |
| Pakistan National Shipping Corp Limited | - | 75,500 | - | - | 75,500 | 4,821 | 0.2% | 0.2% | 0.06% |
| | **-** | **75,500** | **-** | **-** | **75,500** | **4,821** | | | |
| **PAPER & BOARD** | | | | | | | | | |
| Century Paper & Board Mills Limited | - | 150,000 | - | - | 150,000 | 4,673 | 0.2% | 0.2% | 0.10% |
| | **-** | **150,000** | **-** | **-** | **150,000** | **4,673** | | | |
| **GLASS & CERAMICS** | | | | | | | | | |
| Shabbir Tiles & Ceramics Limited | 75,000 | 107,500 | - | 182,500 | - | - | - | - | - |
| | **75,000** | **107,500** | **-** | **182,500** | **-** | **-** | | | |
| **CABLE & ELECTRICAL GOODS** | | | | | | | | | |
| Pak Elektron Limited | 561,500 | 38,500 | - | 600,000 | - | - | - | - | - |
| | **561,500** | **38,500** | **-** | **600,000** | **-** | **-** | | | |

| Name of the Investee Company | Number of shares: As at July 01, 2018 | Purchases during the year | Bonus / Rights issue | Sales during the year | As at June 30, 2019 | Market value as at June 30, 2019 (Rupees in '000) | Market value as a percentage of Total Investments | Market value as a percentage of Net Assets | Par value as a percentage of issued capital of the investee company |
|---|---|---|---|---|---|---|---|---|---|
| | (Units in '000) | | | | | | | | |
| **TEXTILE SPINNING** | | | | | | | | | |
| Sunshine Cloth* | 50,000 | - | - | - | 50,000 | - | - | - | - |
| | **50,000** | **-** | **-** | **-** | **50,000** | **-** | | | |
| **TEXTILE WEAVING** | | | | | | | | | |
| Mohib Textile* | 40,820 | - | - | - | 40,820 | - | - | - | - |
| | **40,820** | **-** | **-** | **-** | **40,820** | **-** | | | |
| **INSURANCE** | | | | | | | | | |
| Adamjee Insurance Company Limited | - | 630,500 | | 7,000 | 623,500 | 21,854 | 1.0% | 0.9% | 0.18% |
| TPL Insurance Limited | 610 | - | 79 | - | 689 | 14 | 0.0% | 0.0% | - |
| | **610** | **630,500** | **79** | **7,000** | **624,189** | **21,868** | | | |
| **Total as at June 30, 2019** | **30,583,317** | **29,282,266** | **567,333** | **26,364,575** | **34,068,341** | **2,154,419** | | | |
| **Carrying value as at June 30, 2019** | | | | | | **2,529,294** | | | |

***Suspended/Delisted Companies**
****Sponsors of Management Company**

**6.1.1** Investments include shares having market value aggregating to Rs. 160.870 million (June 30, 2018: Rs. 189.070 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. 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% 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 Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld shares equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.415 million at June 30, 2019 (June 30, 2018: Rs. 0.670) and not yet deposited in CDC account of Department of Income tax. Management is of the view that the decision will be in their favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

**6.2** Financial assets at fair value through profit or loss - Market treasury bills

| Issue date | Tenure | As at July 1, 2018 | Purchase during the year | Sales during the year | As at June 30, 2019 | Market value as at June 30, 2019 (In '000) | Market value as a percentage of net assets | Market value as a percentage of total investments |
|---|---|---|---|---|---|---|---|---|
| | | (Rupees in '000) | | | | | | |
| May,14 2019 | 3 months | | 100,000 | 100,000 | | | | |
| May,14 2019 | 3 months | - | 40,000 | 40,000 | - | - | - | - |
| **Total June 30, 2019** | | **-** | **140,000** | **140,000** | **-** | | | |
| Total - June 30, 2018 | | - | - | - | - | | | |

**6.3** Listed equity securities - fair value through other comprehensive income

| Name of investee company | Number of Shares | | | | | Market value as at June 30, 2019 (In '000) | Market value as a percentage of | | Par value as a percentage of issued capital of the investee company |
|---|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2018 | Purchases during the year | Bonus Share | Sales during the year | As at June 30, 2019 | | Total Investments | Net Assets | |
| | --------------------------(Units in '000)------------------ | | | | | | | | |
| **Oil and Gas Marketing Companies** | | | | | | | | | |
| Pakistan State Oil Company Limited (note 6.3.1 & 6.3.2) | 7,106,578 | - | 1,421,315 | - | 8,527,893 | 1,446,586 | 89% | 84.02% | 2.62% |
| Sui Northern Gas Pipeline Limited | 2,488,024 | - | - | - | 2,488,024 | 172,893 | 11% | 10.04% | 0.39% |
| **Total June 30, 2019** | **9,594,602** | - | **1,421,315** | - | **11,015,917** | **1,619,479** | | | |
| **Carrying value as June 30, 2019** | | | | | | 2,511,445 | | | |

**6.3.1** The above mentioned shares of Pakistan State Oil Company Limited and Sui Northern Gas Pipelines Limited are blocked / frozen by an order of the Government of Pakistan (GoP) as the same form part of a strategic shareholding under the control of the GoP. As a result, the Fund is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus / right shares in respect thereof. Consequently, the exposure limit mentioned in regulation 55 of the NBFC Regulations, 2008 does not apply to the above frozen shares.

**6.3.2** These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. 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% 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. 12.054 million at June 30, 2019 (June 30, 2018: Rs. 18.851) and not yet deposited in CDC account of Department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | Class A | Class B | Total | Total |
| **7 DIVIDEND RECEIVABLE AND PROFIT RECEIVABLE** | ------------------- (Rupees in '000) ------------------- | | | |
| Profit receivable on bank deposits | 378 | 2,721 | 3,099 | 2,344 |
| Dividend receivable | 61,068 | 1,533 | 62,601 | 76,693 |
| | 61,446 | 4,254 | 65,700 | 79,037 |

**8 ADVANCES AND DEPOSITS**

| | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|
| Security deposits with: | | | | |
| - National Clearing Company of Pakistan Limited | - | 2,500 | 2,500 | 2,500 |
| - Central Depository Company of Pakistan Limited | 100 | 200 | 300 | 300 |
| Advance tax | - | 517 | 517 | 517 |
| | 100 | 3,217 | 3,317 | 3,317 |

## 9 PAYABLE TO THE MANAGEMENT COMPANY

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| Management fee | 9.1 | 2,944 | 3,944 | 6,888 | 9,058 |
| Sindh Sales Tax on Management Company's remuneration | 9.2 | 383 | 513 | 896 | 1,178 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9.3 | 147 | 197 | 344 | 453 |
| Selling and marketing payable | | 1,830 | 2,445 | 4,275 | - |
| | | 5,304 | 7,099 | 12,403 | 10,689 |

**9.1** Under the provisions of the Offering Document of the Fund the Management Company is entitled to a Remuneration at the rate of 2% of the average annual net asset of the fund. The remuneration is paid to the Management Company monthly in arrears. The remuneration is also subject to Sindh Sales Tax on services at applicable rate.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (2018: 13 percent) on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.

**9.3** As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

## 10 PAYABLE TO THE TRUSTEE

| | Note | 2019 Class A | 2019 Class B | 2019 Total | 2018 Total |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee | 10.1 | 259 | 316 | 575 | 385 |
| CDS charges payable | | - | 36 | 36 | 36 |
| | | 259 | 352 | 611 | 421 |

**10.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

**10.2** The tariff structure applicable to the Fund is as follows:

| Amount of Funds Under Management [Average Net Assets Value (NAV)] | Tariff per annum |
|---|---|
| From 1 to 1000 million | Rs. 0.7 million or 0.20% p.a. of NAV whichever is higher |
| 1,000 and above | Rs. 2.0 million plus 0.10% p.a. of NAV on amount exceeding Rs. 1,000 million |

| | 2019 | | | 2018 |
|---|---|---|---|---|
| | Class A | Class B | Total | Total |
| **11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN** | ------------------- (Rupees in '000) ------------------- | | | |
| Annual fee | 2,156 | 2,548 | 4,704 | 5,304 |

**11.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as a equity scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

| | Note | 2019 | | | 2018 |
|---|---|---|---|---|---|
| | | Class A | Class B | Total | Total |
| | **Note** | ------------------- (Rupees in '000) ------------------- | | | |
| **12 ACCRUED EXPENSES AND OTHER LIABILITIES** | | | | | |
| Provision for Federal Excise Duty and additional sales tax on management fee | 12.1 | - | 55,961 | 55,961 | 55,961 |
| Provision for Sindh Workers' Welfare Fund | 12.2 | 634 | 21,075 | 21,709 | 21,075 |
| Printing charges | | 18 | - | 18 | 2,810 |
| Auditors' remuneration | | 217 | 239 | 456 | 783 |
| Security transaction costs | | - | 1,249 | 1,249 | 273 |
| Withholding tax payable | | 289 | 404 | 693 | 607 |
| Payable to Class A | | - | 42,284 | 42,284 | - |
| Other Payables | | - | 1,141 | 1,141 | - |
| | | 1,158 | 122,353 | 123,511 | 81,509 |

**12.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan along-with Central Depository Company of Pakistan Limited with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The Finance Act, 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2018 and June 30, 2017.

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 Management Company, aggregating to Rs. 55.961 million (2018: Rs. 55.961 million). Had the provision not being made, the Net Asset Value per certificate as at June 30, 2019 would have been higher by Rs. 0.201 (2018: Rs. 0.20 ) per certificate.

**12.2** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid.

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which were issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarification letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

Further, the Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan, in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded that since mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

Considering the above developments, the Management Company assessed the position of the Fund with regard to reversal of provision of WWF and recognition of provision of SWWF, and decided that:

- The Sindh Workers' Welfare Fund (SWWF) should be recognised from July 01, 2014, and

- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and Sindh Workers' Welfare Fund (SWWF) should be recognised effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 60.378 million. Further, the Fund has recognised provision for SWWF amounting to Rs. 21.075 and 0.634 million (2018: 21.075 million) for Class A and Class B respectively in these financial statements. Had the provision not being made, the net asset value per unit as at June 30, 2018 would have been higher by Rs. 0.00223 and 0.0757 for Class A and Class B respectively (2018: Rs. 0.0742) per certificate.

## 13 NUMBER OF UNITS IN ISSUE

| | Note | June 30, 2019 Class A | June 30, 2019 Class B | June 30, 2019 Total | June 30,2018 Total |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| Total units in issue at the beginning of the year | | 284,125 | 284,125 | 568,250 | 284,125 |
| Units issued | | - | 5,352 | 5,352 | - |
| Units redeemed | | - | (11,142) | (11,142) | - |
| Total units in issue at the end of the year | | 284,125 | 278,335 | 562,460 | 284,125 |

## 14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

## 15 AUDITORS' REMUNERATION

| | Note | June 30, 2019 Class A | June 30, 2019 Class B | June 30, 2019 Total | June 30, 2018 Total |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| Annual audit fee | | 195 | 80 | 275 | 360 |
| Fee for half yearly review | | 72 | 49 | 121 | 173 |
| Other certifications and out of pocket | | 22 | 9 | 31 | 440 |
| | | 289 | 138 | 427 | 973 |

## 16 TAXATION

No provision for taxation has been made as the Fund has incurred a net loss and as such is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the 'Income statement' and 'Statement of comprehensive income'.

## 17 EARNING PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

| | Class A | | |
|---|---|---|---|
| | -------------------- As on June 30, 2019 -------------------------- | | |
| | At fair value through other comprehensive income | At Amortised Cost | Total |
| | -------------------- Rupees in '000 ---------------------------------- | | |
| **Assets** | | | |
| Bank balances | - | 49.550 | 49.550 |
| Investments | 1.619.479 | - | 1.619.479 |
| Dividend and Profit receivable | - | 61,446 | 61,446 |
| Deposits | - | 100 | 100 |
| | 1,619,479 | 111,096 | 1,730,575 |

| | Class A | | |
|---|---|---|---|
| | --------------------- As on June 30, 2019 -------------------------- | | |
| | At fair value through profit or loss | At amortised cost | Total |
| | ----------------------- Rupees in '000 ---------------------------- | | |
| **Liabilities** | | | |
| Payable to the Management Company | - | 4.921 | 4.921 |
| Payable to the Trustee | - | 259 | 259 |
| Payable against purchase of investment | - | - | - |
| Accrued expenses and other liabilities | - | 235 | 235 |
| Unclaimed dividend | - | - | - |
| | - | 5,415 | 5,415 |

| | Class B | | |
|---|---|---|---|
| | -------------------- As on June 30, 2019 -------------------------- | | |
| | At fair value through profit or loss | At Amortised Cost | Total |
| | -------------------- Rupees in '000 ---------------------------------- | | |
| **Assets** | | | |
| Bank balances | - | 390.621 | 390.621 |
| Investments | 2.154.419 | - | 2.154.419 |
| Dividend and Profit receivable | - | 4.254 | 4.254 |
| Deposits | | 2.700 | 2.700 |
| | 2,154,419 | 397,575 | 2,551,994 |

| | Class B | | |
|---|---|---|---|
| | ---- As on June 30, 2019 ---- | | |
| | **At fair value through profit or loss** | **At amortised cost** | Total |
| | ---- Rupees in '000 ---- | | |
| **Liabilities** | | | |
| Payable to the Management Company | - | **7,099** | **7,099** |
| Payable to the Trustee | - | **352** | **352** |
| Payable against purchase of investment | - | **16,064** | **16,064** |
| Accrued expenses and other liabilities | - | **44,913** | **44,913** |
| Unclaimed dividend | - | **86,019** | **86,019** |
| | - | **154,447** | **154,447** |

| | ---- As on June 30, 2018 ---- | | | |
|---|---|---|---|---|
| | At fair value through profit or loss - held-for-trading | Available for sale | loans and receivables | Total |
| | ---- Rupees in '000 ---- | | | |
| Assets | | | | |
| Bank balances | - | - | 371,142 | 371,142 |
| Investments | 2,667,725 | 2,511,445 | | 5,179,170 |
| Dividend and Profit receivable | - | - | 79,037 | 79,037 |
| | 2,667,725 | 2,511,445 | 450,179 | 5,629,349 |

| | ---- As on June 30, 2018 ---- | | |
|---|---|---|---|
| | At fair value through profit or loss - held-for-trading | Other financial liabilities | Total |
| | ---- Rupees in '000 ---- | | |
| Liabilities | | | |
| Payable to the Management Company | - | 9,511 | 9,511 |
| Payable to the Trustee | - | 377 | 377 |
| Payable against purchase of investment | - | 13,183 | 13,183 |
| Accrued expenses and other liabilities | - | 3,866 | 3,866 |
| Unclaimed dividend | - | 86,271 | 86,271 |
| | - | 113,208 | 113,208 |

## 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in these financial statements are as follows:

| | June 30, 2019 | | | June 30, 2018 |
|---|---|---|---|---|
| | Class A | Class B | Total | Total |
| | ------------------- (Rupees in '000) ------------------- | | | |
| **19.1 Transactions during the year** | | | | |
| **HBL Asset Management Limited** | | | | |
| Remuneration of Management Company | 45,382 | 53,645 | 99,027 | 111,662 |
| Sindh Sales Tax on remuneration of Management Company | 5,900 | 6,974 | 12,874 | 14,516 |
| Reimbursement of Fund Operations, accounting and Related costs | 2,269 | 2,682 | 4,951 | 5,583 |
| Selling and marketing expense | 9,020 | 10,609 | 19,629 | - |
| **Habib Bank Limited - Sponsor** | | | | |
| Dividend Income | - | 4,494 | 4,494 | 3,375 |
| Profit on bank deposits | - | 28 | 28 | 465 |
| **MCB Bank Limited** | | | | |
| **Connected Person Due to Holding more than 10% Certificate** | | | | |
| Profit on bank deposits | 1,048 | 8,475 | 9,523 | 7,107 |
| Dividend Income | - | 8,190 | 8,190 | 10,252 |
| Bank charges | - | - | - | 92 |
| **Central Depository Company of Pakistan Limited - Trustee** | | | | |
| Remuneration | 3,133 | 3,685 | 6,818 | 4,708 |
| CDC Connection charges | 632 | 400 | 1,032 | 968 |
| **Aga Khan University Employees Provident Fund Trust** | | | | |
| Redemption of unit 588,000 | - | 5,296 | 5,296 | - |
| **Aga Khan University Employees Gratuity Fund Trust** | | | | |
| Redemption of unit 138,000 | - | 1,243 | 1,243 | - |
| **HBL Islamic Asset Allocation Fund** | | | | |
| Purchase of Oil & Gas Development Limited 10,000 Shares | - | 1,417 | 1,417 | - |
| Purchase of Engro Polymer Chemical Limited 35,000 Shares | - | 1,261 | 1,261 | - |
| Purchase of Maple Leaf Cement Factory Limited 25,000 Shares | - | 970 | 970 | - |
| Purchase of Engro Fertilizers Limited 15,000 Shares | - | 1,076 | 1,076 | - |
| Purchase of Pakistan State Oil Company Limited 12,000 Shares | - | 2,520 | 2,520 | - |
| Purchase of Lotte Chemical Pakistan Limited 30,000 Shares | - | 412 | 412 | - |
| Purchase of Lucky Cement Limited 4,000 Shares | - | 1,734 | 1,734 | - |
| Purchase of Kohat Cement Limited 8,000 Shares | - | 703 | 703 | - |
| Purchase of Hub Power Company Limited 15,000 Shares | - | 1,169 | 1,169 | - |
| **HBL Islamic Dedicated Equity Fund** | | | | |
| Purchase of Kohinoor Textile Mills Limited 83,500 Shares | - | 2,408 | 2,408 | - |
| Purchase of The Searle Company Limited 6,000 Shares | - | 806 | 806 | - |
| **HBL Islamic Equity Fund** | | | | |
| Purchase of Sitara Chemical Industries Limited 3,200 Shares | - | 824 | 824 | - |

| | June 30, 2019 | | | June 30, 2018 |
|---|---|---|---|---|
| | Class A | Class B | Total | Total |
| | ------------------ (Rupees in '000) ------------------ | | | |
| **19.2 Balances outstanding at the year end** | | | | |
| **HBL Asset Management Limited** | | | | |
| Payable to the Management Company | 2,944 | 3,944 | 6,888 | 9,058 |
| Sindh Sales tax payable on remuneration to management company | 383 | 513 | 896 | 1,178 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 147 | 197 | 344 | 453 |
| Selling and marketing expense | 1,830 | 2,445 | 4,275 | - |
| **Habib Bank Limited - Sponsor** | | | | |
| Outstanding units: 48,662,161 (2018: 48,662,161 units) | 486,622 | - | 486,622 | 486,622 |
| Outstanding units : 48,662,161 | - | 409,112 | 409,112 | - |
| Bank balance | - | 415 | 415 | 392 |
| **Associated Companies** | | | | |
| **Jubilee General Insurance Company Limited** | | | | |
| Outstanding units: 100,379 (2018: 100,379 units) | 1,004 | - | 1,004 | 1,004 |
| Outstanding units : 100,379 | - | 844 | 844 | - |
| **Jubilee General Insurance Company Limited Staff Provident Fund Trust** | | | | |
| Outstanding units: 118,454 (2018: 118,454 certificates) | 1,184 | - | 1,184 | 1,184 |
| Outstanding units: 118,454 | - | 996 | 996 | - |
| **Jubilee General Insurance Company Limited Gratuity Fund Trust** | | | | |
| Certificates held: 224,000 (2018: 224,000 certificates) | 2,240 | - | 2,240 | 2,240 |
| Outstanding units: 224,000 | - | 1,883 | 1,883 | - |
| **Aga Khan University Employees Provident Fund Trust** | | | | |
| Certificates held: 588,000 (2018: 588,000 certificates) | 5,880 | - | 5,880 | 5,880 |
| **Aga Khan University Employees Gratuity Fund Trust** | | | | |
| Certificates held: 138,000 (2018: 138,000 certificates) | 1,380 | - | 1,380 | 1,380 |
| **MCB Bank Limited** | | | | |
| **Connected Person Due to Holding more than 10% Certificate** | | | | |
| Bank balance | 122 | 175,935 | 176,057 | 106,436 |
| Certificates held: 66,090,021 (2018: 66,090,021 certificates) | 660,900 | - | 660,900 | 660,900 |
| Outstanding units : 66,090,021 | - | 555,632 | 555,632 | - |
| Profit receivable | - | 707 | 707 | 490 |
| **Central Depository Company Of Pakistan Limited - Trustee** | | | | |
| Trustee fee payable | 259 | 316 | 575 | 385 |
| Security deposit held | 100 | 200 | 300 | 300 |
| CDC Charges Payable | - | 36 | 36 | 36 |

| | June 30, 2019 | | | June 30, 2018 |
|---|---|---|---|---|
| | Class A | Class B | Total | Total |
| | ------------------- (Rupees in '000) ------------------- | | | |
| **Directors and Executives of the Management Company** | | | | |
| Outstanding units held: 26,195 (2018: 26,195 units) | 262 | - | 262 | 262 |
| Outstanding units : 26,195 | - | 220 | 220 | - |

## 20 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyze the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund’s activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 20.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

### 21.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as its all transactions are carried out in Pak Rupees.

### 21.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

a) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the period would have increased / (decreased) by Rs. 4,401 million ( 2018 : Rs 3.711 million ), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

**21.1.3 Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as financial assets 'at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive document / regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company, whichever is lower, and sector exposure limit to 30% of net assets. However, relaxation in this regard has been obtained from the regulators in respect of frozen investments classified as fair value through comprehensive income as disclosed in note 6.3.

In case of 5% increase / decrease in the fair value of the Fund's equity securities on June 30, 2019, net assets of the Fund would have increased / decreased by Rs. 107.721 million (2018: Rs. 133.386 million) as a result of gains / losses on equity securities in 'fair value through profit or loss - held-for-trading' category, with corresponding effect on operating income reported in 'Income statement'.

In case of 5% increase / decrease in the fair value of the Fund's equity securities on June 30, 2019, net assets of the Fund would have increased / decreased by Rs. 80.973 million (2018: Rs. 125.572 million) as a result of gains / losses on equity securities in 'available for sale' category, with corresponding effect on other comprehensive income reported in 'Statement of comprehensive income'.

**21.2 Credit risk**

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities and profit receivable on bank deposits.

**Management of credit risk**

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summaries the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2019:

Class A

| Name of the bank | Balance as at June 30, 2019 | Latest available published rating as at June 30, 2019 | Rating agency |
|---|---|---|---|
| | Rupees in '000 | | |
| **Savings Accounts** | | | |
| MCB Bank Limited | 122 | AAA | PACRA |
| Soneri Bank | 41,289 | AA- | PACRA |
| JS Bank Limited | 8,139 | AA- | PACRA |
| | 49,550 | | |

Class B

| Name of the bank | Balance as at June 30, 2019 | Latest available published rating as at June 30, 2019 | Rating agency |
|---|---|---|---|
| | Rupees in '000 | | |
| **Savings Accounts** | | | |
| MCB Bank Limited | 175,936 | AAA | PACRA |
| Soneri Bank | 185,337 | AA- | PACRA |
| Habib Bank Limited | 415 | AAA | JCR-VIS |
| JS Bank Limited | 28,932 | AA- | PACRA |
| | 390,621 | | |

| Name of the bank | Balance as at June 30, 2018 | Latest available published rating as at June 30, 2018 | Rating agency |
|---|---|---|---|
| | Rupees in '000 | | |
| Savings Accounts | | | |
| MCB Bank Limited | 106,436 | AA- | PACRA |
| Habib Bank Limited | 392 | AAA | JCR-VIS |
| JS Bank Limited | 264,314 | AA- | PACRA |
| | 371,142 | | |

The maximum exposure to credit risk before considering any collateral as at June 30, 2019 and June 30, 2018 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

**Concentration of credit risk**

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

**21.3 Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through other facilities. The Fund manages the liquidity risk by maintaining sufficient cash balance with banks and marketable securities.

The Fund has a policy to invest the majority of its assets in investments that are traded in an active market and can be readily disposed off. The Fund's listed securities are considered readily realisable, as they are listed on the Pakistan Stock Exchange Limited.

The Fund is not materially exposed to liquidity risk as all obligations / commitments of the Fund are short-term in nature and are restricted to the extent of available liquidity and significant assets of the Fund are readily disposable in the market.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

| | Class A | | | |
|---|---|---|---|---|
| | As at June 30, 2019 | | | |
| | Upto three months | More than three months and upto one year | More than one year | Total |
| | Rupees in '000 | | | |
| **Liabilities** | | | | |
| Payable to the Management Company | 5,304 | - | - | 5,304 |
| Payable to the Trustee | 259 | - | - | 259 |
| Payable against purchase of investment | - | - | - | - |
| Accrued expenses and other liabilities | 235 | - | - | 235 |
| Unclaimed dividend | - | - | - | - |
| | 5,798 | - | - | 5,798 |

| | Class B | | | |
|---|---|---|---|---|
| | As at June 30, 2019 | | | |
| | Upto three months | More than three months and upto one year | More than one year | Total |
| | Rupees in '000 | | | |
| **Liabilities** | | | | |
| Payable to the Management Company | 7,099 | - | - | 7,099 |
| Payable to the Trustee | 352 | - | - | 352 |
| Payable against purchase of investment | 16,064 | - | - | 16,064 |
| Accrued expenses and other liabilities | 45,317 | - | - | 45,317 |
| Unclaimed dividend | 86,019 | - | - | 86,019 |
| | 154,851 | - | - | 154,851 |

| | As at June 30, 2018 | | | |
|---|---|---|---|---|
| | Upto three months | More than three months and upto one year | More than one year | Total |
| | Rupees in '000 | | | |
| Liabilities | | | | |
| Payable to the Management Company | 9.511 | - | - | 9.511 |
| Payable to the Trustee | 377 | - | - | 377 |
| Payable against purchase of investment | 13.183 | - | - | 13.183 |
| Accrued expenses and other liabilities | 3.866 | - | - | 3.866 |
| Unclaimed dividend | 86.271 | - | - | 86.271 |
| | 113,208 | - | - | 113,208 |

## 22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and"

- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

Class A

June 30, 2019

| | Carrying amount | | | | | Fair Value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fair value through profit or loss | Fair value through other comprehensive income | At amortised cost | Other financial asset s/ liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | ---------------------------------------------------- (Rupees in '000) ---------------------------------------------------- | | | | | | | | |
| **Financial assets measured at fair value** Investments - | | | | | | | | | |
| Listed equity securities | | 1,619,479 | - | - | 1,619,479 | 1,619,479 | - | - | 1,619,479 |
| | - | 1,619,479 | - | - | 1,619,479 | 1,619,479 | - | - | 1,619,479 |
| **Financial assets not measured at fair value** Bank balances | - | - | - | 49,550 | 49,550 | - | | | |
| Dividend and Profit receivable | - | - | - | 61,446 | 61,446 | | | | |
| | - | - | - | 110,996 | 110,996 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Payable to Management Company | | - | - | 5,304 | 5,304 | | | | |
| Payable to Trustee | | - | - | 259 | 259 | | | | |
| Payable against purchase of investment | | - | - | - | - | | | | |
| Accrued expenses and other liabilities | | - | - | 235 | 235 | | | | |
| Unclaimed dividend | | - | - | - | - | | | | |
| | | - | - | 5,798 | 5,798 | | | | |

Class B

June 30, 2019

| | Carrying amount | | | | | Fair Value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fair value through profit or loss | Fair value through other comprehensive income | At amortised cost | Other financial assets/liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | ---------------------------------------------------- (Rupees in '000) ---------------------------------------------------- | | | | | | | | |
| **Financial assets measured at fair value** Investments - | | | | | | | | | |
| Listed equity securities | 2,154,419 | | - | - | 2,154,419 | 2,154,419 | - | - | 2,154,419 |
| | 2,154,419 | - | - | - | 2,154,419 | 2,154,419 | - | - | 2,154,419 |
| **Financial assets not measured at fair value** Bank balances | - | - | - | 390,621 | 390,621 | | | | |
| Dividend and Profit receivable | - | - | - | 4,254 | 4,254 | | | | |
| | - | - | - | 394,875 | 394,875 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Payable to Management Company | | - | - | 7,099 | 7,099 | | | | |
| Payable to Trustee | | - | - | 352 | 352 | | | | |
| Payable against purchase of investment | | - | - | 16,064 | 16,064 | | | | |
| Accrued expenses and other liabilities | | - | - | 44,913 | 44,913 | | | | |
| Unclaimed dividend | | - | - | - | - | | | | |
| | | - | - | 68,428 | 68,428 | | | | |

June 30, 2018

| | Carrying amount | | | | | Fair Value | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fair value through profit or loss held-for-trading | 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 | 2,667,725 | 2,511,445 | - | - | 5,179,170 | 5,179,170 | - | - | 5,179,170 |
| | 2,667,725 | 2,511,445 | - | - | 5,179,170 | 5,179,170 | - | - | 5,179,170 |
| **Financial assets not measured at fair value** | | | | | | | | | |
| Bank balances | - | - | 371,142 | - | 371,142 | | | | |
| Dividend and Profit receivable | - | - | 79,037 | - | 79,037 | | | | |
| | - | - | 450,180 | - | 450,180 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | | |
| Payable to Management Company | | - | - | 9,511 | 9,511 | | | | |
| Payable to Trustee | | - | - | 377 | 377 | | | | |
| Payable against purchase of investment | | - | - | 13,183 | 13,183 | | | | |
| Accrued expenses and other liabilities | | - | - | 3,866 | 3,866 | | | | |
| Unclaimed dividend | | - | - | 86,271 | 86,271 | | | | |
| | | - | - | 113,208 | 113,208 | | | | |

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.

**Transfers during the year**

There were no transfers between various levels of fair value hierarchy during the year.

**23 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

**Top ten brokers during the year ended June 30, 2019**

1 AL Falah Securities (Private) Limited
2 Arif Habib Limited
3 BMA Capital Management Limited
4 DJM Securities (Private) Limited
5 EFG Hermes Pakistan Limited
6 Intermarket Securities Limited
7 JS Global Capital Limited
8 Optimus Capital Management (Private) Limited
9 Taurus Securities Limited
10 Topline Securities (Private) Limited

Top ten brokers during the year ended June 30, 2018

1 Next Capital Limited
2 Intermarket Securities Limited
3 Insight Securities (Private) Limited
4 DJM Securities (Private) Limited
5 Taurus Securities Limited
6 Optimus Capital Management (Private) Limited
7 BMA Capital Management Limited
8 EFG Hermes Pakistan Limited
9 JS Global Capital Limited
10 IGI Finex Securities Limited

**24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2019 are as follows:

| S.no. | Name | Designation | Qualification | Experience in years |
|---|---|---|---|---|
| 1 | Farid Ahmed Khan | Chief Executive Officer | CFA, MBA | 26+ |
| 2 | Muhammad Imran | Chief Investment Officer | MBA - Finance | 19+ |
| 3 | Jawad Naeem | Head of Equities | MBA - Finance | 11+ |
| 4 | Adeel Abdul Wahab | Specialist - Equity | ACCA | 11+ |
| 5 | Noman Ameer* | Manager Risk | MBA - Finance | 12+ |
| 6 | Sateesh Balani | Head of Research | CFA, MBA | 8+ |

*Employee resigned from the service of the company effective from June 10, 2019

## 25 PATTERN OF UNITHOLDING

| | Class A | | | |
|---|---|---|---|---|
| | ---------- As at June 30, 2019 ---------- | | | |
| **Category** | **Number of units holders** | **Number of units held** | **Unit holding or investment amount Rupees in '000** | **Percentage of total** |
| **Individuals** | **15,000** | **97,731,966** | **592,222** | **34.40%** |
| **Associated Companies and Directors** | **11** | **60,026,037** | **363,737** | **21.13%** |
| **Insurance Companies** | **15** | **5,936,530** | **35,973** | **2.09%** |
| **NBFCs** | **20** | **45,648** | **277** | **0.02%** |
| **Bank/DFIs** | **24** | **76,116,997** | **461,242** | **26.79%** |
| **Foreign companies** | **3** | **22,356,706** | **135,474** | **7.87%** |
| **Modarabas** | **4** | **6,084** | **37** | **0.00%** |
| **Foreign Individuals** | **119** | **5,955,262** | **36,087** | **2.10%** |
| **Others** | **97** | **15,949,770** | **96,650** | **5.61%** |
| | **15,293** | **284,125,000** | **1,721,698** | **100%** |

| | Class B | | | |
|---|---|---|---|---|
| | ---------- As at June 30, 2019 ---------- | | | |
| **Category** | **Number of units holders** | **Number of units held** | **Unit holding or investment amount Rupees in '000** | **Percentage of total** |
| **Individuals** | **15,067** | **100,511,434** | **845,015** | **36.11%** |
| **Associated Companies and Directors** | **8** | **49,191,909** | **413,565** | **17.67%** |
| **Insurance Companies** | **14** | **5,919,284** | **49,764** | **2.13%** |
| **Trust** | **15** | **33,869,086** | **284,743** | **12.17%** |
| **Bank/DFIs** | **17** | **73,875,322** | **621,080.47** | **26.54%** |
| **Retirement Funds** | **7** | **1,416,646** | **11,910** | **0.51%** |
| **Other Corporate** | **111** | **13,551,651** | **113,931** | **4.87%** |
| | **15,239** | **278,335,332** | **2,340,009** | **100.00%** |

| | ---------- As at June 30, 2018 ---------- | | | |
|---|---|---|---|---|
| Category | Number of units holders | Number of units held | Unit holding or investment amount Rupees in '000 | Percentage of total |
| Individuals | 15,152 | 102,423,228 | 1,024,233 | 36.05% |
| Associated Companies and Directors | 11 | 60,026,037 | 600,260 | 21.13% |
| Insurance Companies | 15 | 5,936,530 | 59,365 | 2.09% |
| NIT and ICP | 19 | 40,900 | 409 | 0.01% |
| Bank/DFIs | 24 | 75,616,997 | 756,170 | 26.61% |
| NBFCs | 1 | 4,748 | 47 | 0.00% |
| Foreign companies | 3 | 23,816,706 | 238,167 | 8.38% |
| Modarabas | 4 | 6,084 | 61 | 0.00% |
| Others | 100 | 16,253,770 | 162,538 | 5.72% |
| | 15,329 | 284,125,000 | 2,841,250 | 100.00% |

## 26. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Six meetings of the Board of Directors were held on July 04,2018 ,August 31, 2018, October 17, 2018, November 14, 2018, February 08, 2019 and April 30, 2019 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

| | | Number of meetings | | | |
|---|---|---|---|---|---|
| **S.No.** | **Name of Director** | **Held** | **Attended** | **Leave granted** | **Meetings not attended** |
| 1 | Mr. Agha Sher Shah 1 - 2 | 6 | 5 | 1 | November 14,2018 |
| 2 | Mr. Farid Ahmed Khan 3 | 6 | 6 | - | - |
| 3 | Ms. Ava A. Cowasjee 1 | 6 | 6 | - | - |
| 4 | Mr. Rayomond H. Kotwal 1 | 6 | 5 | 1 | February 08,2019 |
| 5 | Mr. Rizwan Haider 1 | 6 | 5 | 1 | November 14,2018 |
| 6 | Mr. Shabbir Hussain Hashmi 1 | 6 | 6 | - | - |
| 7 | Mr. Shahid Ghaffar 1 | 6 | 6 | - | - |
| 8 | Mr. Aamir Hasan Irshad 4 | 1 | 1 | - | - |

1 Completed term and reappointed on April 26, 2019.
2 Resigned on June 02, 2019.
3 Completed term and appointed as deemed director effective from April 26, 2019.
4 Appointed on April 26, 2019.

## 27. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2019 of Class A is 3.09% and of Class B is 3.30% (2018: 2.87%) which includes 0.40% of Class A and 0.41% of Class B (2018: 0.38%) representing government levy and SECP fee.

## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 29, 2019 by the Board of Directors of the Management Company.

## 29. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

## 30. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

**For HBL Asset Management Limited**
**(Management Company)**

| Chief Financial Officer | Chief Executive Officer | Director |
|---|---|---|

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Online Quizzes

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