

**HBL**

ASSET MANAGEMENT LTD.

ایسیٹ مینجمنٹ لمیٹڈ

# Annual Report 2018-19

MOVING TOWARDS  
**EXCELLENCE**



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## PROGRESSIVENESS

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

## MERITOCRACY

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

## EXCELLENCE

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

## OUR CORPORATE VALUES

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

## CUSTOMER FOCUS

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

## INTEGRITY

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

# 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.

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

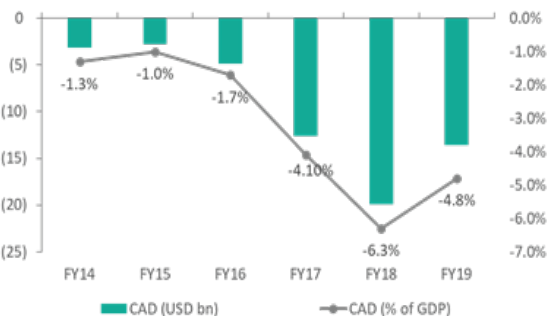
## Head Office & Registered Office

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

The Board of Directors of HBL Asset Management Limited is pleased to present its report together with Financial Statements of HBL Islamic Money Market Fund, HBL Islamic Income Fund, HBL Islamic Stock Fund, HBL Islamic Equity Fund, HBL Islamic Asset Allocation Fund, HBL Islamic Financial Planning Fund and HBL Islamic Dedicated Equity Fund (the Funds) for the year ended June 30, 2019.

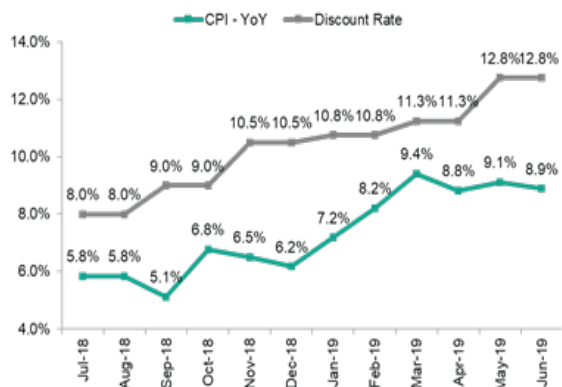
**Economic Review – FY19**

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.

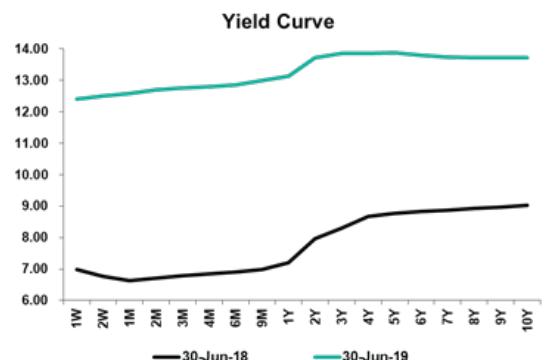


Moving ahead, we foresee tough economic conditions to persist with sluggish GDP growth and inflationary pressures. Focus would remain on government compliance with IMF policy directives largely on fiscal side and its implementation of budgetary commitments.

**Money Market Review**

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

As per latest data available, Islamic Banking industry assets posted 19.5% growth and stood at PKR 2,790 billion by Mar-19. Similarly, deposits of Islamic banks/windows also witnessed a sharp growth of 14.8% YoY and reached PKR 2,199 billion by Mar-19. Despite the massive growth in assets and deposits, SBP did not issue any fixed or floating rate GOP Ijarah Sukuk in FY18 and in FY19. During FY19, PKR 314bn of GoP Ijarah matured while government conducted “Bai-Muajjal” transactions of PKR 237bn so that banks could park their excess liquidity. The “Bai-Muajjal” was SLR Eligible which ensured that the Islamic banks continue to meet the SLR requirement.



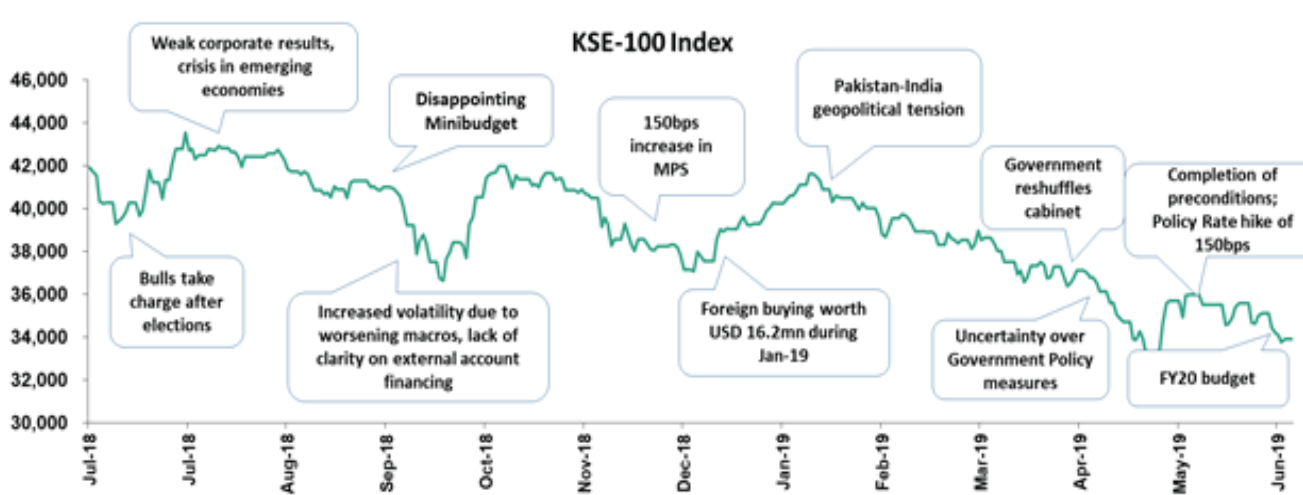
The government has issued Energy Sukuk-I of PKR 200bn to partially retire the circular debt. This was a long term and SLR Eligible instrument fetching increased investment flows from Islamic banks. Moreover, Government is planning another Energy Sukuk-II of PKR 200bn in 1QFY20 to settle outstanding circular debt with similar pricing and characteristics.

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 KMI30 index recorded 16,942 points decline (-24%) during FY19 to close at 54,119 level. Index heavy weights like energy scrips & cyclical sectors led the decline in the index. Major decline in the index was contributed by Oil & Gas Exploration (-23%), Cement (-33%) and Oil Marketing sector (-42%) due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive return during the year. On the flows side, foreigners were net sellers during 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 portfolio focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

## FUND'S PERFORMANCE AND PAYOUTS

### HBL Islamic Money Market Fund

The total income and net income of the Fund was Rs. 102.17 million and Rs. 84.76 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) of the Fund was Rs. 100.9968 per unit as on June 30, 2019 as compared to Rs. 104.9735 per unit as on June 30, 2018, after incorporating dividend of Rs. 12.15 (Rs. 4.15 per unit for the year ended June 30, 2018 and Rs. 8.00 per unit for the year ended June 30, 2019); per unit, thereby giving an annualized return of 8.11%. During the year the benchmark return (3 Month bank deposit rates) was 3.35%. The size of Fund was Rs. 1.05 billion as on June 30, 2019 as compared to Rs. 0.96 billion at the start of the year.

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

### HBL Islamic Income Fund

The total income and net income of the Fund was Rs. 380.18 million and Rs. 307.15 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) of the Fund was Rs. 101.4883 per unit as on June 30, 2019 as compared to Rs. 106.3013 per unit as on June 30, 2018, after incorporating dividend of Rs. 12.75 (Rs. 5.00 per unit for the year ended June 30, 2018 and Rs. 7.75 per unit for the year ended June 30, 2019) per unit, thereby giving an annualized return of 7.85%. During the same year the benchmark return (6 Month bank deposit rates) was 3.65%. The size of Fund was Rs. 3.10 billion as on June 30, 2019 as compared to Rs. 4.04 billion at the start of the year.

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

### HBL Islamic Stock Fund

The total and net loss of the Fund was Rs. 203.62 million and Rs. 277.65 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) of the Fund was Rs. 91.2924 per unit as on June 30, 2019 as compared to Rs. 111.8276 per unit as on June 30, 2018 giving a negative return of 18.36% during the year against the benchmark return (KMI 30 Index) of negative 23.84%. The size of Fund was Rs. 0.64 billion as on June 30, 2019 as compared to Rs. 2.54 billion at the start of the year.

### HBL Islamic Equity Fund

The total and net loss of the Fund was Rs. 105.93 million and Rs. 131.75 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) of the Fund was Rs. 76.7854 per unit as on June 30, 2019 as compared to Rs. 92.4834 per unit as on June 30, 2018 giving a negative return of 16.97% during the year against the benchmark return (KMI 30 Index) of negative 23.84%. The size of Fund was Rs. 0.26 billion as on June 30, 2019 as compared to Rs. 1.32 billion at the start of the year.

### HBL Islamic Asset Allocation Fund

The total income and net loss of the Fund was Rs. 44.67 million and Rs. 11.85 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) of the Fund was Rs. 103.2688 per unit as on June 30, 2019 as compared to Rs. 104.7748 per unit as on June 30, 2018, after incorporating dividend of Rs. 0.30 for the year ended June 30, 2018, thereby giving a negative return of 1.15% during the year against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of negative 4.31%. The size of Fund was Rs. 1.13 billion as on June 30, 2019 as compared to Rs. 2.47 billion at the start of the year.

### HBL Islamic Financial Planning Fund

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

The Fund as a whole incurred a total and net loss of Rs. 28.38 million and Rs. 49.07 million respectively during the year under review. The fund size of the fund stood at Rs. 2.76 billion. 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. 12.30 million and Rs. 13.01 million respectively. The net assets of the Active allocation plan stood at Rs. 145 million representing Net Asset Value (NAV) of Rs. 93.3275 per unit as at June 30, 2019 as compared to Rs. 100.4143 as at June 30, 2018. The plan earned a negative return of 7.06% for the year under review against the benchmark return of negative 10.66%. The plan is invested to the extent of 41% in equity funds & 59% in fixed income funds.

### **Conservative Allocation Plan**

During the year under review, the Conservative allocation plan earned total and net income of Rs. 0.77 million and Rs. 0.64 million respectively. The net assets of the Conservative allocation plan stood at Rs. 18 million representing Net Asset Value (NAV) of Rs. 101.4641 per unit as at June 30, 2019 as compared to Rs. 100.4151 as at June 30, 2018, after incorporating dividend of Rs. 2.05 for the year ended June 30, 2019. The plan earned a return of 2.07% for the year under review against the benchmark return of negative 2.06%. The plan is invested to the extent of 19% in equity funds & 79% in fixed income funds.

### **Strategic Allocation Plan**

During the year under review, the Strategic allocation plan incurred a total and net loss of Rs. 19.04 million and Rs. 34.19 million respectively. The net assets of the Strategic allocation plan stood at Rs. 2.15 billion representing Net Asset Value (NAV) of Rs. 100.7694 per unit as at June 30, 2019 as compared to Rs. 101.4938 per unit as at June 30, 2018. The plan earned a negative return of 0.71% for the year under review against the benchmark return of negative 3.81%. The plan is invested to the extent of 0% in equity funds & 100% in fixed income funds.

### **Islamic Capital Preservation Plan**

The Islamic Capital Preservation Plan commence its operations from October 02, 2018.

During the period under review, the Islamic Capital Preservation Plan earned and incurred a total income and net loss of Rs. 2.20 million and Rs. 2.51 million respectively. The net assets of the Islamic Capital Preservation Plan stood at Rs. 0.45 billion representing Net Asset Value (NAV) of Rs. 99.4840 per unit as at June 30, 2019. The plan earned a negative return of 0.52% for the period under review against the benchmark return of negative 1.74%. The plan is invested to the extent of 26% in equity funds & others in cash.

### **HBL Islamic Dedicated Equity Fund**

The HBL Islamic Dedicated Equity Fund commence its operations from October 01, 2018.

During the period under review, the Islamic Dedicated Equity Fund incurred a total and net loss of Rs. 79.22 million and Rs. 92.14 million respectively. The net assets of the Islamic Dedicated Equity Fund stood at Rs. 116.58 million representing Net Asset Value (NAV) of Rs. 83.8322 per unit as at June 30, 2019. The Fund earned a negative return of 16.17% for the period under review against the benchmark return of negative 15.47%.

### **MANAGEMENT COMPANY RATING**

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

### **AUDITORS**

M/s Deloitte Yousuf Adil, Chartered Accountants existing auditors of HBL Islamic Money Market Fund, HBL Islamic Stock Fund, HBL Islamic Asset Allocation Fund and HBL Islamic Dedicated Equity 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 Islamic Stock Fund and HBL Islamic Dedicated Equity Fund for the next term.

M/s BDO Ebrahim & Co. Chartered Accountants existing auditors of HBL Islamic Income Fund, HBL Islamic Equity Fund and HBL Islamic Financial Planning 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 Islamic Income Fund and HBL Islamic Equity 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 Islamic Money Market Fund, HBL Islamic Asset Allocation Fund and HBL Islamic Financial Planning 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 and 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**

HBL ایسٹ منجمنٹ لمیٹڈ کا بورڈ آف ڈائریکٹرز 30 جون 2019 کو ختم ہونے والے سال کیلئے اپنی رپورٹ ہمراہ ایچ بی ایل اسلامک منی مارکیٹ فنڈ، ایچ بی ایل اسلامک ائم فنڈ، ایچ بی ایل اسلامک اسٹاک فنڈ، ایچ بی ایل اسلامک ایکویٹی فنڈ، ایچ بی ایل اسلامک ایسٹ ایلوکیٹیشن فنڈ، ایچ بی ایل اسلامک فنانس پلاننگ فنڈ اور ایچ بی ایل اسلامک ڈیڈ ویگنڈ ایکویٹی فنڈ ("فنڈز") 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 اکنامک ایڈجسٹمنٹ کے پیش نظر پالیسی سازوں نے مجموعی طلب کو حد میں رکھنے اور بیرونی کھاتے کے دباؤ سے نمٹنے کی غرض سے (زرزی 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 زرزی 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 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 زپر قاپو رکھنے کی راہ اپنائی۔ ان سخت تہدیلوں نے تجارتی ڈیٹا میں قحط 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 کمی کی ظاہر کی جس سے تجارتی خسارہ 11.3 فیصد یعنی 28.2 بلین امریکی ڈالر تک پہنچ گیا۔ ترسیلات زر کی صورت حال 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 کمی آئی جبکہ مالی سال 2018 کے ابتدائی 11 مہینوں کے دوران 5.7 فیصد اضافہ ریکارڈ کیا گیا تھا۔ کرنٹ اکاؤنٹ خسارے کی رفتار میں کمی آنے کے باوجود زرمبادلہ کے ذخائر کی صورت حال 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 دو مہینے بجٹ بھی سست رفتار معیشت کیلئے کوئی خاص آمدنی پیدا نہیں کر سکے۔

مالی سال 2019 کے دوران کزن بومر 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 جارہی 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 صورت حال 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۔

#### بازار زر کا جائزہ

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

دستیاب تازہ ترین ڈیٹا کے مطابق اسلامی بینکاری کے اثاثہ جات میں 19.5 فیصد بڑھوتی ریکارڈ ہوئی جس کا حجم مارچ 2019 تک 2,790 بلین روپے تھا۔ اسی طرح اسلامی بینکوں میں ڈپازٹس میں سال بہ سال بنیادوں پر تیز رفتار اضافہ دیکھنے میں آیا جس کا حجم مارچ 2019 تک 2,199 بلین روپے تک پہنچ گیا تھا۔ اثاثوں اور ڈپازٹس میں بھاری اضافے کے باوجود مالی سال 2018 اور 2019 میں اسٹیٹ بینک آف پاکستان نے لکسڈ اور فلوئنگ ریٹ GOP اجارہ سلوک جاری نہیں کئے۔ مالی سال 2019 کے دوران 314 بلین روپے کے جی او پی اجارہ میچور ہوئے جبکہ حکومت نے بینکوں کے ساتھ 237 بلین روپے کے "بے مغل" سودے کئے تاکہ بینک اپنی اضافی نقدی رکھ سکیں۔ "بے مغل" SLR کا اہل تھا جو اس بات کو یقینی بناتا تھا کہ اسلامی بینک SLR کی شرائط کی تعمیل جاری رکھیں۔

حکومت نے 200 بلین روپے کے انرجی سکوک جاری کئے ہیں تاکہ سرکلر ڈیٹ سے کسی حد تک چھٹکارہ پایا جاسکے۔ یہ ایک طویل مدتی اور SLR کا اہل انٹروٹ تھا جو اسلامی بینکوں سے زیادہ سے زیادہ سرمایہ کاری لاتا تھا۔ مزید برآں حکومت مالی سال 2020 کی پہلی سہ ماہی کے دوران 200 بلین روپے کے ایک اور انرجی سکوک II جاری کرنے کی منصوبہ بندی کر رہی ہے تاکہ مماثل قیمت اور خصوصیات پر باقی ماندہ سرکلر ڈیٹ ادا کیا جاسکے۔

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 کر 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 تاکہ افراط زر کے بالواسطہ باؤسے بچا جاسکے۔

مئی 2019 کی ماہیٹری 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 پابندیوں کا کام میں لائی جا چکی 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 متوجہ ہوگا جسکے نتیجے میں مزید مالیاتی پابندیاں لگائی جاسکتی ہیں۔

#### اسٹاک مارکیٹ کا جائزہ

سارا سال مارکیٹ باؤ میں رہی ہے جسکی وجہ کمزور میکرو اکنامک ماحول اور کرنسی کی قدر اور شرح سود میں بھاری رد و بدل ہے۔ معاشی اور سیاسی صورتحال واضح نہ ہونے کے سبب سرمایہ کار خدشات کا شکار رہے جسکے سبب انہوں نے قومی بچت اسکیموں، فیکسڈ انکم فنڈز اور انشورمنٹس 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۔

معیاری KMI30 انڈیکس نے مالی سال 2019 کے دوران 16,946 پوائنٹس کی کمی (منفی 24 فیصد) ریکارڈ کی جو 54,119 کی سطح پر بند ہوا۔ انڈیکس کے چغادریوں اور احتیاطی سیکلر انڈیکس کو نیچے لانے کا بڑا سبب بنے۔ انڈیکس سے زیادہ کمی تیل اور گیس کی تلاش (منفی 23 فیصد)، سپینٹ (منفی 33 فیصد) اور اسٹاک مارکیٹنگ سیکلر (منفی 42 فیصد) میں ریکارڈ کی گئی کیونکہ ان سیکلرز نے اسٹاک مارکیٹ میں کمی کا رجحان ظاہر کیا۔ صرف تہہ کو وہ واحد سیکلر 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 ڈالر 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 ایکویٹی کی قدر سخت میکرو اکنامک ماحول میں غیر یقینی دکھائی دیتی ہے۔ تاہم انڈیکس چغادری (E&Ps) اور توانائی (گزشتہ 18 ماہ کے دوران ہونیوالی میکرو اکنامک تبدیلیوں (پاکستانی روپے کی قدر میں 50 فیصد 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 ”باہم اپ پروٹج“ پر مرکوز رہے گی اور ایسے اسٹاکس کی جانب سرمائے کا رخ کریں گے جو مستحکم آمدنی دینے کی صلاحیت رکھیں گے۔

#### فنڈز کی کارکردگی اور اس سے حاصل ہونیوالی آمدنی

##### ایچ بی ایل اسلامک منی مارکیٹ فنڈ

30 جون 2019 کو ختم ہونیوالے سال کے دوران فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 102.17 بلین روپے اور 84.76 بلین روپے تھی۔ 30 جون 2019 کو 12.15 روپے (30 جون 2018 کو تخمینہ سال کیلئے 4.15 روپے) فی یونٹ اور 30 جون 2019 کو تخمینہ سال کیلئے 8.00 روپے فی یونٹ)؛ فی یونٹ شامل کرنے کے بعد فنڈ کی خالص اثاثہ جاتی قدر (NAV) 100.9968 روپے فی یونٹ تھی جو 30 جون 2018 کو 104.9735 روپے رہی تھی یعنی سالانہ 8.11 فیصد آمدنی ہوئی۔ دوران سال ایچ بی ایل مارکیٹ (3 ماہ کا بینک ڈپازٹ ریٹ) 3.35 فیصد رہی۔ فنڈ کا حجم 30 جون 2019 کو 1.05 بلین روپے تھا جو سال کی شروعات کے وقت 0.96 بلین روپے تھا۔

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کے استحکام کی ریٹنگ کے AA(f) ہونے کی تصدیق کی ہے۔

#### ایچ بی ایل اسلامک انکم فنڈ

30 جون 2019 کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 380.18 ملین روپے اور 307.15 ملین روپے تھی۔ 30 جون 2019 کو 12.75 روپے (30 جون 2018 کو مختتمہ سال کیلئے 5.00 روپے) نی پونٹ اور 30 جون 2019 کو مختتمہ سال کیلئے 7.75 روپے) نی پونٹ؛ نی پونٹ شامل کرنے کے بعد فنڈ کی خالص اثاثہ جاتی قدر (NAV) 101.4883 روپے نی پونٹ تھی جو 30 جون 2018 کو 106.3013 روپے رہی تھی یعنی سالانہ 7.85 فیصد آمدنی ہوئی۔ دوران سال شیڈ مارک آمدنی (6 ماہ کا بینک ڈپازٹ ریٹ) 3.65 فیصد رہی۔ فنڈ کا حجم 30 جون 2019 کو 3.10 بلین روپے تھا جو سال کی شروعات کے وقت 4.04 بلین روپے تھا۔

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کے استحکام کی ریٹنگ A+(f) تک بڑھادی ہے۔

#### ایچ بی ایل اسلامک اسٹاک فنڈ

30 جون 2019 کو ختم ہونے والے سال کے دوران فنڈ کا کل نقصان اور خالص نقصان بالترتیب 203.62 ملین روپے اور 277.65 ملین روپے تھی۔ 30 جون 2019 کو فنڈ کی خالص اثاثہ جاتی قدر (NAV) 91.2924 روپے) نی پونٹ تھی جو 30 جون 2018 کو 111.8276 روپے رہی تھی یعنی سالانہ 18.36 فیصد منفی آمدنی حاصل ہوئی اور دوران سال شیڈ مارک آمدنی (30 KMI انڈیکس) 23.84 فیصد رہی۔ فنڈ کا حجم 30 جون 2019 کو 0.64 بلین روپے تھا جو سال کی شروعات کے وقت 2.54 بلین روپے تھا۔

#### ایچ بی ایل اسلامک ایکویٹی فنڈ

30 جون 2019 کو ختم ہونے والے سال کے دوران فنڈ کا کل اور خالص نقصان بالترتیب 105.93 ملین روپے اور 131.75 ملین روپے تھی۔ 30 جون 2019 کو فنڈ کی خالص اثاثہ جاتی قدر (NAV) 76.7854 روپے) نی پونٹ تھی جو 30 جون 2018 کو 92.4834 روپے رہی تھی یعنی سالانہ 16.97 فیصد منفی آمدنی حاصل ہوئی اور دوران سال شیڈ مارک آمدنی (30 KMI انڈیکس) 23.84 فیصد رہی۔ فنڈ کا حجم 30 جون 2019 کو 0.26 بلین روپے تھا جو سال کی شروعات کے وقت 1.32 بلین روپے تھا۔

#### ایچ بی ایل اسلامک ایٹ بلیویشن فنڈ

30 جون 2019 کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدنی اور خالص نقصان بالترتیب 44.67 ملین روپے اور 11.85 ملین روپے تھی۔ 30 جون 2018 کو 0.30 روپے کا منافع منقسمہ شامل کرنے کے بعد 30 جون 2019 کو فنڈ کی خالص اثاثہ جاتی قدر (NAV) 103.2688 روپے) نی پونٹ تھی جو 30 جون 2018 کو 104.7748 روپے رہی تھی یعنی سالانہ 1.15 فیصد منفی آمدنی حاصل ہوئی اور دوران سال شیڈ مارک آمدنی (30 KMI انڈیکس) کی ویڈیو ایپریٹ ڈیلی ریٹرن اور A ریٹڈ یا بالائے بیٹکوں کے 6 ماہ کے ڈپازٹ ریٹ) منفی 4.31 فیصد رہی۔ فنڈ کا حجم 30 جون 2019 کو 1.13 بلین روپے تھا جو سال کی شروعات کے وقت 2.47 بلین روپے تھا۔

#### ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ

ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ (پلاننگ) پر مشتمل ہے جن کے عنوان ہیں 'ایکٹیو بلیویشن پلان'؛ 'کنزرویٹو بلیویشن پلان'؛ 'اسٹریٹجک بلیویشن پلان'؛ اور 'اسلامک کیپٹل پریزرویٹن پلان'۔ زیر جائزہ سال کے دوران بطور اکانی فنڈ نے مجموعی طور سے بالترتیب 28.38 بلین روپے اور 49.07 بلین روپے کا کل اور خالص نقصان برداشت کیا۔ فنڈ کا حجم 2.76 بلین روپے رہا۔ پلان کی کارکردگی کا جائزہ ذیل میں پیش کیا جا رہا ہے:-

#### ایکٹیو بلیویشن پلان

زیر جائزہ سال کے دوران ایکٹیو بلیویشن پلان نے بالترتیب 12.30 ملین روپے اور 13.01 ملین روپے کا کل اور خالص نقصان حاصل کیا۔ ایکٹیو بلیویشن پلان کے خالص اثاثوں کی مالیت 145 ملین روپے رہی جو 30 جون 2019 تک 93.3275 روپے) نی پونٹ کی خالص اثاثہ جاتی قدر (NAV) کو ظاہر کرتی ہے جبکہ 30 جون 2018 کو خالص اثاثہ جاتی قدر (NAV) 100.4143 روپے) نی پونٹ رہی تھی۔ پلان نے زیر جائزہ سال کے دوران 7.06 فیصد کی منفی آمدنی حاصل کی جبکہ شیڈ مارک ریٹرن منفی 10.66 فیصد رہی۔ اس پلان کے تحت ایکویٹی فنڈز میں 41 فیصد تک اور کلائمٹ انکم فنڈز میں 59 فیصد سرمایہ کاری کی گئی ہے۔

### کنزرویٹو ایلوکیشن پلان

زیر جائزہ سال کے دوران کنزرویٹو ایلوکیشن پلان نے کل اور خالص آمدنی بالترتیب 0.77 ملین روپے اور 0.64 ملین روپے حاصل کی۔ کنزرویٹو ایلوکیشن پلان کے اثاثہ جات کی مالیت 18 ملین روپے ہے جو 30 جون 2019 کو 2.05 روپے کا منافع منقسم شامل کرنے کے بعد 30 جون 2019 تک 101.4641 روپے فی یونٹ کی اسکی خالص اثاثہ جاتی قدر (NAV) کو ظاہر کرتی ہے جبکہ 30 جون 2018 کو یہ قدر 100.4151 روپے فی یونٹ تھی۔ اس پلان نے منفی 2.06 فیصد کی شیئ مارک آمدنی کے مقابل زیر جائزہ سال کے دوران 2.07 فیصد کی آمدنی حاصل کی ہے۔ اس پلان کے ذریعے 19 فیصد سرمایہ کاری ایکویٹی فنڈز جبکہ 79 فیصد سرمایہ کاری فیکسڈ انکم فنڈز میں کی گئی ہے۔

### اسٹریٹجک ایلوکیشن پلان

زیر جائزہ سال کے دوران اسٹریٹجک ایلوکیشن پلان نے 19.04 ملین روپے اور 34.19 ملین روپے کا کل اور خالص نقصان حاصل کیا ہے۔ اسٹریٹجک ایلوکیشن پلان کے خالص اثاثہ جات کی مالیت 2.15 ملین روپے ہے جو 30 جون 2019 تک 100.7694 روپے فی یونٹ کی اسکی خالص اثاثہ جاتی قدر (NAV) کو ظاہر کرتی ہے جبکہ یہ قدر 30 جون 2018 تک 101.4938 روپے فی یونٹ تھی۔ زیر جائزہ سال کے دوران اس پلان نے منفی 3.81 فیصد کی شیئ مارک آمدنی کے مقابل زیر جائزہ سال کے دوران 0.71 فیصد کی منفی آمدنی حاصل کی ہے۔ اس پلان کے ذریعے صرف فیصد سرمایہ کاری ایکویٹی فنڈز جبکہ 100 فیصد سرمایہ کاری فیکسڈ انکم فنڈز میں کی گئی ہے۔

### اسلامک کیپٹل پریزرویشن پلان

اسلامک کیپٹل پریزرویشن پلان نے اپنے آپریٹنگ کی شروعات 02 اکتوبر 2018 کو کی تھی۔

زیر جائزہ مدت کے دوران اسلامک کیپٹل پریزرویشن پلان نے 2.20 ملین روپے کی کل آمدنی اور 2.51 ملین روپے کا خالص نقصان حاصل کیا۔ اسلامک کیپٹل پریزرویشن پلان کے خالص اثاثہ جات کی مالیت 0.45 ملین روپے ہے جو 30 جون 2019 تک 99.4840 روپے فی یونٹ کی اسکی خالص اثاثہ جاتی قدر (NAV) کو ظاہر کرتی ہے۔ زیر جائزہ مدت کے دوران اس پلان نے منفی 1.74 فیصد کی شیئ مارک آمدنی کے مقابل 0.52 فیصد کی منفی آمدنی حاصل کی ہے۔ اس پلان کے ذریعے 26 فیصد سرمایہ کاری ایکویٹی فنڈز اور باقی ماندہ سرمایہ کاری نقد کی صورت میں کی گئی ہے۔

### ایچ بی ایل اسلامک ڈیڈ کیلیڈ ایلوئیٹی فنڈ

ایچ بی ایل اسلامک ڈیڈ کیلیڈ ایلوئیٹی فنڈ نے 01 اکتوبر 2018 کو کاروبار شروع کیا تھا۔

زیر جائزہ مدت کے دوران اسلامک ڈیڈ کیلیڈ ایلوئیٹی فنڈ نے بالترتیب 79.22 ملین روپے اور 92.14 ملین روپے کا کل اور خالص نقصان حاصل کیا۔ اسلامک ڈیڈ کیلیڈ ایلوئیٹی فنڈ کے خالص اثاثہ جات کی مالیت 116.58 ملین روپے ہے جو 30 جون 2019 تک 83.8322 روپے فی یونٹ کی اسکی خالص اثاثہ جاتی قدر (NAV) کو ظاہر کرتی ہے۔ زیر جائزہ مدت کے دوران اس فنڈ نے منفی 15.47 فیصد کی شیئ مارک آمدنی کے مقابل 16.17 فیصد کی منفی آمدنی حاصل کی ہے۔

### مینیجمنٹ کمپنی کی ریٹنگ

JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے مینیجمنٹ کمپنی کی 'AM2+(positive outlook)' کی ریٹنگ برقرار رکھی ہے۔

### آڈیٹرز

ایچ بی ایل اسلامک منی مارکیٹ، ایچ بی ایل اسلام اسٹاک فنڈ، ایچ بی ایل اسلامک ایسٹ ایلوکیشن فنڈ اور ایچ بی ایل اسلامک ڈیڈ کیلیڈ ایلوئیٹی فنڈ کے موجودہ آڈیٹرز میسرز ڈیلاٹ یوسف علی، چارٹرڈ اکاؤنٹنٹس ریٹائرڈ ہو چکے ہیں۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے اگلی مدت کیلئے میسرز ڈیلاٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس کا تقرر ایچ بی ایل اسلامک اسٹاک فنڈ اور ایچ بی ایل اسلامک ڈیڈ کیلیڈ ایلوئیٹی فنڈ کے آڈیٹرز کی حیثیت سے کر دیا ہے۔

ایچ بی ایل اسلامک انکم فنڈ، ایچ بی ایل اسلامک ایکویٹی فنڈ اور ایچ بی ایل اسلامک فنانشل پلاننگ کے موجودہ آڈیٹرز میسرز بی ڈی ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس ریٹائرڈ ہو چکے ہیں۔ آڈٹ کمیٹی کی تجویز پر بورڈ آف ڈائریکٹرز نے اگلی مدت کیلئے میسرز بی ڈی ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کا تقرر ایچ بی ایل اسلامک انکم فنڈ اور ایچ بی ایل اسلامک ایکویٹی فنڈ کے آڈیٹرز کی حیثیت سے کر دیا ہے۔



بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر ایچ بی ایل اسلامک منی مارکیٹ فنڈ، ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ اور ایچ بی ایل اسلامک فنانشل پلاننگ 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۔ یہ لحاظ جم یونٹ ہولڈنگ کا تجزیہ متعلقہ فنڈ کی فنڈ نیچر رپورٹ کے متعلقہ سیکشن میں دیا گیا ہے۔

اظہار تشکر  
اس موقع پر بورڈ اپنے قابل قدر یونٹ ہولڈرز کو، ہم پر بھروسہ اور اعتماد کرنے اور ہماری سرپرستی کرنے پر دلی تہنیت پیش کرتا ہے۔ اسکے ساتھ ساتھ بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، سینٹرل ڈپازٹری کمیٹی آف پاکستان اور ڈسٹری 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 شکر یہ ادا کرتا ہے۔

منجانب بورڈ  
ایچ بی ایل ایسٹ مینجمنٹ لمیٹڈ

چیف ایگزیکٹو آفیسر



# **HBL** Islamic Money Market Fund

HBL AML Financial annual report 2018-19

## FUND INFORMATION

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

### Type and Category of Fund

Open end Islamic Money Market Fund

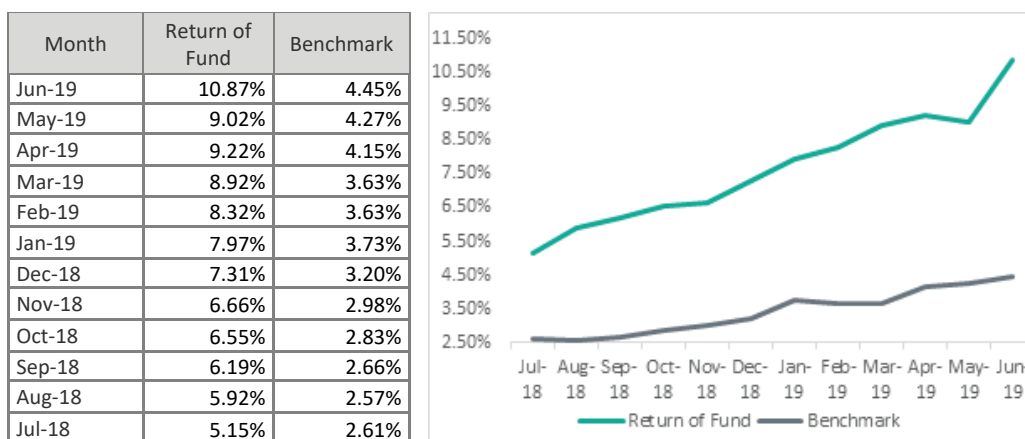
### Investment Objective and Accomplishment of Objective

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

### Benchmark and Performance Comparison with Benchmark

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

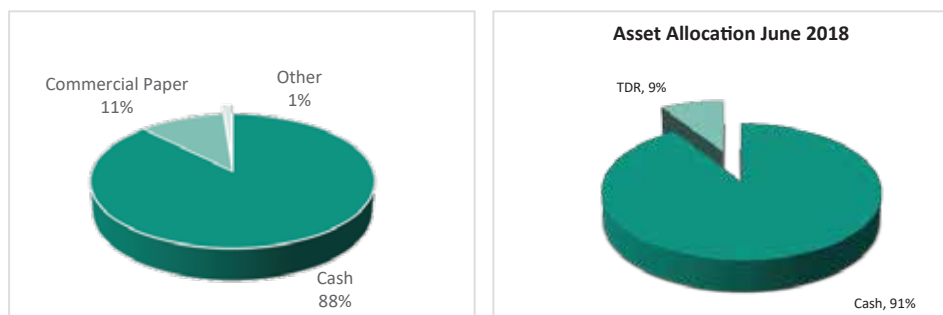
The comparison of the fund return with benchmark is given below:



### Strategies and Policies employed during the Period

The Fund continued to invest in bank deposit due to absence of investment opportunities in Islamic universe. During the year investment in short term commercial papers were initiated by the fund manager to support bottom line of the fund. However, this mode of investment is in developing phase as there are very few commercial papers which qualifies for Money Market Schemes due to rating limitations. At the end of period, asset allocation comprises of 87.68% investment in DPA accounts and remaining 11.16% in Commercial Papers compared to 90.67% investment in bank deposit and 8.82% exposure in placements with Banks in June, 2018. Going ahead, we will explore further options to invest the funds in short maturity commercial papers and Sukuk.

### Asset Allocation



### Fund Performance

The total income and net income of the Fund was Rs. 102.17 million and Rs. 84.76 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) of the Fund was Rs. 100.9968 per unit as on June 30, 2019 as compared to Rs. 104.9735 per unit as on June 30, 2018, after incorporating dividend of Rs. 12.15 (Rs. 4.15 per unit for the year ended June 30, 2018 and Rs. 8.00 per unit for the year ended June 30, 2019); per unit, thereby giving an annualized return of 8.11%. During the year the benchmark return (3 Month bank deposit rates) was 3.35%. The size of Fund was Rs. 1.05 billion as on June 30, 2019 as compared to Rs. 0.96 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.

As per latest data available, Islamic Banking industry assets posted 19.5% growth and stood at PKR 2,790 billion by Mar-19. Similarly, deposits of Islamic banks also witnessed a sharp growth of 14.8% YoY and reached PKR 2,199 billion by Mar-19. Despite the massive growth in assets and deposits, SBP did not issue any fixed or floating rate GOP Ijarah Sukuk in FY18 and in FY19. During FY19, PKR 314bn of GoP Ijara matured while government conducted “Bai-Muajjal” transaction of PKR 237bn carried out with the banks so that banks could park their excess liquidity. The “Bai-Muajjal” was SLR Eligible which ensured that the Islamic banks continue to meet the SLR requirement.

The government has issued Energy Sukuk-I of PKR 200bn to partially retire the circular debt. This was a long term instrument and SLR Eligible fetching increased investment flows from Islamic banks. Moreover, Government is planning another Energy Sukuk-II of PKR 200bn in 1QFY20 to settle outstanding circular debt with similar pricing and characteristics.

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 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. 8.00 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 period under review.

## Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	1,429	21,173
101 – 500	94	19,619
501 – 1,000	29	21,098
1,001 – 10,000	136	650,448
10,001 – 100,000	131	4,138,184
100,001 – 500,000	17	3,308,967
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	1	2,240,000
5,000,001 and above	-	-
<b>Total</b>	<b>1,837</b>	<b>10,399,489</b>

## Unit Splits

There were no unit splits during the year.

## Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

## Soft Commission

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

**PERFORMANCE TABLE –  
HBL ISLAMIC MONEY MARKET FUND**  
As at June 30, 2019

	2019	2018	2017	2016	2015	2014
Net assets at the period end(Rs'000)	1,050,315	957,109	835,282	506,741	457,348	446,142
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	100.9968	104.9735	100.6277	100.6132	100.4237	100.1872
Offer	102.1381	104.9735	100.6277	100.6132	100.4237	100.1872
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	110.0993	104.9735	104.7144	104.6150	106.5827	100.9653
Lowest offer price per unit	100.8796	100.6620	100.5319	100.4203	100.3186	100.0852
Highest redemption price per unit	108.8691	104.9735	104.7144	104.6150	100.9653	100.9653
Lowest redemption price per unit	100.8796	100.6620	100.5319	100.4203	100.0852	100.0852
<b>RETURN ( % )</b>						
Total return	8.11%	4.32%	4.19%	4.29%	6.70%	6.86%
Income distribution	8.00%	4.15%	4.20%	4.10%	6.50%	0.95%
Capital growth	0.11%	0.17%	-0.01%	0.19%	0.20%	5.91%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	8.00	4.15	4.20	4.10	6.50	0.95
	28-Jun-19	04-Jul-18	20-Jun-17	22-Jun-16	26-Jun-15	Various dates- (As mentioned in Financial Statements of respective year)
Total dividend distribution for the year/ period	8.00	4.15	4.20	4.10	6.50	0.95
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	8.11%	4.32%	4.19%	4.29%	6.70%	6.86%
Average annual return 2 year	6.20%	4.26%	4.25%	5.50%	6.78%	7.66%
Average annual return 3 year	5.53%	4.27%	5.06%	5.95%	7.34%	8.55%
<b>PORTFOLIO COMPOSITION - ( % )</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	87.68%	90.67%	100%	99%	99%	100%
Commercial paper	11.16%	-	-	-	-	-
Placement with Banks and DFIs	0.00%	8.82%	-	-	-	-
Corporate Sukuks	-	-	-	-	-	-
Others	1.16%	0.51%	-	1%	1%	-

**Note:**

The Launch date of the Fund is May 10, 2011

**Disclaimer:**

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



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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S.M.C.H.S. Main Shahr-e-Faisal  
Karachi - 74400, Pakistan,  
Tel: (92-21) 111-111-500  
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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC MONEY MARKET FUND**

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

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

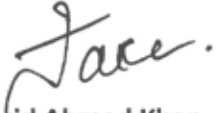
Karachi, September 16, 2019





**STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

HBL Islamic Money Market Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shariah Advisor of the Fund.



**Farid Ahmed Khan**

Chief Executive Officer

Dated: August 29, 2019

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

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 30, 2019

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2019 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Money Market Fund (HBL-IMMF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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

Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

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

We have performed an independent assurance engagement of **HBL Islamic Money Market Fund** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2019. Our engagement was carried out as under Trust Deed and Shariah Principles of the Fund.

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

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

### **Responsibility of an independent assurance provider**

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

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

The procedures performed included:

- Checking compliance of specified guideline issued by the Shariah Advisor relating to charity, maintaining of bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2019 are in compliance with the Shariah Principles and where required, purification of income from non-compliant source has been made in consultation with Shariah Advisor.

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## Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with Shairah Principles in the Trust Deed and the guideline issued by the Shariah Advisor for the year ended June 30, 2019.

*Deloitte Yousuf Adil*  
Chartered Accountants

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



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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **HBL Islamic Money Market Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 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.

We have determined that there are no key audit matters to communicate in our report.

#### 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

	Note	2019 ------(Rupees in '000)-----	2018
<b>Assets</b>			
Bank balances	5	955,111	958,590
Investments	6	121,627	-
Accrued mark-up on bank deposits	7	12,495	4,863
Advances, deposits and prepayment	8	109	60
<b>Total Assets</b>		<u>1,089,342</u>	<u>963,513</u>
<b>Liabilities</b>			
Payable to the Management Company	9	1,269	678
Payable to the Trustee	10	156	120
Payable to Securities and Exchange Commission of Pakistan	11	790	609
Accrued expenses and other liabilities	12	36,812	4,997
<b>Total Liabilities</b>		<u>39,026</u>	<u>6,404</u>
<b>Net Assets</b>		<u>1,050,316</u>	<u>957,109</u>
<b>Unit Holders' Fund (as per statement attached)</b>		<u>1,050,316</u>	<u>957,109</u>
<b>Contingencies and Commitments</b>	13		
		----- Number of units -----	
<b>Number of units in issue</b>	14	<u>10,399,489</u>	<u>9,117,621</u>
		----- Rupees -----	
<b>Net assets value per unit</b>	4.8	<u>100.9968</u>	<u>104.9735</u>

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

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

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

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

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

# HBL Islamic Money Market Fund

## Income Statement

For the year ended June 30, 2019

	Note	2019 ------(Rupees in '000)-----	2018
<b>Income</b>			
Mark-up on bank deposits		91,932	44,914
Mark-up on term deposit receipts		456	2,512
Mark-up on commercial papers		9,777	-
<b>Total income</b>		<b>102,165</b>	<b>47,426</b>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	10,899	8,109
Remuneration of the Trustee	10.1	1,703	1,377
Annual fee to the Securities and Exchange Commission of Pakistan		790	609
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	1,053	812
Auditors' remuneration	15	352	352
Bank charges		259	120
Fee and subscription		359	291
Printing and stationery		13	177
Legal and professional charges		249	184
		<u>15,677</u>	<u>12,031</u>
<b>Net income from operating activities</b>		<b>86,488</b>	<b>35,395</b>
Provision for Sindh Workers' Welfare Fund	12.2	(1,730)	(708)
<b>Net income for the year before taxation</b>		<b>84,758</b>	<b>34,687</b>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<b>84,758</b>	<b>34,687</b>
<b>Allocation of net income for the year:</b>			
Income already paid on redemption of units		34,922	9,670
Accounting income available for distribution:			
- Relating to capital gains		-	-
- Excluding capital gains		49,836	25,017
		<u>49,836</u>	<u>25,017</u>
		<u>84,758</u>	<u>34,687</u>
<b>Earning per unit</b>	18		

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

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

Chief Financial Officer

Chief Executive Officer

Director

	2019	2018
	------(Rupees in '000)-----	
Net income for the year after taxation	84,758	34,687
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>84,758</u>	<u>34,687</u>

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

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

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

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

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



# HBL Islamic Money Market Fund

## Cash Flow Statement

For the year ended June 30, 2019

Note	2019 ------(Rupees in '000)-----	2018
<b>Cash flows from operating activities</b>		
Net income for the year before taxation	84,758	34,687
<b>Adjustments for:</b>		
Mark-up on bank deposits	(91,932)	(44,914)
Mark-up on term deposit receipts	(456)	(2,512)
Mark-up on commercial papers	(9,777)	-
	(17,407)	(12,739)
<b>Increase in assets</b>		
Prepayments	(49)	(1)
Investments	(121,627)	-
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	591	(113)
Payable to the Trustee	36	8
Payable to Securities and Exchange Commission of Pakistan	181	138
Accrued expenses and other liabilities	31,815	(1,272)
	32,622	(1,239)
Mark-up received on deposit with banks	94,533	45,827
<b>Net cash (used in)/generated from operating activities</b>	(11,927)	31,848
<b>Cash flows from financing activities</b>		
Amount received on issue of units	1,877,625	999,808
Payments against redemption of units	(1,752,547)	(912,669)
Cash dividend paid	(116,630)	-
<b>Net cash generated from financing activities</b>	8,449	87,141
<b>Net (decrease)/increase in cash and cash equivalents</b>	(3,479)	118,989
Cash and cash equivalents at beginning of the year	958,590	839,601
<b>Cash and cash equivalents at end of the year</b>	955,111	958,590

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

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

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

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

\_\_\_\_\_  
Director



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

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

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

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

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

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+' 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 a trustee of the Fund.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

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

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

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

**(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 amendments 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.

	<b>Effective date (annual periods beginning on or after)</b>
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

**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.

	<b>Effective date (annual periods beginning on or after)</b>
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 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 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 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 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;

#### **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.

#### **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.

There has been no reclassification in financial assets as a result of transition to 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 realized during the 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

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

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.

#### 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 ------(Rupees in '000)-----	2018
	Balances with banks in:			
	Savings accounts	5.1	955,111	873,590
	Term deposit receipt		-	85,000
			<u>955,111</u>	<u>958,590</u>
5.1	This represent bank accounts held with different banks. Mark-up rates on these accounts ranges between 4% - 13% (June 30,2018: 4.5 % - 7.1%) per annum.			
6.	INVESTMENTS - AT AMORTIZED COST	Note	2019 ------(Rupees in '000)-----	2018
	Commercial paper	6.1	<u>121,627</u>	<u>-</u>
6.1	This represents commercial paper of K-Electric Limited and this carry rate of return at 11.75% per annum.			

		<b>2019</b>	<b>2018</b>
	Note	------(Rupees in '000)-----	
<b>7. ACCRUED MARK-UP ON BANK DEPOSITS</b>			
Mark-up accrued on bank deposits		12,495	4,816
Mark-up accrued on Term deposit receipts		-	47
		<u>12,495</u>	<u>4,863</u>
<b>8. ADVANCES, DEPOSITS AND PREPAYMENT</b>			
Prepaid annual rating fee		9	60
CDC security deposit		100	-
		<u>109</u>	<u>60</u>
<b>9. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee	9.1	1,014	537
Sindh Sales Tax	9.2	132	70
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	101	71
Sales load payable		22	-
		<u>1,269</u>	<u>678</u>

**9.1** As per the offering document of the fund, the management company charge a fee at the rate of 10% of the gross earning of the scheme, calculated on the 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 the fee is charged at the rate of 0.92% 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 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 average annual net assets, being lower amount, to the fund during the year.

		<b>2019</b>	<b>2018</b>
	Note	------(Rupees in '000)-----	
<b>10. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	10.1	138	106
Sindh Sales Tax		18	14
		<u>156</u>	<u>120</u>

**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
Upto Rs 1,000 million	Rs 0.6 million or 0.17% per annum of NAV, whichever is higher
Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Exceeding Rs 1,000 million and upto Rs 5,000 million	Rs 1.7 million plus 0.085% per annum of NAV exceeding Rs 1,000 million
Over Rs 5,000 million	Rs 5.1 million plus 0.07% per annum of NAV, exceeding Rs 5,000 million

The Sindh Government has levied Sindh Sales Tax on services at the rate of 13% (2018: 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

		<b>2019</b>	2018
	Note	------(Rupees in '000)-----	-----
<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	<u>790</u>	<u>609</u>

**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.

		<b>2019</b>	2018
	Note	------(Rupees in '000)-----	-----
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		264	304
Federal Excise Duty	12.1	2,185	2,185
Withholding tax payable		3,282	-
Provision for Sindh Workers' Welfare Fund	12.2	3,933	2,203
Other payables		1,187	305
Capital gain tax payable		4,242	-
Dividend payable		21,719	-
		<u>36,812</u>	<u>4,997</u>

**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 was charged during the year ended June 30, 2019.

Since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of the Management Company, aggregating to Rs. 2.185 million. Had the provision not being made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 0.2101 (2018: Rs. 0.2397) 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

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

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

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

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

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



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

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

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

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

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

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

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

As at June 30, 2019, the provision in relation to SWWF amounted to Rs 3.933 million (2018: Rs 2.203 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 0.378 (2018: Rs. 0.24) per unit.

### 13. CONTINGENCIES AND COMMITMENTS

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

14. NUMBER OF UNITS IN ISSUE	2019	2018
	------(Number of units)-----	
Opening units in issue	9,117,621	8,300,721
Units issued during the year	18,022,440	9,684,383
Less: Units redeemed	(16,740,572)	(8,867,483)
Total units in issue at the end of the year	<u>10,399,489</u>	<u>9,117,621</u>

15. AUDITORS' REMUNERATION	Note	2019 ------(Rupees in '000)-----	2018
Annual audit fee		253	253
Fee for half yearly review		40	40
Sindh Sales Tax		23	23
Shariah Compliance Audit fee		5	5
Out of pocket		31	31
		352	352

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

**17. 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 1.65%, which includes 0.37% representing government levy, Worker's Welfare Fund and SECP fee.

**18. EARNINGS PER UNIT**

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

**19. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

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

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

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

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

<b>19.1</b>	<b>Transactions during the year</b>	<b>2019</b>	<b>2018</b>
		-----	-----
		(Rupees in '000)	
	<b>HBL Asset Management Limited - Management Company</b>		
	Management Fee including sales tax	10,899	8,109
	Allocation of expenses related to registrar services accounting, operation and valuation services	1,053	812
	Issuance of 2,767 units (2018: 27,577)	290	2,814
	Redemption of 28,596 units (2018: nil units)	2,911	-
	Dividend Paid	127	-
	<b>Habib Bank Limited - Sponsor</b>		
	Issuance of 118,711 units (2018: nil units)	11,969	-
	Redemption of 762,765 units (2018: 954,053 units)	80,649	100,000
	Bank charges paid	80	55
		24,976	643
	Profit on bank deposits received	17,467	687
	Dividend paid	29,889	-
	<b>Executive and Key management personnel</b>		
	Issuance of 524,693 units (2018: 435,785 units)	55,282	44,824
	Redemption of 388,122 units (2018: 428,431 units)	41,072	44,099
	Dividend paid	912	-
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Trustee remuneration	1,703	1,377
	<b>MCBFSL TRUSTEE HBL Islamic Capital Perservation Plan- Associate</b>		
	Issuance of 1,521 units (2018: nil units)	161	-
	Dividend Paid	11	-
<b>19.2</b>	<b>Balances outstanding as at year end</b>		
	<b>HBL Asset Management Limited - Management Company</b>		
	Management fee	1,014	537
	Sindh Sales Tax	132	70
	Allocation of expenses related to registrar services, accounting, operation and valuation services	101	71
	Investment held in the Fund: 1,748 units (2018: 27,577)	177	2,895
	Sale load payable	22	-

	2019	2018
	------(Rupees in '000)-----	
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 2,240,000 units (2018: 2,884,054 units)	226,233	302,749
Bank balances	7,510	1,496
Sale load payable	814	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable including sales tax thereon	156	120
<b>Executive and Key management personnel</b>		
Investment held in the Fund: 137,318 units (2018: 8,101 units)	13,869	850
MCBFSL TRUSTEE HBL Islamic Capital Preservation Plan- Associate		
Investment held in the Fund: 1,521 units (2018: nil units)	154	-

\* Investors who were reported as Connected Persons due to holding more than 10% units of Fund in the comparative period but does not hold at least 10% units of the fund at the end of current period are not reported as related party.

## 20. FINANCIAL RISK MANAGEMENT

### 20.1 Market risk

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

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

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

#### 20.1.1 Currency risk

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

**20.1.2 Interest rate risk**

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

**a) Cash flow interest rate risk**

Presently, the Fund holds balances in savings bank accounts as at June 30, 2019, that could expose the Fund to cash flow interest rate risk. The net income for the year would have increased / (decreased) by Rs. 9.5511 million (2018: Rs.9.587 million) had the interest rates on savings accounts with the banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

Presently, the Fund only holds fixed rate instrument having short term maturity at June 30, 2019, that could not expose the Fund to fair value interest rate risk.

**20.1.3 Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

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

**20.2 Credit risk**

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

The Fund's credit risk is primarily attributable to balances with banks. The credit risk of the Fund with respect to bank accounts is limited as the balances are maintained with counter parties that are financial institutions with reasonably high credit ratings.

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

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

	2019	2018
	------(Rupees in '000)-----	
<b>Bank balances by rating category</b>		
A1+ (PACRA)	2,179	957,699
A-1+ (JCR-VIS)	952,932	891
	955,111	958,590
Accrued mark-up	12,495	4,863

### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in equity securities which are primarily subject to price risk. The Fund's portfolio of other financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

### 20.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to keep sufficient balances with banks in order to maintain liquidity and manage associate risk.

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

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

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

	----- As at June 30, 2019 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company	1,269	-	-	1,269
Payable to the Trustee	156	-	-	156
Accrued expenses and other liabilities	30,694	-	-	30,694
	<u>32,118</u>	<u>-</u>	<u>-</u>	<u>32,118</u>
	----- As at June 30, 2018 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company	678	-	-	678
Payable to the Trustee	120	-	-	120
Accrued expenses and other liabilities	608	-	-	608
Unit holders' Fund	957,109	-	-	957,109
	<u>958,515</u>	<u>-</u>	<u>-</u>	<u>958,515</u>



## 21. FAIR VALUE AND CATAGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

		----- As at June 30, 2019 -----		
		Carrying amount		
	Note	Fair value through profit or loss	More than one year	Total
		----- Rupees in '000 -----		
<b>Financial instruments</b>				
<b>Financial assets measured at fair value</b>				
		-	-	-
		-	-	-
<b>Financial assets not measured at fair value</b>				
	21.1			
Commercial Papers		-	121,627	121,627
Bank balances			955,111	955,111
Accrued mark-up on bank deposits		-	12,495	12,495
Advances, deposits and prepayment		-	109	109
		-	1,089,342	1,089,342
<b>Financial liabilities not measured at fair value</b>				
Payable to Management Company		-	1,269	1,269
Payable to Trustee		-	156	156
Accrued expenses and other liabilities		-	23,170	23,170
		-	24,594	24,594

	----- As at June 30, 2019 -----			
	Carrying amount			
	Available -for-sale	Loans and receivables	Other financial Assets/ liabilities	Total
	----- Rupees in '000 -----			
Financial instruments				
Financial assets not measured at fair value				
Bank balances	-	958,590	-	958,590
Accrued mark-up	-	4,863	-	4,863
Prepayment	-	60	-	60
	-	963,513	-	963,513
Financial liabilities not measured at fair value				
Payable to Management Company	-	-	678	678
Payable to Trustee	-	-	120	120
Accrued expenses and other liabilities	-	-	608	608
	-	-	1,406	1,406

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

**21.2 Transfers during the year**

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

**22. FINANCIAL INSTRUMENTS BY CATEGORY**

	----- As on June 30, 2019 -----		
	At fair value through profit or loss	At Amortised Cost	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Commercial paper		121,627	121,627
Bank balances	-	955,111	955,111
Accrued mark-up on banks	-	12,495	12,495
	-	1,089,233	1,089,233
<b>Liabilities</b>			
Payable to the Management Company	-	1,269	1,269
Payable to the Trustee	-	156	156
Accrued expenses and other liabilities	-	30,694	30,694
	-	32,118	32,118

	----- As on June 30, 2018 -----		
	Loans and receivables	Available for sale	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Bank balances	958,590	-	958,590
Accrued mark-up on banks	4,863	-	4,863
Prepayment	60	-	60
	<u>963,513</u>	<u>-</u>	<u>963,513</u>
	----- As on June 30, 2018 -----		
	At fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----		
<b>Liabilities</b>			
Payable to the Management Company	-	678	678
Payable to the Trustee	-	120	120
Accrued expenses and other liabilities	-	608	608
	<u>-</u>	<u>1,406</u>	<u>1,406</u>

### 23. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

Details of members of the Investment Committee of the Fund as on June 30, 2019 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	Faizan Saleem	Head of Fixed Income	MBA - Finance	11+ years
4	Noman Ameer*	Manager Risk	MBA - Finance	12+ years
5	Sateesh Balani	Head of Research	MBA, CFA	8+ years
6	M. Wamiq Sakrani	Specialist-Fixed Income	MBA	10+years

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

**25. PATTERN OF UNIT HOLDING**

	June 30, 2019			
	Number of unit holders	Units held	Investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	1,802	6,292,045	635,476	60.50%
Director	1	110	11	0.00%
Associated company	2	2,241,746	226,410	21.56%
Trust	5	982,651	99,245	9.45%
Insurance Companies	3	308,817	31,190	2.97%
Retirement funds	9	164,356	16,599	1.58%
Foreign Individual	1	9	1	0.00%
Others	14	409,755	41,384	3.94%
	<u>1,837</u>	<u>10,399,489</u>	<u>1,050,316</u>	<u>100%</u>
	June 30, 2018			
	Number of unit holders	Units held	Investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	1,188	2,300,459	241,488	25.23%
Associated company	1	2,911,631	305,644	31.93%
Trust	2	2,159,695	226,711	23.69%
Retirement funds	5	84,728	8,894	0.93%
Others	7	1,661,108	174,372	18.22%
	<u>1,203</u>	<u>9,117,621</u>	<u>957,109</u>	<u>100%</u>

**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:

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

**28. CORRESPONDING FIGURES**

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

**29. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

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

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

\_\_\_\_\_  
 Director



# **HBL** Islamic Asset Allocation Fund

HBL AML Financial annual report 2018-19



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

**Type and Category of Fund**

Open end Shariah Complaint Asset Allocation Fund

**Investment Objective and Accomplishment of Objective**

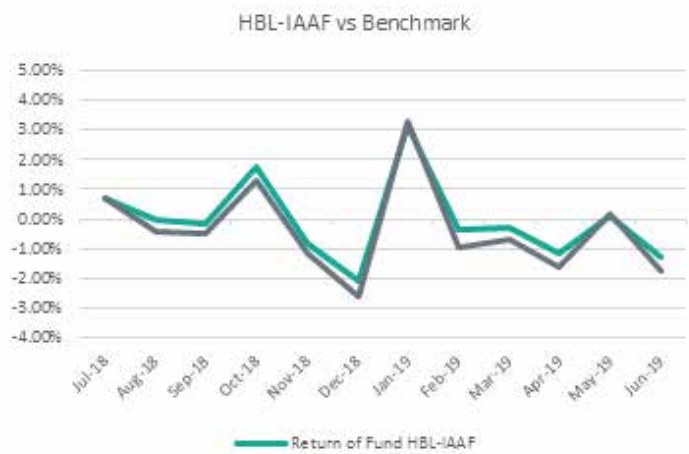
The objective of the Fund is to provide superior returns through investments in Shariah Complaint equity securities and Shariah Compliant income /money market instruments.

**Benchmark and Performance Comparison with Benchmark**

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

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

Month	Return of Fund	
	HBL-IAAF	Benchmark
Jun-19	-1.32%	-1.73%
May-19	0.07%	0.17%
Apr-19	-1.15%	-1.60%
Mar-19	-0.30%	-0.69%
Feb-19	-0.38%	-0.95%
Jan-19	3.11%	3.26%
Dec-18	-2.11%	-2.64%
Nov-18	-0.80%	-1.15%
Oct-18	1.73%	1.32%
Sep-18	-0.19%	-0.48%
Aug-18	-0.01%	-0.45%
Jul-18	0.71%	0.69%

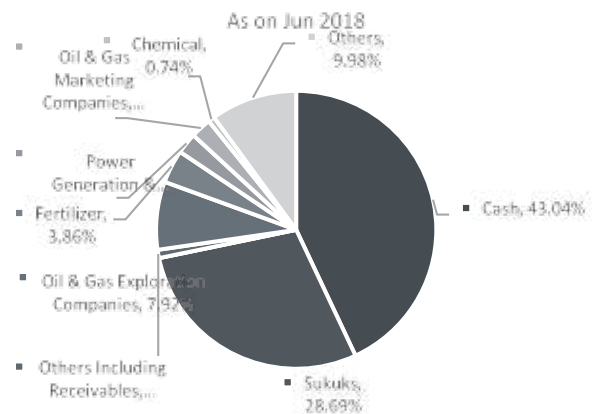
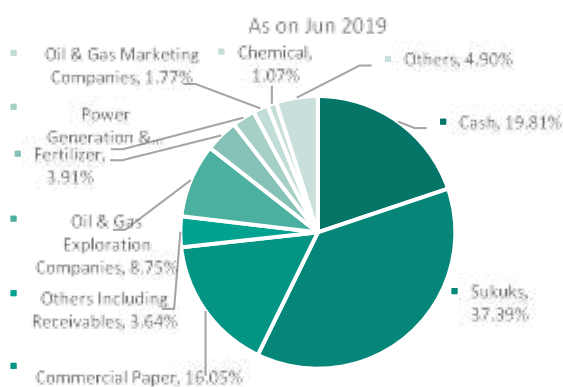


**Strategies and Policies employed during the Year**

During the year under review the Fund has decreased its exposure in equity securities from 27% as at June 30, 2018 to 23% as on June 30, 2019. The Fund gradually increased its exposure in debt securities from 2% to eventually 29% in same period. However, the Fund reduced Cash with banks.

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

**Asset Allocation**



## Fund Performance

The total income and net loss of the Fund was Rs. 44.67 million and Rs. 11.85 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) of the Fund was Rs. 103.2688 per unit as on June 30, 2019 as compared to Rs. 104.7748 per unit as on June 30, 2018, after incorporating dividend of Rs. 0.30 for the year ended June 30, 2018, thereby giving a negative return of 1.15% during the year against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of negative 4.31%. The size of Fund was Rs. 1.13 billion as on June 30, 2019 as compared to Rs. 2.47 billion at the start of the year.

## 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	19.81%	43.04%
Sukuks	37.39%	28.69%
Commercial Paper	16.05%	0.00%
Others Including Receivables	3.64%	0.96%
Oil & Gas Exploration Companies	8.75%	7.92%
Fertilizer	3.91%	3.86%
Power Generation & Distribution	2.71%	2.43%
Oil & Gas Marketing Companies	1.77%	2.38%
Chemical	1.07%	0.74%
Others	4.90%	9.98%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## 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.

As per latest data available, Islamic Banking industry assets posted 19.5% growth and stood at PKR 2,790 billion by Mar-19. Similarly, deposits of Islamic banks also witnessed a sharp growth of 14.8% YoY and reached PKR 2,199 billion by Mar-19. Despite the massive growth in assets and deposits, SBP did not issue any fixed or floating rate GOP Ijarah Sukuk in FY18 and in FY19. During FY19, PKR 314bn of GoP Ijara matured while government conducted "Bai-Muajjal" transaction of PKR 237bn carried out with the banks so that banks could park their excess liquidity. The "Bai-Muajjal" was SLR Eligible which ensured that the Islamic banks continue to meet the SLR requirement.

The government has issued Energy Sukuk-I of PKR 200bn to partially retire the circular debt. This was a long term instrument and SLR Eligible fetching increased investment flows from Islamic banks. Moreover, Government is planning another Energy Sukuk-II of PKR 200bn in 1QFY20 to settle outstanding circular debt with similar pricing and characteristics.

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 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 KMI30 index recorded 16,942 points decline (-24%) during FY19 to close at 54,119 level. Index heavy weights & cyclical sector led the decline in the index. Major decline in the index was contributed by Oil & Gas Exploration (-23%), Cement (-33%) and Oil Marketing sector (-42%) due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive return 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 (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 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	23	1,240
101 – 500	30	7,686
501 – 1,000	11	8,353
1,001 – 10,000	77	401,258
10,001 – 100,000	62	1,919,539
1,000,001 – 5,000,000	9	1,513,685
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	2	7,098,955
5,000,001 and above	-	-
<b>Total</b>	<b>214</b>	<b>10,950,716</b>

## Unit Splits

There were no unit splits during the year.

## Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

## Soft Commission

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

# PERFORMANCE TABLE - HBL ISLAMIC ASSET ALLOCATION FUND

As at June 30, 2019

	2019	2018	2017	2016
Net assets at the period end (Rs'000)	1,130,868	2,469,559	2,623,318	1,349,890
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>				
Redemption	103.2688	104.7748	105.5962	102.5411
Offer	105.6027	107.1427	108.3890	105.2531
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>				
Highest offer price per unit	109.9945	108.8114	118.9345	106.8742
Lowest offer price per unit	103.5444	102.4066	100.6004	100.0000
Highest redemption price per unit	107.5636	106.4066	116.3060	104.1204
Lowest redemption price per unit	101.256	100.1434	100.6004	100.0000
<b>RETURN ( % )</b>				
Total return	-1.15%	-0.78%	9.83%	3.35%
Income distribution	0.00%	0.30%	6.50%	0.80%
Capital growth	-1.15%	-1.08%	3.33%	2.55%
<b>DISTRIBUTION</b>				
First Interim dividend distribution				
Second Interim dividend distribution				
Third Interim dividend distribution				
Final dividend distribution- Rs	0	0.3	6.50	0.80
Date of Income Distribution	-	03-Jul-18	22-Jun-17	28-Jun-16
Total dividend distribution for the year (Rs)	-	0.30	6.50	0.80
<b>AVERAGE RETURNS ( % )</b>				
Average annual return 1 year	-1.15%	-0.78%	9.83%	3.35%
Average annual return 2 year	-0.97%	4.24%	8.94%	-
Average annual return 3 year	2.51%	3.94%	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>				
Percentage of Net Assets as at 30 June:				
Bank Balances	19.81%	43.05%	73%	22%
GoP Ijarah Sukuks	-	-	-	15%
Commercial Paper	16.05%	-	-	-
TFC / Sukuks	37.39%	28.69%	2%	3%
Stock/Equities	23.11%	27.31%	25%	1%
Others	3.64%	0.96%	-	59%

**Note:**

The Launch date of the Fund is January 11, 2016

**Disclaimer:**

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

## PROXY VOTING DISCLOSURE-

For the year ended June 30, 2019

Summary of Actual Proxy voted by CIS

HBL IAAF	Meetings	Resolutions	For	Against
Number	3	6	6	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Amreli Steels Limited	23/10/2018	
AGP Limited	17/4/2019	06-07-18
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 Co Ltd	(19/12/2018)(26/3/2019)(23/6/2019)	
Hub Power Company Ltd	(30/4/2019)	(16/4/2019)
Hascol Petroleum	(19/11/2018)	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	(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
Mughal iron & Steel	27/10/2018	
Millat Tractors Limited	(30/10/2018)(8/3/2019)	
Nishat Mills Ltd	27/10/2018)(17/4/2019)	
Oil & Gas Development Co Ltd	(25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019)	
Packages Limited	18/4/2019	
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	
Thal Limited	(22/10/2018)(20/3/2019)	
The Searle Company Ltd	22/11/2018	



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400, Pakistan  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326021 - 23  
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Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC ASSET ALLOCATION FUND**

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

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





ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٽڊ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Asset Allocation Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shariah Advisor of the Fund.

**Farid Ahmed Khan**

Chief Executive Officer

Dated: August 29, 2019

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

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

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 30, 2019

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2019 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Asset Allocation Fund (HBL-IAAF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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

Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited

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

We have performed an independent assurance engagement of **HBL Islamic Asset Allocation Fund** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2019. Our engagement was carried out as under Trust Deed and Shariah Principles of the Fund.

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

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

### **Responsibility of an independent assurance provider**

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

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

The procedures performed included:

- Checking compliance of specified guideline issued by the Shariah Advisor relating to charity, maintaining of bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2019 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.



## Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with Shairah Principles in the Trust Deed and the guideline issued by the Shariah Advisor for the year ended June 30, 2019.

*Deloitte Yousuf Adil*  
Chartered Accountants

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



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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **HBL Islamic Asset Allocation Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 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	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 1,029 million as at June 30, 2019.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and listed sukuk certificates. Their valuation and existence is a significant area during our audit.</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>• For listed equity securities: Independent testing of valuations by 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</li> </ul>

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S. No.	Key audit matters	How the matters were addressed in our audit
	<p>There is a risk that appropriate quoted prices may not be used to determine fair value.</p> <p>Further, the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<p>internal records with Central Depository Company (CDC) account records;</p> <p>For listed sukuk certificates:</p> <p>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;</p> <p>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of certificates during the year; and</p> <p>any differences identified during our testing that were over our acceptable threshold were investigated further.</p>
2	<p><b>Adoption of IFRS 9 "Financial Instruments".</b></p> <p>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"</p> <p>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.</p> <p>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.</p> <p>Management also assessed the additional disclosure required to be made by the new accounting standard in the financial statement.</p> <p>We considered this as a key audit matter since the adoption of the new accounting standards has a</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Reviewed the classification of investment by management and ensured that it is in accordance with the business model;</li> <li>• Evaluate and tested the adjustment, if any, recorded in financial statement in accordance with the change; and</li> <li>• Evaluated the adequacy and appropriateness of disclosure made in the financial statements.</li> </ul>

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S. No.	Key audit matters	How the matters were addressed in our audit
	material impact on the financial statements due to 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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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

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Statement of Assets and Liabilities**  
*As at June 30, 2019*

	Note	2019 ------(Rupees in '000)-----	2018
<b>Assets</b>			
Bank balances	5	273,417	1,072,554
Investments	6	1,029,001	1,395,267
Dividend receivable and accrued mark-up	7	18,232	16,784
Preliminary expenses and flotation costs	8	315	525
Advances and deposits	9	35,821	4,205
Receivable against sale of investment		23,653	2,338
<b>Total assets</b>		<u>1,380,439</u>	<u>2,491,673</u>
<b>Liabilities</b>			
Payable to the Management Company	10	3,504	9,665
Payable to the Trustee	11	219	344
Payable to Securities and Exchange Commission of Pakistan	12	1,991	2,568
Accrued expenses and other liabilities	13	8,240	9,537
Payable against redemption of units		235,617	-
<b>Total liabilities</b>		<u>249,571</u>	<u>22,114</u>
<b>Net assets</b>		<u>1,130,868</u>	<u>2,469,559</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>1,130,868</u>	<u>2,469,559</u>
<b>Contingencies and commitments</b>	14		
		----- Number of units -----	
<b>Number of units in issue</b>	15	<u>10,950,716</u>	<u>23,570,147</u>
		----- Rupees -----	
<b>Net assets value per unit</b>	4.8	<u>103.2688</u>	<u>104.7748</u>

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**

# HBL ISLAMIC ASSET ALLOCATION FUND

## Income Statement

For the year ended June 30, 2019

	Note	2019 ------(Rupees in '000)-----	2018
<b>Income</b>			
Mark-up / return on investments	16	102,774	34,503
Mark-up on deposits with banks	17	42,562	89,258
Dividend income		26,729	33,872
Other Income		18	-
Capital (loss) / gain on sale of investments - net		(66,182)	7,257
Net unrealised diminution on remeasurement of investments classified at fair value through profit or loss		(61,236)	(3,131)
		<u>44,665</u>	<u>161,759</u>
Impairment loss on equity securities classified as available-for-sale - net		-	(82,250)
		<u>44,665</u>	<u>79,509</u>
<b>Total income</b>			
<b>Expenses</b>			
Remuneration of the Management Company	10.1&10.2	35,525	45,820
Remuneration of the Trustee	11.1	3,498	4,185
Annual fee to Securities and Exchange Commission of Pakistan	12.1	1,991	2,568
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	2,096	2,703
Selling and marketing expenses	10.4	8,383	10,813
Amortisation of preliminary expenses and floatation costs		210	233
Auditors' remuneration	18	368	368
Fees and subscription		276	260
Securities transaction costs		2,157	1,847
Settlement and bank charges		655	173
Printing charges		-	176
Charity expense		1,353	2,449
		<u>56,512</u>	<u>71,595</u>
<b>Total Expenses</b>		<u>56,512</u>	<u>71,595</u>
<b>Net (loss) / Income from operating activities</b>		<u>(11,847)</u>	<u>7,914</u>
Provision for Sindh Workers' Welfare fund		-	(158)
		<u>(11,847)</u>	<u>7,756</u>
<b>Net (loss) / income for the year before taxation</b>		<u>(11,847)</u>	<u>7,756</u>
Taxation	19	-	-
		<u>(11,847)</u>	<u>7,756</u>
<b>Net (loss) / income for the year after taxation</b>		<u>(11,847)</u>	<u>7,756</u>
<b>Allocation of net income for the year:</b>			
Income already paid on redemption of units		-	-
Accounting income available for distribution:			
- Relating to capital gain		-	403
- Excluding capital gain		-	7,353
		-	7,756
		<u>(11,847)</u>	<u>7,756</u>
<b>Earnings per unit</b>	20		

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

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Statement of Comprehensive Income**  
 For the year ended June 30, 2019

Note	2019 ------(Rupees in '000)-----	2018
Net (loss) / income for the year after taxation	(11,847)	7,756
<b>Other comprehensive income for the year</b>		
<b>Item that may be reclassified subsequently to Income Statement</b>		
Unrealised loss on re-measurement of investments classified as available-for-sale	-	(6,407)
Net reclassification adjustments relating to available-for-sale financial assets	-	(12,380)
	-	(18,787)
<b>Total comprehensive loss for the year</b>	<u>(11,847)</u>	<u>(11,031)</u>

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

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2019

	2019				2018			
	------(Rupees in '000)-----							
	Capital value	Undistributed income	Unrealized (losses)/ income on investment	Total	Capital value	Undistributed income	Unrealized (losses)/ income on investment	Total
Net assets at the beginning of the year	2,347,630	113,632	8,297	2,469,559	2,490,358	105,876	27,084	2,623,318
Adoption of IFRS 9		8,297	(8,297)					
<b>Issuance of units 6,659,326 (2018: 8,461,061 units)</b>								
-Capital value (at net assets value per unit at beginning of the year)	697,730	-	-	697,730	893,456	-	-	893,456
-Element of loss	7,470	-	-	7,470	(59,077)	-	-	(59,077)
<b>Total proceeds on issuance of units</b>	<b>705,200</b>	<b>-</b>	<b>-</b>	<b>705,200</b>	<b>834,379</b>	<b>-</b>	<b>-</b>	<b>834,379</b>
<b>Redemption of 19,278,757 units (2018: 9,733,825 units)</b>								
-Capital value (at net assets value per unit at beginning of the year)	(2,019,928)	-	-	(2,019,928)	(1,027,855)	-	-	(1,027,855)
-Element of income	(5,048)	-	-	(5,048)	50,748	-	-	50,748
<b>Total payment on redemption of units</b>	<b>(2,024,976)</b>	<b>-</b>	<b>-</b>	<b>(2,024,976)</b>	<b>(977,107)</b>	<b>-</b>	<b>-</b>	<b>(977,107)</b>
Distribution during the year	-	(7,068)	-	(7,068)				
<b>Total comprehensive income for the year</b>								
Net (loss) / profit for the year after tax	-	(11,847)	-	(11,847)	-	7,756	-	7,756
Other comprehensive loss for the year	-	-	-	-	-	-	(18,787)	(18,787)
Total comprehensive loss for the year	-	(11,847)	-	(11,847)		7,756	(18,787)	(11,031)
<b>Net assets at the end of the year</b>	<b>1,027,854</b>	<b>103,014</b>	<b>-</b>	<b>1,130,868</b>	<b>2,347,630</b>	<b>113,632</b>	<b>8,297</b>	<b>2,469,559</b>
Undistributed income brought forward								
- Realised		116,763				105,876		
- Unrealised		(3,131)				-		
		113,632				105,876		
Accounting (loss) / income available for distribution								
-Relating to capital gain		-				403		
-Excluding capital gain		-				7,353		
		(11,847)				7,756		
- Adoption of IFRS 9		8,297				-		
Distribution during the year		(7,068)				-		
<b>Undistributed income carried forward</b>		<b>103,014</b>				<b>113,632</b>		
Undistributed income carried forward								
- Realised		164,250				116,763		
- Unrealised		(61,236)				(3,131)		
		103,014				113,632		
					Rupees			Rupees
<b>Net assets value per unit at beginning of the year</b>				<b>104.7748</b>				<b>105.5962</b>
Net assets value per unit at end of the year				<b>103.2688</b>				<b>104.7748</b>

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



# HBL ISLAMIC ASSET ALLOCATION FUND

## Cash Flow Statement

For the year ended June 30, 2019

Note	2019 ------(Rupees in '000)-----	2018
<b>Cash flow from operating activities</b>		
Net (loss) / income for the year before taxation	(11,847)	7,756
<b>Adjustments for :</b>		
Capital gain / (loss) on sale of investments - net	66,182	(7,257)
Return / markup on;		
- bank profits	(42,562)	(89,258)
- investments	(102,774)	(34,503)
Dividend income	(26,729)	(33,872)
Amortisation of preliminary expenses and floatation costs	210	233
Net unrealised diminution on remeasurement of investments classified at fair value through profit or loss	61,236	3,131
Impairment loss on equity securities classified as available-for-sale - net	-	82,250
	(56,284)	(71,520)
<b>Decrease / (Increase) in assets</b>		
Investments - net	217,533	(796,210)
Advances, deposits and other receivables	(31,616)	(1,605)
	185,917	(797,815)
<b>Decrease in liabilities</b>		
Payable to the Management Company	(6,161)	3,552
Payable to the Trustee	(125)	34
Payable to Securities and Exchange Commission of Pakistan	(577)	1,224
Accrued expenses and other liabilities	(1,297)	(32,807)
	(8,160)	(27,997)
Bank profit received	46,228	91,276
Markup on investments received	98,889	26,006
Dividend income received	25,500	34,283
<b>Net cash generated from / (used in) operating activities</b>	292,090	(745,768)
<b>Cash flow from financing activities</b>		
Amount received on issue of units	705,200	834,379
Payment against redemption of units	(1,789,359)	(978,284)
Cash dividend paid	(7,068)	-
<b>Net cash used in financing activities</b>	(1,091,227)	(143,905)
<b>Net decrease in cash and cash equivalents</b>	(799,137)	(889,673)
Cash and cash equivalents at beginning of the year	1,072,554	1,962,227
<b>Cash and cash equivalents at end of the year</b>	5. 273,417	1,072,554

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

**1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

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

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

**1.5** JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+' (Positive outlook) to the Management Company while the Fund is currently not rated.

**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 investments are measured at fair value.

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

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

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

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

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

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

The following amendments 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.

	<b>Effective from accounting period beginning on or after:</b>
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 period  
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, which are also not relevant to the Fund.

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

**3.2.1** The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments 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

**Effective from accounting period  
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 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 foregoing, 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 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 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;
- 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 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	Reclassifications	Remeasur-ements	Carrying amount on initial adoption of IFRS 9 July 01, 2018	Effects on Retained Earnings on July 01, 2018
----- Rupees ('000') -----					
<b>Financial assets</b>					
<b>Fair value through profit or loss</b>					
Listed equity securities from available for sale (IAS 39)	161,202	161,202	-	161,202	-
Listed debt securities from available for sale (IAS 39)	124,263	124,263	-	124,263	-
<b>Total</b>	<b>285,465</b>	<b>285,465</b>	<b>-</b>	<b>285,465</b>	<b>-</b>

#### 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.

#### **4.3.2 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.

#### **4.4 Preliminary expenses and floatation costs**

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

#### **4.5 Provisions**

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

#### **4.6 Taxation**

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 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.

#### **4.7 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 Assets Value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

#### 4.9 Revenue recognition

- Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital 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 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 using the effective interest method.

5. BANK BALANCES	Note	2019 ------(Rupees in '000)-----	2018
Savings account	5.1	273,417	1,072,554
		273,417	1,072,554

5.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 3.75 % - 13% per annum (2018: 3.75% - 13% p.a.)

6. INVESTMENTS	Note	2019 ------(Rupees in '000)-----	2018
<b>Financial assets at fair value through profit or loss</b>			
- Listed equity securities	4.2.5 & 6.1	319,086	680,467
- Sukuk's	4.2.5 & 6.2	516,166	714,800
		835,252	1,395,267
<b>Financial assets at amortized cost</b>			
- Commercial paper	6.3	193,749	-
- Term Deposit Certificate	6.4	-	-
		193,749	-
		1,029,001	1,395,267

**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	
<b>AUTOMOBILE ASSEMBLER</b>									
Millat Tractors Limited	20,600	1,000	-	21,600	-	-	-	-	-
	20,600	1,000	-	21,600	-	-	-	-	-
<b>AUTOMOBILES PARTS &amp; ACCESSORIES</b>									
Thal Limited	50,200	17,950	-	40,200	27,950	10,175	0.99%	0.90%	0.03%
	50,200	17,950	-	40,200	27,950	10,175			
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	223,000	45,000	-	268,000	-	-	-	-	-
	223,000	45,000	-	268,000	-	-	-	-	-
<b>CEMENT</b>									
Cherat Cement Company Limited	-	137,800	-	137,800	-	-	-	-	-
D G Khan Cement Company Limited	72,100	80,000	-	152,100	-	-	-	-	-
Kohat Cement Limited	123,000	131,000	18,270	179,200	93,070	4,889	0.48%	0.43%	0.07%
Lucky Cement Limited	63,750	55,500	-	85,000	34,250	13,031	1.27%	1.15%	0.01%
Maple Leaf Cement Factory Limited	-	728,000	-	728,000	-	-	-	-	-
Pioneer Cement Limited	95,000	-	-	95,000	-	-	-	-	-
	353,850	1,132,300	18,270	1,377,100	127,320	17,920			
<b>CHEMICALS</b>									
Engro Polymer & Chemicals Limited	545,000	628,931	-	782,500	391,431	10,553	1.03%	0.93%	0.03%
Engro Polymer & Chemicals Limited-LOR	160,931	-	-	160,931	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	430,000	-	320,000	110,000	1,678	0.16%	0.15%	0.01%
Sitara Chemical Industries Limited	-	8,800	-	-	8,800	2,692	0.26%	0.24%	0.04%
	705,931	1,067,731	-	1,263,431	510,231	14,923			
<b>COMMERCIAL BANKS</b>									
Meezan Bank Limited	287,000	386,000	39,020	578,500	133,520	11,638	1.13%	1.03%	0.01%
	287,000	386,000	39,020	578,500	133,520	11,638			
<b>ENGINEERING</b>									
Amreli Steel Mills Limited	236,000	-	-	236,000	-	-	-	-	-
Amreli Steels Limited	111,300	48,000	-	159,300	-	-	-	-	-
Crescent Steel and Allied Products	-	60,000	-	60,000	-	-	-	-	-
International Industries Limited	32,800	68,000	-	100,800	-	-	-	-	-
International Steels Limited	111,500	125,000	-	236,500	-	-	-	-	-
Mughal Iron & Steel Industries Limited	120,500	45,000	-	165,500	-	-	-	-	-
	612,100	346,000	-	958,100	-	-			
<b>FERTILIZER</b>									
Engro Corporation Limited	163,000	74,400	13,540	135,800	115,140	30,581	2.97%	2.70%	0.02%
Engro Fertilizers Limited	601,500	140,000	-	533,000	208,500	13,338	1.30%	1.18%	0.02%
Fauji Fertilizers Limited	-	195,500	-	81,500	114,000	9,941	0.97%	0.88%	0.01%
	764,500	409,900	13,540	750,300	437,640	53,860			
<b>GLASS &amp; CERAMICS</b>									
Shabbir Tiles & Ceramics Limited	262,000	-	-	262,000	-	-	-	-	-
	262,000	-	-	262,000	-	-			
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	25,240	12,000	2,374	12,400	27,214	27,468	2.67%	2.43%	0.02%
Oil & Gas Development Co Limited	310,500	304,700	-	305,700	309,500	40,696	3.95%	3.60%	0.01%
Pakistan Oilfields Limited	79,200	19,000	15,840	68,400	45,640	18,525	1.80%	1.64%	0.02%
Pakistan Petroleum Limited	268,800	203,600	42,360	279,100	235,660	34,036	3.31%	3.01%	0.01%
	683,740	539,300	60,574	665,600	618,014	120,725			
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Hascol Petroleum Limited	32,800	-	8,200	41,000	-	-	-	-	-
Pakistan State Oil Company Limited	94,180	128,300	17,036	138,200	101,316	17,186	1.67%	1.52%	0.03%
Sui Northern Gas Pipeline Limited	189,800	165,500	-	250,500	104,800	7,283	0.71%	0.64%	0.02%
	316,780	293,800	25,236	429,700	206,116	24,469			
<b>PAPER &amp; BOARD</b>									
Packages Limited	15,000	3,000	-	18,000	-	-	-	-	-
	15,000	3,000	-	18,000	-	-			
<b>PHARMACEUTICALS</b>									
AGP Limited	126,500	134,500	-	223,000	38,000	2,604	0.25%	0.23%	0.00%
The Searle Company Limited	37,972	46,500	3,445	47,700	40,217	5,894	0.57%	0.52%	0.02%
	164,472	181,000	3,445	270,700	78,217	8,498			
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	496,500	272,887	-	384,000	385,387	30,349	2.95%	2.68%	0.03%
Hub Power Company Limited - LOR	-	52,387	-	52,387	-	-	-	-	-
K- Electric Limited	2,621,000	1,484,000	-	2,499,500	1,605,500	7,048	0.68%	0.62%	0.01%
Pakgen Power Limited	-	289,000	-	289,000	-	-	-	-	-
	3,117,500	2,098,274	-	3,224,887	1,990,887	37,397			

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	
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
System Limited	74,500	-	-	74,500	-	-	-	-	-
	<u>74,500</u>	<u>-</u>	<u>-</u>	<u>74,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TEXTILE</b>									
Kohinoor Textile Mills Limited	-	167,000	-	167,000	-	-	-	-	-
Interloop Limited	-	298,250	-	97,000	201,250	8,909	0.87%	0.79%	2.31%
Nishat Mills Limited	184,500	142,400	-	239,300	87,600	8,177	0.79%	0.72%	0.02%
	<u>184,500</u>	<u>607,650</u>	<u>-</u>	<u>503,300</u>	<u>288,850</u>	<u>17,086</u>			
<b>TRANSPORT</b>									
Pakistan National Shipping Corporation Limited	-	54,500	-	17,000	37,500	2,394	0.23%	0.21%	0.03%
	<u>-</u>	<u>54,500</u>	<u>-</u>	<u>17,000</u>	<u>37,500</u>	<u>2,394</u>			
<b>Total as at June 30, 2019</b>	<b>7,835,673</b>	<b>7,183,405</b>	<b>160,085</b>	<b>10,722,918</b>	<b>4,456,245</b>	<b>319,086</b>			
Carrying value as at June 30, 2019						<u>377,062</u>			

**6.1.1** The above investments include shares with market value aggregating to Rs. 49.362 million (2018: Rs. 61.683 million) which have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

**6.1.2** 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 % 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. 0.1914 million at June 30, 2019 (June 30, 2018: Rs. 0.3436 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in favor of the asset management company and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

## 6.2 Listed Sukuk's certificates- At fair value through profit or loss

Name of the Investee Company

	As at July 01, 2018	Purchases during the year	Sales during the year	As at June 30, 2019	Market value as at June 30, 2019 (Rs in '000)	Market value as percentage of	
						Total Investments	Net Assets
	------(Number of certificates)-----						
AGP Limited	370	334	704	-	-	0.00%	0.00%
International Brands Limited	-	100	-	100	9,795	0.95%	0.87%
Agha Steel Industries Limited	-	33	-	33	33,000	3.21%	2.92%
K-Electric Limited	28,000	10,000	38,000	-	-	0.00%	0.00%
Dubai Islamic Bank	124	-	-	124	124,000	12.05%	10.97%
Dawood Hercules Corporation Limited*	4,020	1,060	2,970	2,110	199,371	19.38%	17.63%
Engro Fertilizers Limited	13,350	-	13,350	-	-	0.00%	0.00%
Fatima Fertilizers Limited	2,000	-	2,000	-	-	0.00%	0.00%
Hub Power Company Limited	-	30,000	-	30,000	150,000	14.58%	13.26%
	<b>47,864</b>	<b>41,527</b>	<b>57,024</b>	<b>32,367</b>	<b>516,166</b>	<b>50.16%</b>	<b>45.64%</b>

Cost of investment

520,203

Significant terms and conditions of Sukuk bonds outstanding as at June 30, 2019 are as follows

Name of Security	Remaining Principal (per Sukuk)	Mark-up rate (per annum)	Date of Issue	Maturity Date
AGP Limited	70,000	3 months KIBOR +1.3%	9-Jun-17	09-Jun-22
International Brands Limited	100,000	12 months KIBOR + 0.50%	15-Nov-17	15-Nov-21
Agha Steel Industries Limited	1,000,000	3 months KIBOR +0.8%	9-Oct-18	09-Oct-24
K-Electric Limited	3,500	3 month KIBOR + 1.00 %	17-Jun-15	17-Jun-22
Dubai Islamic Bank	1,000,000	6 months KIBOR + 0.50%	14-Jul-17	14-Jul-27
Dawood Hercules Corporation Limited*	90,000	3 month KIBOR + 1.00 %	16-Nov-17	16-Nov-22
Dawood Hercules Corporation Limited*	100,000	3 month KIBOR + 1.00 %	01-Mar-18	01-Mar-23
Hub Power Company limited	5,000	3 month KIBOR + 1.00 %	27-Feb-19	27-Nov-19

\* Related party due to common directorship

**6.3** This includes Rs. 102 million placed with Hascol Petroleum and Rs. 94 million placed with K-Electric Limited, having rate of return of 12.26% and 11.75% respectively.

## 6.4 Term Deposit Receipts

Name of Company	As at July 01, 2018	Purchased 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 Islami Limited	-	530,000	530,000	-	-	-
MCB Islamic Bank Limited	-	361,000	361,000	-	-	-
<b>Total - As at June 30, 2019</b>	<b>-</b>	<b>891,000</b>	<b>891,000</b>	<b>-</b>	<b>-</b>	<b>-</b>



6.4.1 Term deposit receipts carries mark-up at rate of 8.60 to 11.04% (June 30, 2018: Nil) per annum.

	Note	2019 ------(Rupees in '000)-----	2018
<b>7. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP</b>			
Dividend receivable		3,105	1,876
Mark-up accrued on deposits with banks		2,387	6,053
Mark-up accrued on Term Finance and Sukuk Certificates		12,740	8,855
		<u>18,232</u>	<u>16,784</u>
<b>8. PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance			-
Opening balance		525	758
Less: amortised during the year		(210)	(233)
Closing balance		<u>315</u>	<u>525</u>

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

	Note	2019 ------(Rupees in '000)-----	2018
<b>9. ADVANCES AND DEPOSITS</b>			
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited		100	100
Advance against TFCs and Commercial Paper		33,221	1,605
		<u>35,821</u>	<u>4,205</u>
<b>10. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee	10.1	1,677	3,329
Sindh Sales Tax	10.2	218	433
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	112	222
Charging of selling and marketing expenses	10.4	1,497	5,632
Sales load payable		-	49
		<u>3,504</u>	<u>9,665</u>

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

10.2 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.

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

**10.4** SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a 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 0.4% per annum of net assets of the Fund effective from March 21, 2017.

11.	PAYABLE TO THE TRUSTEE	Note	2019 ------(Rupees in '000)-----	2018 -----
	Trustee's remuneration	11.1	194	304
	Sindh Sales Tax		25	40
			219	344

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

Tariff Structure :

The trustee Remuneration shall consist of reimbursement of actual custodial expenses/ charges plus the following tariff:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Up to Rs. 1,000 million	Rs. 0.7 million or 0.2% p.a. of NAV whichever is higher
On an amount exceeding Rs. 1,000 million Up to Rs. 10,000 million	Rs. 2 million plus 0.1% p.a. of NAV, exceeding Rs. 1,000 million

12.	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2019 ------(Rupees in '000)-----	2018 -----
	Annual fee	12.1	1,991	2,568

**12.1** 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 0.095% of the average annual net assets of the scheme. The Fund has been categorised as a balanced scheme by the Management Company.

	Note	2019 ------(Rupees in '000)-----	2018
<b>13. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		276	303
Charity payable	13.1	1,353	2,449
Federal Excise Duty	13.2	1,063	1,063
Withholding tax payable		4	13
Payable to brokers		306	202
Provision for Sindh Workers' Welfare Fund	13.3	4,667	4,667
Dividend payable		25	-
Payable to NCCPL		35	35
Payable to Shariah advisor		17	18
Other payable		494	152
Sales load payable to related party		-	635
		8,240	9,537

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

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

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

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

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of the Management Company since launch of the fund, aggregating to Rs. 1.063 million . Had the provision not been made, the Net Asset Value per unit as on June 30, 2019 would have been higher by Rs. 0.0971 (June 30, 2018 : Rs. 0.0451)

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

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

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

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by 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 Honorable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

The Government of Sindh introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014, which was enacted with effect from May 21, 2015. The Mutual Fund Association of Pakistan (MUFAP), in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, thus SWWF is payable by them. MUFAP has taken up the matter with Sindh Finance Ministry for appropriate resolution of the matter.

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

The Fund has recognised provision for SWWF amounting to Rs. 4.667 million in these financial statements. Had the provision not being made, the net asset value per unit as at June 30, 2019 would have been higher by Rs. 0.43 (2018: Rs. 0.20) per unit.

**14. CONTINGENCIES AND COMMITMENTS**

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

<b>15. NUMBER OF UNITS IN ISSUE</b>	Note	<b>2019</b>	2018
		------(Rupees in '000)-----	
Total units in issue at the beginning of the year		23,570,147	24,842,911
Units issued		6,659,326	17,529,408
Units redeemed		(19,278,757)	(18,802,172)
Total units in issue at the end of the year		<u>10,950,716</u>	<u>23,570,147</u>

**16. MARK-UP / RETURN ON INVESTMENTS**

Commercial Paper	18,165	-
Term Deposit Certificate	16,355	-
Term Finance Certificate	68,254	34,503
	<u>102,774</u>	<u>34,503</u>

**17. MARK-UP ON DEPOSITS WITH BANKS**

Mark-up on savings accounts	<u>42,562</u>	<u>89,258</u>
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**18. AUDITORS' REMUNERATION**

Annual audit fee	252	252
Fee for half yearly review	55	55
Shariah compliance audit fee	5	5
Other certifications and out of pocket expenses	56	56
	<u>368</u>	<u>368</u>

**19. 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.

**20. 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.

**21. FINANCIAL INSTRUMENTS BY CATEGORY**

-----As on June 30, 2019 -----

	Financial assets at fair value through profit or loss		
	At amortized Cost	Total	
----- Rupees in '000 -----			
<b>Assets</b>			
Bank balances	-	273,417	273,417
Investments	835,252	193,749	1,029,001
Dividend receivable and accrued mark-up	-	18,232	18,232
Advances and deposits	-	33,221	33,221
Receivable against sale of investment	-	23,653	23,653
	<u>835,252</u>	<u>542,272</u>	<u>1,377,524</u>

-----As on June 30, 2019 -----

	Financial Liabilities at fair value through profit or loss		
	At amortized cost	Total	
----- Rupees in '000 -----			
<b>Liabilities</b>			
Payable to the Management Company	-	3,286	3,286
Payable to the Trustee	-	194	194
Accrued expenses and other liabilities	-	2,506	2,506
Payable against redemption of units	-	235,617	235,617
	<u>-</u>	<u>241,603</u>	<u>241,603</u>

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

	Financial Liabilities at fair value through profit or loss			Total
	Available for sale	Loans and receivables		
----- Rupees in '000 -----				
<b>Assets</b>				
Bank balances	-	-	1,072,554	1,072,554
Investments	1,109,801	285,465	-	285,465
Dividend receivable and accrued mark-up	-	-	16,784	16,784
Advances, deposits and other receivables	-	-	1,605	1,605
Receivable against sale of investment	-	-	2,338	2,338
	<u>1,109,801</u>	<u>285,465</u>	<u>1,093,281</u>	<u>1,378,746</u>

	-----As on June 30, 2018 -----			Total
	Financial Liabilities at fair value through profit or loss	Available for sale	Other financial liabilities	
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company	-	-	9,665	9,665
Payable to the Trustee	-	-	344	344
Accrued expenses and other liabilities	-	-	3,794	3,794
Payable against redemption of units	-	-	-	-
	-	-	13,804	13,804

## 22. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	2019	2018
	----- (Rupees in '000) -----	
<b>22.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	35,525	45,820
Allocation of Expenses related to registrar services, accounting, operation and valuation services	2,096	2,703
Selling and marketing expenses	8,383	10,813
<b>Habib Bank Limited - Sponsor</b>		
Issue of units 3,029,696 (2018 4,947,703 units)	320,890	500,000
Redemption of units 4,759,787 (2018 Nil units)	495,602	-
Bank charges paid during the year	44	41
Mark-up earned during the year	300	1,036



	2019	2018
	------(Rupees in '000)-----	
Mark-up received during the year	314	1,419
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	3,498	4,185
CDS charges	101	97
<b>HBL ASSET MANAGEMENT LIMITED EMPLOYEES PROVIDENT FUND</b>		
Issue of units 38 (2018: Nil units)	4	-
<b>HBL ASSET MANAGEMENT LIMITED EMPLOYEES Gratuity FUND</b>		
Issue of units 13 (2018: Nil units)	1	-
<b>HBL Islamic Income Fund</b>		
Sale of AGP Limited Sukuk	19,512	-
<b>HBL Growth Fund</b>		
Sale of Oil & Gas Development Limited 20,000 Shares	2,834	-
Sale of Pakistan Petroleum Limited 27,000 Shares	4,824	-
Sale of Engro Polymer Chemical Limited 65,000 Shares	2,343	-
Sale of Maple Leaf Cement Factory Limited 20,000 Shares	1,552	-
Sale of Engro Fertilizers Limited 25,000 Shares	1,793	-
Sale of Pakistan State Oil Company Limited 8,000 Shares	1,680	-
Sale of Lotte Chemical Pakistan Limited 50,000 Shares	687	-
Sale of Lucky Cement Limited 6,000 Shares	2,601	-
Sale of Kohat Cement Limited 10,000 Shares	879	-
Sale of Hub Power Company Limited 35,000 Shares	2,728	-
<b>HBL Investment Fund</b>		
Sale of Oil & Gas Development Limited 10,000 Shares	1,417	-
Sale of Engro Polymer Chemical Limited 35,000 Shares	1,261	-
Sale of Maple Leaf Cement Factory Limited 25,000 Shares	970	-

	2019 ------(Rupees in '000)-----	2018
Sale of Engro Fertilizers Limited 15,000 Shares	1,076	-
Sale of Pakistan State Oil Company Limited 12,000 Shares	2,520	-
Sale of Lotte Chemical Pakistan Limited 30,000 Shares	412	-
Sale of Lucky Cement Limited 4,000 Shares	1,734	-
Sale of Kohat Cement Limited 8,000 Shares	703	-
Sale of Hub Power Company Limited 15,000 Shares	1,169	-
<b>HBL Energy Fund</b>		
Sale of Pakistan Petroleum Limited 23,000 Shares	4,110	-
<b>SIUT Trust - Connected Person due to holding more than 10% units</b>		
Issue of 8,064 (2018: Nil) units	840	-
<b>Executives and their relatives</b>		
Issue of 951 (2018: Nil units)	100	-
Redemption of 951 (2018: Nil units)	101	-
<b>22.2 Amounts outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	1,677	3,329
Sindh Sales Tax	218	433
<b>Allocation of Expenses related to registrar services, accounting, operation and valuation services</b>	112	222
Charging of selling and marketing expenses	1,497	5,632
Sales load payable	-	49
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund 4,292,544: (2018: 6,022,636) units	443,286	631,020
Bank balances	4,775	9,819
Mark-up receivable on deposits with banks	16	24

	2019 ------(Rupees in '000)-----	2018
Sales load payable	-	635
<b>HBL Asset Management Limited Employee Gradiuity Fund - Management Company</b>		
Investment held in the Fund 4,521: (2018: 4,508) units	467	473
<b>HBL Asset Management Limited Employee Provident Fund - Management Company</b>		
Investment held in the Fund 13,051: (2018: 13,014) units	1,348	1,364
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	194	304
Sindh Sales Tax	25	40
Security deposit	100	100
<b>SIUT Trust - Connected Person due to holding more than 10% units</b>		
Investment held in the Fund 2,806,411 (2018: 2,798,346) units	289,815	293,196

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

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

	Name	Designation	Qualification	Experience in years
1	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

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

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

1	JS Global Capital Limited
2	Next Capital Limited
3	Intermarket Securities Limited.
4	Topline Securities (Private) Limited.
5	AL Falah Securities (Private) Limited.
6	Taurus Securities Limited.
7	AKD Securities Limited
8	AL Habib Capital Markets (Private) Limited.
9	EFG Hermes Pakistan Limited
10	Aba Ali Habib Securities (Pvt) Limited

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

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

**25. PATTERN OF UNIT HOLDING**

	<b>2019</b>			
	<b>Number of unit holders</b>	<b>Number of units held</b>	<b>Investment amount</b>	<b>Percentage investment</b>
	(Rupees in '000)			
<b>Individuals</b>	204	3,378,226	348,865	30.85%
Retirement Funds	2	84,685	8,745	0.77%
Trust	3	2,925,245	302,087	26.71%
Associated Companies	3	4,310,117	445,101	39.36%
Others	2	252,443	26,070	2.31%
	<u>214</u>	<u>10,950,716</u>	<u>1,130,868</u>	<u>100.00%</u>
	<b>2018</b>			
	<b>Number of unit holders</b>	<b>Number of units held</b>	<b>Investment amount</b>	<b>Percentage investment</b>
	(Rupees in '000)			
Individuals	335	10,432,324	1,093,045	44.26%
Retirement Funds	2	51,597	5,406	0.22%
Trust	4	5,197,305	544,547	22.05%
Banks	1	6,022,636	631,020	25.55%
Others	5	1,866,285	195,541	7.92%
	<u>347</u>	<u>23,570,147</u>	<u>2,469,559</u>	<u>100.00%</u>

**26. 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			Meetings not attended
		Held	Attended	Leave	
1	Mr. Agha Sher Shah <sup>1-2</sup>	6	5	1	November 14, 2018
2	Mr. Farid Ahmed Khan <sup>3</sup>	6	6	-	-
3	Ms. Ava A. Cowasjee <sup>1</sup>	6	6	-	-
4	Mr. Rayomond H. Kotwal <sup>1</sup>	6	5	1	February 8, 2019
5	Mr. Rizwan Haider <sup>1</sup>	6	5	1	November 14, 2018
6	Mr. Shabbir Hussain Hashmi <sup>1</sup>	6	6	-	-
7	Mr. Shahid Ghaffar <sup>1</sup>	6	6	-	-
8	Mr. Aamir Hasan Irshad <sup>4</sup>	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. FINANCIAL RISK MANAGEMENT**

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

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

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

**27.1 Market risk**

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

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

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

### 27.1.1 Currency risk

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

### 27.1.2 Interest rate risk

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

#### a) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts and investment in Sukuks. During the year, the net income would have increased / (decreased) by Rs. 7.89 million (2018: Rs. 17.87 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 - held for trading. Therefore, a change in interest rates at the reporting date would not affect net income for the year.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 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				Not exposed to Yield / Interest rate risk
	Total	Exposed to Yield / Interest rate risk			
		Upto three months	More than three months and upto one year	More than one year	
<b>Financial instruments</b>					
<b>Financial assets</b>					
Bank balances	273,417	273,417	-	-	-
Investments	1,029,001	193,749	150,000	366,166	319,086
Dividend receivable and accrued mark-up	18,232	-	-	-	18,232
Advances and deposits	33,221	-	-	-	33,221
	<b>1,353,871</b>	<b>467,166</b>	<b>150,000</b>	<b>366,166</b>	<b>370,539</b>
<b>Financial liabilities</b>					
Payable to the Management Company	3,286	-	-	-	3,286
Payable to the Trustee	194	-	-	-	194
Accrued expenses and other liabilities	2,506	-	-	-	2,506
Payable against redemption of units	235,617	-	-	-	235,617
	<b>241,603</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>241,603</b>



	2018				Not exposed to Yield / Interest rate risk
	Total	Exposed to Yield / Interest rate risk			
		Upto three months	More than three months and upto one year	More than one year	
Financial instruments	(Rupees in '000)				
Financial assets					
Bank balances	1,072,554	1,072,554	-	-	-
Investments	1,395,267	-	-	714,800	680,467
Dividend receivable and accrued mark-up	16,784	-	-	-	16,784
Advances, deposits and other receivables	1,605	-	-	-	1,605
Receivable against sale of investment	2,338	-	-	-	2,338
	2,488,548	1,072,554	-	714,800	701,194
Financial liabilities					
Payable to the Management Company	9,665	-	-	-	9,665
Payable to the Trustee	344	-	-	-	344
Accrued expenses and other liabilities	3,794	-	-	-	3,794
	13,803	-	-	-	13,803

### 27.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instrument traded in the market.

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

In case of 5% increase / decrease in the fair value of the Fund's equity and debt securities in 'fair value through profit and loss' category, on June 30, 2019, net assets of the Fund would have increased / decreased by Rs. 41.76 million (2018: Rs. 69.7633 million) as a result of gains / losses on equity and debt securities 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 KMI-30 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI index, is expected to change over the time.

## 27.2 Credit risk

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

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

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

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

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

Name of bank	Balances held by the Fund as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
Habib Bank Limited	4,745	AAA	JCR-VIS
Dubai Islamic Bank Limited	267,430	AA	JCR-VIS
Bank Islami Pakistan Limited	188	A1	PACRA
Bank Al Habib Limited	925	AA+	PACRA
Askari Bank Limited	12	AA+	PACRA
Soneri Bank Limited	14	AA-	PACRA
AlBaraka Bank Pakistan Limited	10	A+	JCR-VIS
Summit Bank Limited	10	N/A	JCR-VIS
Allied Bank Limited	26	AAA	PACRA
MIB Bank Limited	57	A	PACRA
	273,417		
Investment in Sukuks	516,166		

Name of bank	Balances held by the Fund as at June 30, 2018	Latest available published rating as at June 30, 2018	Rating agency
Habib Bank Limited	9,660	A-1+	JCR-VIS
Dubai Islamic Bank Limited	606,921	A-1	JCR-VIS
Bank Islami Pakistan Limited	41,072	A1	PACRA
Bank Al Habib Limited	414,216	A1+	PACRA
Askari Bank Limited	280	A1+	PACRA
Soneri Bank Limited	377	AA-	PACRA
AlBaraka Bank Pakistan Limited	10	A-1	JCR-VIS
Summit Bank Limited	10	A-1	JCR-VIS
Allied Bank Limited	8	A1+	PACRA
	1,072,554		
Investment in Sukuks	714,800		

#### Concentration of credit risk

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

#### 27.3 Liquidity risk

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

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of 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 year 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) -----			
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to the Management Company	3,286	3,286	-	-
Payable to the Trustee	194	194	-	-
Accrued expenses and other liabilities	2,506	2,506	-	-
Payable against redemption of units	235,617	235,617	-	-
	<b>241,603</b>	<b>241,603</b>	-	-
	2018			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- (Rupees in '000) -----			
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to the Management Company	9,665	9,665	-	-
Payable to the Trustee	344	344	-	-
Accrued expenses and other liabilities	3,794	3,794	-	-
	<b>13,803</b>	<b>13,803</b>	-	-

## 28. UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

## 29. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

		June 30, 2019						
		Carrying amount			Fair Value			
		Fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)						
<b>Financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investments								
	- Listed equity securities	319,086	-	319,086	319,086	-	-	319,086
	- Listed Sukuk's Certificates	516,166	-	516,166	-	516,166	-	516,166
		<u>835,252</u>	<u>-</u>	<u>835,252</u>	<u>319,086</u>	<u>516,166</u>	<u>-</u>	<u>835,252</u>
<b>Financial assets not measured at fair value</b>								
29.1	Commercial paper	193,749	-	-				
	Bank balances	-	273,417	273,417				
	Dividend receivable and accrued mark-up	-	18,232	18,232				
	Advances, deposits and other receivables	-	33,221	33,221				
	Receivable against sale of investment	-	23,653	23,653				
		<u>-</u>	<u>193,749</u>	<u>348,523</u>				
<b>Financial liabilities not measured at fair value</b>								
29.1	Payable to the Management Company	-	3,286	3,286				
	Payable to the Trustee	-	194	194				
	Accrued expenses and other liabilities	-	2,506	2,506				
	Payable against redemption of units	-	235,617	235,617				
		<u>-</u>	<u>241,603</u>	<u>241,603</u>				

		June 30, 2018								
		Carrying amount				Fair Value				
	Note	Financial assets/Liabilities at fair value through profit or loss - held	Available-for-sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
Financial instruments										
Financial assets measured at fair value										
Investments										
- Listed equity securities		519,265	161,202	-	-	680,467	680,467	-	-	680,467
- Listed Sukuk's Certificates		590,537	124,263	-	-	714,800	-	714,800	-	714,800
		<u>1,109,802</u>	<u>285,465</u>	<u>-</u>	<u>-</u>	<u>1,395,267</u>	<u>680,467</u>	<u>714,800</u>	<u>-</u>	<u>1,395,267</u>
Financial assets not measured at fair value										
	29.1									
Bank balances		-	-	1,072,554	-	1,072,554				
Dividend receivable and accrued mark-up		-	-	16,784	-	16,784				
Advances, deposits and other receivables		-	-	1,605	-	1,605				
Receivable against sale of investment		-	-	2,338	-	2,338				
		<u>-</u>	<u>-</u>	<u>1,093,281</u>	<u>-</u>	<u>1,093,281</u>				
Financial liabilities not measured at fair value										
	29.1									
Payable to the Management Company		-	-	-	9,665	9,665				
Payable to the Trustee		-	-	-	344	344				
Accrued expenses and other liabilities		-	-	-	3,794	3,794				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>13,803</u>	<u>13,803</u>				

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

### **30. TOTAL EXPENSE RATIO**

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2019 is 2.63% which includes 0.31% 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 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)**

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**





# HBL Islamic Stock Fund

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HBL AML Financial annual report 2018-19

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

**Type and Category of Fund**

Open end Equity Fund

**Investment Objective and Accomplishment of Objective**

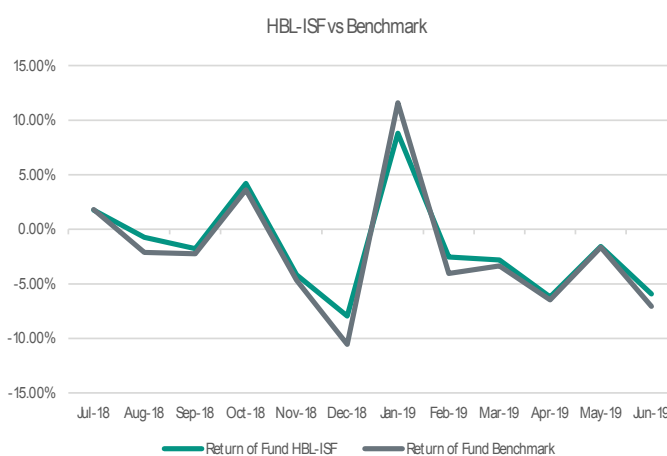
The investment objective of the Fund is to achieve long term capital growth by investing mainly in Shariah Compliant equity securities.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KMI-30 Index.

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

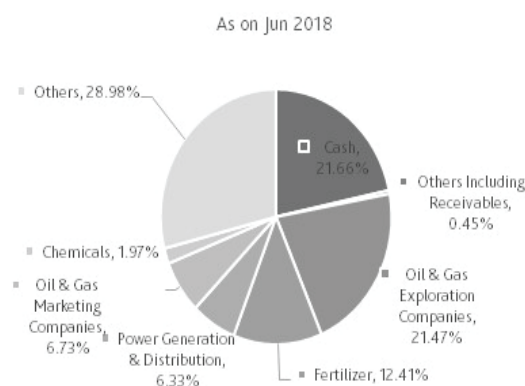
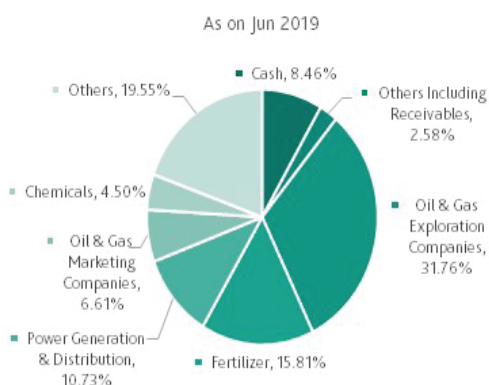
Month	Return of Fund	
	HBL-ISF	Benchmark
Jun-19	-5.93%	-7.07%
May-19	-1.58%	-1.65%
Apr-19	-6.19%	-6.48%
Mar-19	-2.82%	-3.35%
Feb-19	-2.54%	-4.04%
Jan-19	8.81%	11.60%
Dec-18	-7.96%	-10.55%
Nov-18	-4.16%	-4.67%
Oct-18	4.21%	3.62%
Sep-18	-1.77%	-2.24%
Aug-18	-0.74%	-2.11%
Jul-18	1.76%	1.80%



**Strategies and Policies employed during the Year**

During the year under review, the Fund increased its exposure in equity from 78% of total assets as on June 30, 2018 to 89% 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 Marketing was reduced; however exposure in Power Generation & Distribution, Fertilizers, Oil & gas exploration companies and Chemical was increased.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2019 and June 30, 2018:

Sector Name	As on Jun 2019	As on Jun 2018
Cash	8.46%	21.66%
Others Including Receivables	2.58%	0.45%
Oil & Gas Exploration Companies	31.76%	21.47%
Fertilizer	15.81%	12.41%
Power Generation & Distribution	10.73%	6.33%
Oil & Gas Marketing Companies	6.61%	6.73%
Chemicals	4.50%	1.97%
Others	19.55%	28.98%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The total and net loss of the Fund was Rs. 203.62 million and Rs. 277.65 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) of the Fund was Rs. 91.2924 per unit as on June 30, 2019 as compared to Rs. 111.8276 per unit as on June 30, 2018 giving a negative return of 18.36% during the year against the benchmark return (KMI 30 Index) of negative 23.84%. The size of Fund was Rs. 0.64 billion as on June 30, 2019 as compared to Rs. 2.54 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 KMI30 index recorded 16,942 points decline (-24%) during FY19 to close at 54,119 level. Index heavy weights & cyclical sector led the decline in the index. Major decline in the index was contributed by Oil & Gas Exploration (-23%), Cement (-33%) and Oil Marketing sector (-42%) due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive return 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 (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	122	4,619
101 – 500	64	15,985
501 – 1,000	22	16,792
100,1 – 10,000	94	330,025
10,001 – 100,000	31	799,312
100,001 – 500,000	7	1,804,087
500,001 – 1,000,000	2	1,447,199
1,000,001 – 5,000,000	1	2,539,415
5,000,001 and above	-	-
<b>Total</b>	<b>343</b>	<b>6,957,434</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE - HBL ISLAMIC STOCK FUND

	2019	2018	2017	2016	2015	2014
Net assets at the period end(Rs'000)	635,161	2,541,942	1,043,544	784,634	783,608	778,727
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	91.2924	111.8276	130.0225	128.0108	128.2681	131.9066
Offer	93.3556	111.8276	132.9611	131.3964	131.6903	135.4565
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	93.3743	114.5959	184.8553	137.7412	154.1646	178.2440
Lowest offer price per unit	93.3743	114.3608	131.9828	111.9416	126.7402	129.7224
Highest redemption price per unit	91.3107	112.0633	180.7699	134.1921	150.1584	173.5728
Lowest redemption price per unit	91.3107	111.8334	129.0659	109.0573	123.4188	126.3228
<b>RETURN ( % )</b>						
Total return	-18.36%	-13.99%	24.51%	0.98%	11.63%	30.17%
Income distribution	0.00%	0.00%	29.00%	1.50%	19.00%	38.50%
Capital growth	-18.36%	-13.99%	-4.49%	-0.52%	-7.37%	-8.33%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	-	-	29.00	1.50	19.00	38.50
Date of Income Distribution	-	-	22-Jun-17	28-Jun-16	30-Jun-15	27-Jun-14
Total dividend distribution for the year/ period	-	-	29.00	1.50	19.00	38.50
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-18.36%	-13.99%	24.51%	0.98%	11.63%	30.17%
Average annual return 2 year	-16.21%	3.48%	12.15%	-	-	-
Average annual return 3 year	-4.38%	2.65%	12.03%	-	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	8%	22%	6%	6%	9%	11%
GoP Ijarah Sukuks		-	-	-	-	-
Placement with Banks and DFIs		-	-	-	-	-
Corporate Sukuks		-	-	-	-	-
Stock / Equities	89%	78%	92%	93%	90%	68%
Others	3%	0%	2%	1%	1%	21%

**Note:**

The Launch date of the Fund is May 10, 2011

**Disclaimer:**

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

# PROXY VOTING DISCLOSURE-

For the year ended June 30, 2019

Summary of Actual Proxy voted by CIS

HBL Islamic Stock Fund	Meetings	Resolutions	For	Against
Number	4	6	6	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Amreli Steels Limited	23/10/2018	
AGP Limited	17/4/2019	06/7/18
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	(2/10/2018)(26/11/2018)(28/3/2019)	27/5/2019
Engro Polymer & Chemicals Ltd	(18/09/2018)(1/4/2019)	
Fauji Fertilizer Co Ltd	(28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019)	
Hub Power Company Ltd	(5/10/2018)(30/4/2019)	(16/4/2019)
Hascol Petroleum	(18/09/2018)(19/11/2018)	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	(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
Mughal iron & Steel	27/10/2018	
Millat Tractors Limited	(8/3/2019)	
Nishat Mills Ltd	(27/10/2018)(17/4/2019)	
Oil & Gas Development Co Ltd	(25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019)	
Pakgen Power Ltd	30/4/2019	
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	



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC STOCK FUND**

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

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

A handwritten signature in blue ink, appearing to read 'Badiuddin Akber', is written over the printed name.

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

Karachi, September 26, 2019

A small handwritten mark or signature in the left margin, possibly initials.





ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٽڊ

### STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Stock Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shariah Advisor of the Fund.

Farid Ahmed Khan

Chief Executive Officer

Dated: August 29, 2019

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

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 30, 2019

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2019 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Stock Fund (HBL-ISF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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

  
Mufti Irshad Ahmad Aijaz  
Member Shariah Council



  
Faraz Younus Bandukda, CFA  
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited

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

We have performed an independent assurance engagement of **HBL Islamic Stock Fund** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2019. Our engagement was carried out as under Trust Deed and Shariah Principles of the Fund.

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

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

### **Responsibility of an independent assurance provider**

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

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

The procedures performed included:

- Checking compliance of specified guideline issued by the Shariah Advisor relating to charity, maintaining of bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2019 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

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## Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with Shairah Principles in the Trust Deed and the guideline issued by the Shariah Advisor for the year ended June 30, 2019.

*Deloitte Yousuf Adil*  
Chartered Accountants<sup>5</sup>

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



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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **HBL Islamic Stock Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 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
<b>1</b>	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 585 million as at June 30, 2019.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and their valuation and existence is a significant area during</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>Independent testing of valuations by 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</li> </ul>

*YAD*

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>our audit. There is a risk that appropriate quoted prices may not be used to determine fair value.</p> <p>Further, the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<p>internal records with Central Depository Company (CDC) statement;</p> <ul style="list-style-type: none"> <li>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding the weightage average cost of the securities; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further and reported, if required.</li> </ul>
2	<p><b>Adoption of IFRS 9 "Financial Instruments".</b></p> <p>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"</p> <p>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.</p> <p>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.</p> <p>Management also assessed the additional disclosure required to be made by the new accounting standard in the financial statement.</p> <p>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.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>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;</li> <li>Reviewed the classification of investment by management and ensured that it is in accordance with the business model;</li> <li>Evaluate and tested the adjustment, if any, recorded in financial statement in accordance with the change; and</li> <li>Evaluated the adequacy and appropriateness of disclosure made in the financial statements.</li> </ul>

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

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



Member of  
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 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

	Note	2019 ------(Rupees in '000)-----	2018
<b>Assets</b>			
Bank balances	5	55,650	618,133
Investments	6	585,604	2,222,627
Dividend receivable and accrued mark-up	7	2,347	5,771
Advances and deposits	8	3,521	3,482
Receivable against sale of equity instruments		10,033	-
		657,155	2,850,013
<b>Liabilities</b>			
Payable to the Management Company	9	2,202	9,226
Payable to the Trustee	10	120	322
Payable to Securities and Exchange Commission of Pakistan	11	1,917	1,616
Payable against purchase of equity instruments		-	276,163
Accrued expenses and other liabilities	12	17,755	20,744
		21,994	308,071
<b>Net Assets</b>		<u>635,161</u>	<u>2,541,942</u>
<b>Unit Holders' Fund (as per statement attached)</b>		<u>635,161</u>	<u>2,541,942</u>
<b>Contingencies and Commitments</b>	13	----- Number of units -----	
<b>Number of units in issue</b>	18	<u>6,957,434</u>	<u>22,730,895</u>
		----- Rupees -----	
<b>Net assets value per unit</b>	4.7	<u>91.2924</u>	<u>111.8276</u>

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

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

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

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

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

**HBL Islamic Stock Fund**  
**Income Statement**  
For the year ended June 30, 2019

	Note	2019 ------(Rupees in '000)-----	2018
<b>Income</b>			
Dividend income		79,594	71,036
Profit on bank deposits		23,000	15,474
Capital loss on sale of investments - net		(197,653)	(26,681)
Other income		-	2
		(95,059)	59,831
Unrealised diminution on remeasurement of investments classified at fair value through profit or loss		(108,566)	(46,644)
Impairment loss on equity securities classified as available for sale		-	(67,023)
<b>Total loss</b>		(203,625)	(53,836)
<b>Expenses</b>			
Remuneration of the Management Company	9.1 & 9.2	45,616	38,447
Remuneration of the Trustee	10.1	3,362	3,050
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	1,917	1,616
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	2,018	1,701
Selling and marketing expense	9.4	8,074	6,805
Auditors' remuneration	14	352	352
Settlement and bank charges		1,058	907
Brokerage fees		7,480	6,694
Fee and subscription		224	161
Printing and stationary		-	173
Legal and professional charges		45	49
Charity		3,882	5,290
<b>Total expenses</b>		74,028	65,245
<b>Net loss from operating activities</b>		(277,653)	(119,081)
Provision for Sindh Workers' Welfare Fund	12.3	-	-
<b>Net loss for the year before taxation</b>		(277,653)	(119,081)
Taxation	15	-	-
<b>Net loss for the year after taxation</b>		(277,653)	(119,081)
<b>Earnings per unit</b>	17		

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

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

Chief Financial Officer

Chief Executive Officer

Director

	2019	2018
	----- (Rupees in '000) -----	
Net loss for the year after taxation	(277,653)	(119,081)
<b>Other comprehensive income for the year</b>		
<b>Items that may be reclassified subsequently to income statement</b>		
Unrealised diminution on remeasurement of investments classified as available-for-sale	-	(1,933)
Net reclassification adjustments relating to available-for-sale financial instruments	-	(56,684)
	-	(58,617)
<b>Total comprehensive loss for the year</b>	<u>(277,653)</u>	<u>(177,698)</u>

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

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

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

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

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

**HBL Islamic Stock Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2019

For the year ended June 30,

	2019				2018			
	Capital value	Undistributed income (Accumulated loss)	Unrealised income / (loss) on investment	Total	Capital value	Undistributed income (Accumulated loss)	Unrealised income / (loss) on investment	Total
<b>Net assets at the beginning of the year</b>	2,580,952	(40,603)	1,593	2,541,942	904,856	78,478	60,210	1,043,544
Adoption of IFRS 9	-	1,593	(1,593)	-	-	-	-	-
Issuance of 5,136,372 units (2018: 20,830,023 units)								
- Capital Value (at net asset value per unit at the beginning of the year)	574,388	-	-	574,388	2,708,372	-	-	2,708,372
- Element of loss	(2,546)	-	-	(2,546)	(335,543)	-	-	(335,543)
<b>Total proceed on issuance of units</b>	571,842	-	-	571,842	2,372,829	-	-	2,372,829
Redemption of 20,909,833 units (2018: 6,125,000 units)								
- Capital Value (at net asset value per unit at the beginning of the year)	(2,338,297)	-	-	(2,338,297)	(796,388)	-	-	(796,388)
- Amount paid out of element of income Relating to net income for the year after taxation	137,327	-	-	137,327	99,655	-	-	99,655
<b>Total payment on redemption of units</b>	(2,200,970)	-	-	(2,200,970)	(696,733)	-	-	(696,733)
Element of income and capital gains included in prices of units issued less those in units redeemed	-	-	-	-	-	-	-	-
Net loss for the year after taxation	-	(277,653)	-	(277,653)	-	(119,081)	-	(119,081)
Other comprehensive loss for the year	-	-	-	-	-	-	(58,617)	(58,617)
Distribution during the year	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	(277,653)	-	(277,653)	-	(119,081)	(58,617)	(177,698)
<b>Net assets at the end of the year</b>	951,824	(316,663)	-	635,161	2,580,952	(40,603)	1,593	2,541,942
<b>Undistributed income brought forward</b>								
- Realised		6,041				78,478		
- Unrealised		(46,644)				-		
		(40,603)				78,478		
Element of income and capital gains included in prices of units issued less those in units redeemed		-				-		
Adoption of IFRS 9		1,593						
Accounting (loss) / income available for distribution		(277,653)				(119,081)		
Distribution during the year		-				-		
Undistributed income carried forward		(316,663)				(40,603)		
<b>Undistributed (Loss) / income carried forward</b>								
- Realised		(208,097)				6,041		
- Unrealised		(108,566)				(46,644)		
		(316,663)				(40,603)		
					(Rupees)			
<b>Net assets value per unit at the beginning of the year</b>				111.8276				130.0225
<b>Net assets value per unit at the end of the year</b>				91.2924				111.8276

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

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

Chief Financial Officer

Chief Executive Officer

Director



**HBL Islamic Stock Fund**  
**Cash Flow Statement**  
For the year ended June 30, 2019

Note	2019 ------(Rupees in '000)-----	2018
<b>Cash Flows From Operating Activities</b>		
Net loss for the year before taxation	(277,653)	(119,081)
<b>Adjustments</b>		
Capital loss on sale of investments - net	197,653	26,681
Unrealised diminution on remeasurement of investments classified at fair value through profit or loss	108,566	46,644
Profit on bank deposits	(23,000)	(15,474)
Dividend income	(79,594)	(71,036)
Impairment loss on equity securities classified as available for sale	-	67,023
	<u>(74,028)</u>	<u>(65,243)</u>
<b>Decrease / (Increase) in assets</b>		
Investments - net	1,330,804	(1,099,070)
Receivable against sale of equity instruments	(10,033)	-
Advances and deposits	(39)	21,255
	<u>1,320,732</u>	<u>(1,077,815)</u>
<b>(Decrease) / Increase in liabilities</b>		
Payable to the Management Company	(7,024)	5,679
Payable to the Trustee	(202)	128
Payable to Securities and Exchange Commission of Pakistan	301	734
Payable against purchase of equity instruments	(276,163)	-
Accrued expenses and other liabilities	(2,989)	(2,475)
	<u>(286,077)</u>	<u>4,066</u>
Mark-up received	24,205	14,210
Dividend received	81,813	70,088
<b>Net cash generated from / (used in) operating activities</b>	<u>1,066,645</u>	<u>(1,054,694)</u>
<b>Cash Flows From Financing Activities</b>		
Amount received on issuance of units	571,842	2,372,829
Payment against redemption of units	(2,200,970)	(767,151)
Cash dividend paid	-	-
<b>Net cash (used in) / generated from financing activities</b>	<u>(1,629,128)</u>	<u>1,605,678</u>
<b>Net (decrease in) / increase in cash and cash equivalents</b>	<u>(562,483)</u>	<u>550,984</u>
<b>Cash and cash equivalents at the beginning of the year</b>	618,133	67,149
<b>Cash and cash equivalents at the end of the year</b>	<u>55,650</u>	<u>618,133</u>

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

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

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

**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 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 financial assets are stated at fair value.

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

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

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

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

**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 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 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 foregoing, 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 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	Reclassifications	Remeasurements	Carrying amount on initial July 01, 2018	Effects on Retained Earnings on July 01, 2018
----- Rupees ('000') -----					
<b>Financial assets</b>					
<b>Fair value through profit or loss</b>					
Listed equity securities from	20,598	20,598	-	20,598	-
<b>Total</b>	<b>20,598</b>	<b>20,598</b>	<b>-</b>	<b>20,598</b>	<b>-</b>

#### **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 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 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.

#### 4.9 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
	------(Rupees in '000)-----	
<b>5. BANK BALANCES</b>		
Savings accounts	55,650	618,133
	55,650	618,133

5.1 This represent bank accounts held with different banks. Mark-up rates on these accounts range between 6% - 13.5% (June 30, 2018: 3.65% - 6%) per annum.

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

**6. INVESTMENTS**

Financial assets at fair value through profit or loss

- Listed equity securities	4.2.5 & 6.1	585,604	2,222,627
		<u>585,604</u>	<u>2,222,627</u>

**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 1, 2018	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2019		Total Investments	Net Assets	
<b>AUTOMOBILE ASSEMBLER</b>									
Millat Tractors Limited	65,980	16,900	-	82,880	-	-	-	-	-
	<u>65,980</u>	<u>16,900</u>	<u>-</u>	<u>82,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>									
Thal Limited (Par value Rs. 5 share)	143,350	56,900	-	147,200	53,050	19,313	3.30%	3.04%	0.07%
	<u>143,350</u>	<u>56,900</u>	<u>-</u>	<u>147,200</u>	<u>53,050</u>	<u>19,313</u>			
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	898,500	223,000	-	1,121,500	-	-	-	-	-
	<u>898,500</u>	<u>223,000</u>	<u>-</u>	<u>1,121,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CEMENT</b>									
Cherat Cement Company Limited.	-	365,600	-	365,600	-	-	-	-	-
D G Khan Cement Company Limited.	230,000	270,000	-	500,000	-	-	-	-	-
Kohat Cement Limited	332,000	378,000	61,290	598,600	172,690	9,071	1.55%	1.43%	0.13%
Lucky Cement Limited	207,750	171,600	-	319,800	59,550	22,657	3.87%	3.57%	0.02%
Maple Leaf Cement Factory	-	2,338,000	-	2,338,000	-	-	-	-	-
Pioneer Cement Limited	324,500	-	-	324,500	-	-	-	-	-
	<u>1,094,250</u>	<u>3,523,200</u>	<u>61,290</u>	<u>4,446,500</u>	<u>232,240</u>	<u>31,728</u>			
<b>COMMERCIAL BANK</b>									
Meezan Bank Limited	1,264,500	1,393,000	143,240	2,514,000	286,740	24,992	4.27%	3.93%	0.03%
	<u>1,264,500</u>	<u>1,393,000</u>	<u>143,240</u>	<u>2,514,000</u>	<u>286,740</u>	<u>24,992</u>			
<b>CHEMICAL</b>									
Engro Polymer & Chemicals Ltd	1,646,000	1,706,066	-	2,650,000	702,066	18,928	3.23%	2.98%	0.06%
Engro Polymer & Chemicals Ltd - LOR	536,066	-	-	536,066	-	-	-	-	-
Lotte Chemical Pakistan Ltd	-	650,000	-	446,000	204,000	3,111	0.53%	0.49%	0.01%
Sitara Chemical Industries Limited	-	27,100	-	2,400	24,700	7,555	1.29%	1.19%	0.12%
	<u>2,182,066</u>	<u>2,383,166</u>	<u>-</u>	<u>3,634,466</u>	<u>930,766</u>	<u>29,594</u>			
<b>ENGINEERING</b>									
Aisha Steel Mills Ltd	793,500	-	-	793,500	-	-	-	-	-
Amrell Steels Limited	357,200	200,000	-	557,200	-	-	-	-	-
Crescent Steel & Allied Products Ltd	-	222,000	-	222,000	-	-	-	-	-
International Industries Ltd	117,200	179,300	-	296,500	-	-	-	-	-
International Steels Limited	388,500	470,000	-	858,500	-	-	-	-	-
Mughal Iron & Steel Inds Ltd	535,500	133,000	-	668,500	-	-	-	-	-
	<u>2,191,900</u>	<u>1,204,300</u>	<u>-</u>	<u>3,396,200</u>	<u>-</u>	<u>-</u>			
<b>FERTILIZER</b>									
Engro Corporation Limited	517,600	405,100	25,380	743,100	204,980	54,443	9.30%	8.57%	0.04%
Engro Fertilizers Limited	1,887,500	422,000	-	1,912,500	397,000	25,396	4.34%	4.00%	0.03%
Fauji Fertilizer Company Limited	509,500	354,500	-	586,500	277,500	24,198	4.13%	3.81%	0.02%
	<u>2,914,600</u>	<u>1,181,600</u>	<u>25,380</u>	<u>3,242,100</u>	<u>879,480</u>	<u>104,037</u>			
<b>GLASS &amp; CERAMICS</b>									
Shabbir Tiles & Ceramics Limited	801,500	150,000	-	951,500	-	-	-	-	-
	<u>801,500</u>	<u>150,000</u>	<u>-</u>	<u>951,500</u>	<u>-</u>	<u>-</u>			
<b>INVESTMENT BANKS/COs./SECURITIES</b>									
Dawood Hercules Corporation Ltd	-	217,200	-	153,300	63,900	7,108	1.21%	1.12%	0.00%
	<u>-</u>	<u>217,200</u>	<u>-</u>	<u>153,300</u>	<u>63,900</u>	<u>7,108</u>			
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	84,930	47,800	9,272	90,520	51,482	52,163	8.91%	8.21%	0.05%
Oil & Gas Development Company Limited	1,048,900	1,092,100	-	1,636,700	504,300	66,310	11.32%	10.44%	0.01%
Pakistan Oilfields Limited	213,100	164,000	37,220	326,550	87,770	35,625	6.08%	5.61%	0.04%
Pakistan Petroleum Limited	829,700	620,500	130,155	1,199,700	380,655	54,978	9.39%	8.66%	0.02%
	<u>2,176,630</u>	<u>1,924,400</u>	<u>176,647</u>	<u>3,253,470</u>	<u>1,024,207</u>	<u>209,077</u>			
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Hascol Petroleum Limited	91,300	50,000	30,825	172,125	-	-	-	-	-
Pakistan State Oil Company Limited	320,400	408,700	65,680	611,200	183,580	31,141	5.32%	4.90%	0.06%
Sui Northern Gas Pipeline Limited	612,300	412,500	-	846,500	178,300	12,390	2.12%	1.95%	0.03%
	<u>1,024,000</u>	<u>871,200</u>	<u>96,505</u>	<u>1,629,825</u>	<u>361,880</u>	<u>43,531</u>			

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 1, 2018	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2019		Total Investments	Net Assets	
<b>PAPER &amp; BOARD</b>									
Package Limited	52,000	16,000	-	68,000	-	-	-	-	-
	52,000	16,000	-	68,000	-	-	-	-	-
<b>PHARMACEUTICALS</b>									
AGP Limited	427,750	293,000	-	670,000	50,750	3,478	0.59%	0.55%	0.00%
The Searle Company Limited	76,291	112,500	10,633	157,300	42,124	6,174	1.05%	0.97%	0.02%
	504,041	405,500	10,633	827,300	92,874	9,652			
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	1,379,000	1,225,441	-	1,872,000	732,441	57,680	9.85%	9.08%	0.06%
K-Electric Limited (Par value Rs. 3.5 share)	9,442,000	4,478,000	-	10,965,000	2,955,000	12,972	2.22%	2.04%	0.01%
Pakgen Power Limited	-	700,000	-	700,000	-	-	-	-	-
The HUB Power Company Limited- LOR	-	169,460	-	169,460	-	-	-	-	-
	10,821,000	6,572,901	-	13,706,460	3,687,441	70,652			
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
Systems Limited	242,500	-	-	242,500	-	-	-	-	-
	242,500	-	-	242,500	-	-	-	-	-
<b>TEXTILE COMPOSITE</b>									
Interloop Limited	-	668,250	-	283,000	385,250	17,055	2.91%	2.69%	4.43%
Kohinoor Textile Mills Ltd	-	695,500	-	695,500	-	-	-	-	-
Nishat Mills Ltd	629,100	300,600	-	765,900	163,800	15,289	2.61%	2.41%	0.05%
	629,100	1,664,350	-	1,744,400	549,050	32,344			
<b>TRANSPORT</b>									
Pakistan National Shipping Corp Limited	-	135,500	-	79,500	56,000	3,576	0.61%	0.56%	0.04%
	-	135,500	-	79,500	56,000	3,576			
	27,005,917	21,939,117	513,695	41,241,101	8,217,628	585,604			
Cost of investments at June 30, 2019						694,169			

**6.2.1** Investments include 50,000 shares of Engro Corporation Limited, 55,000 shares of Lucky Cement Limited and 150,000 shares of Oil & Gas Development Company Limited amounting to Rs.13.280 million, Rs. 20.925 million, and Rs. 19.723 million respectively (June 2018: 50,000 shares of Engro Corporation Limited, 55,000 shares of Lucky Cement Limited and 150,000 shares of Oil & Gas Development Company Limited amounting to Rs.15.693 million, Rs. 27.936 million, and Rs. 23.343 million respectively) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP.

**6.2.2** These includes gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 % is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.388 million at June 30, 2019 (June 2018: Rs. 0.727 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

	Note	2019 ------(Rupees in '000)-----	2018
<b>7. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP</b>			
Dividend receivable		1,854	4,073
Mark-up accrued on deposits with banks		493	1,698
		<u>2,347</u>	<u>5,771</u>
<b>8. ADVANCES AND DEPOSITS</b>			
Security deposit with:			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
Advance tax		921	882
		<u>3,521</u>	<u>3,482</u>
<b>9. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee	9.1	1,065	4,048
Sindh Sales Tax	9.2	139	526
Sales load payable		20	1
Selling and marketing payable	9.3	925	4,449
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	53	202
		<u>2,202</u>	<u>9,226</u>

**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 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% 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 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.

	Note	2019 ------(Rupees in '000)-----	2018
<b>10. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	10.1	106	285
Sindh Sales Tax		14	37
		<u>120</u>	<u>322</u>

**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 1,000 million	Rs. 0.7 million or 0.20% per annum of NAV, whichever is higher
Exceeding Rs 1,000 million	Rs 2 million plus 0.10% per annum of NAV

	Note	2019 ------(Rupees in '000)-----	2018
<b>11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	<u>1,917</u>	<u>1,616</u>

**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 0.095% (2018: 0.095%) of the average annual net assets of the scheme. The Fund has been categorised as a balanced scheme by the Management Company.

	Note	2019 ------(Rupees in '000)-----	2018
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Charity payable	12.1	3,882	5,290
Federal Excise Duty	12.2	6,793	6,793
Provision for Sindh Workers' Welfare Fund	12.3	6,312	6,312
Withholding tax payable		143	21
Auditors' remuneration		263	304
Payable to brokers		184	1,812
Others		178	212
		<u>17,755</u>	<u>20,744</u>

**12.1** In accordance with the instructions of the Shariah Advisor(s), any income earned by the Fund from investments whereby the portions of the investment of the investee company has been made in Shariah non-compliant avenues, such portion of the income of the Fund from those investments should be given away for charitable purposes directly by the Fund.

**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 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, has made a provision on FED on remuneration of the Management Company with effect from June 13, 2013 till June 30, 2016, aggregating to Rs. 6.793 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 0.98 (2018: Rs. 0.30) per unit.

**12.3** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of 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. 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 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. 8.274 million and started recognising provision provision for SWWF.

As at June 30, 2019, the provision in relation to SWWF amounted to Rs.6,312 million (2018: Rs.6,312 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2019 would have been higher by Rs. 0.9072 (2018: Rs. 0.2777) per unit.

### 13. CONTINGENCIES AND COMMITMENTS

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

14. AUDITORS' REMUNERATION	Note	2019 ------(Rupees in '000)-----	2018
Annual audit fee		253	253
Fee for half yearly review		40	40
Shariah Compliance Audit Fee		5	5
Out of pocket		54	54
		352	352

### 15. TAXATION

The Fund's income is exempt from Income Tax as per Clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. As the Fund has incurred a net loss during the year, therefore, no tax liability has been recorded in the current year.

### 16. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2019 is 3.70%, which includes 0.43% (June: 2018 is 3.84%, which includes 0.38%) representing government levy and SECP fee.

### 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. NUMBER OF UNITS IN ISSUE	Note	2019 ------(Rupees in '000)-----	2018
Opening units in issue		22,730,895	8,025,872
Units issued during the year		5,136,372	20,830,023
Less: Units redeemed during the year		(20,909,833)	(6,125,000)
Total units in issue at the end of the year		6,957,434	22,730,895

**19. FINANCIAL INSTRUMENTS BY CATEGORY**

Financial Assets	----- As at June 30, 2019 -----		
	At Fair value through profit or loss	At Amortised Cost	Total
	-----Rupees in '000'-----		
Bank balances	-	55,650	55,650
Investments	585,604	-	585,604
Dividend and profit receivable	-	2,347	2,347
Deposits and other receivables	-	2,600	2,600
	<u>585,604</u>	<u>60,597</u>	<u>646,201</u>

Financial Liabilities	----- As at June 30, 2019 -----		
	At Fair value through profit or loss	At Amortised Cost	Total
	-----Rupees in '000'-----		
Payable to the Management Company	-	2,063	2,063
Payable to Trustee	-	106	106
Accrued expenses and other liabilities	-	4,507	4,507
	<u>-</u>	<u>6,676</u>	<u>6,676</u>

Financial Assets	----- As at June 30, 2018 -----			
	Available for sale	Held-for- trading	Loans and receivables	Total
	-----Rupees in '000'-----			
Bank balances	-	-	618,133	618,133
Investments	20,598	2,202,029	-	2,222,627
Dividend and profit receivable	-	-	5,771	5,771
Deposits and other receivables	-	-	2,600	2,600
	<u>20,598</u>	<u>2,202,029</u>	<u>626,504</u>	<u>2,849,131</u>

Financial Liabilities	----- As at June 30, 2018 -----			
	Available for sale	Held-for- trading	Other financial liabilities	Total
	-----Rupees in '000'-----			
Payable to the Management Company	-	-	8,700	8,700
Payable to Trustee	-	-	285	285
Accrued expenses and other liabilities	-	-	7,618	7,618
Payable against conversion and redemption of units	-	-	276,163	276,163
	<u>-</u>	<u>-</u>	<u>292,766</u>	<u>292,766</u>

**20. TRANSACTIONS / BALANCES WITH CONNECTED PERSONS / RELATED PARTIES**

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

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

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

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

	2019	2018
	------(Rupees in '000)-----	
<b>20.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee including sales tax thereon	45,616	38,447
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,018	1,701
Selling and marketing	8,074	6,805
Redemption of 50,979 units (2018: Nil units)	5,500	-
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Active Allocation Plan - Associate</b>		
Issue of 53,665 units (2018: 963,012 units)	5,400	109,300
Redemption of 623,587 units (2018: Nil units)	65,214	-
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Conservative Allocation Plan - Associate</b>		
Issue of 6,245 units (2018: 16,260 units)	633	1,900
Redemption of 9,057 units (2018: 10,347 units)	952	1,175
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Associate - Strategic Allocation Plan - Associate</b>		
Issue of 865,348 units (2018: 13,058,539 units)	100,000	1,467,000
Redemption of 11,180,346 units (2018: 2,743,541 units)	1,166,961	300,000
<b>Habib Bank Limited - Sponsor</b>		
Bank charges paid	44	186
Profit on bank deposits earned	573	1,943
Profit on bank deposits received	601	2,583
Redemption of 3,659,439 units (2018: Nil units)	357,740	-
<b>IGI Life Insurance</b>		
Issue of 411,480 units (2018: Nil units)	45,012	-
Redemption of 139,801 units (2018: Nil units)	15,200	-
<b>Executives and their relatives</b>		
Issue of 79,393 units (2018: 2,040 units)	7,902	251
Redemption of 47,167 units (2018: 4,495 units)	4,831	503
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	3,362	3,050
Service charges	203	203

	2019	2018
	------(Rupees in '000)-----	
<b>20.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	1,065	4,048
Sindh Sales Tax	139	526
Sales load payable	20	1
Selling and marketing payable	925	4,449
Allocation of expenses related to registrar services, accounting, operation and valuation services	53	202
Investment held in the Fund : 164,082 units (2018: 215,061 units)	14,979	24,050
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 2,539,414 units (2018: 6,198,853 units)	231,829	693,203
Bank balances	7,006	10,596
Mark-up receivable on deposits with banks	19	48
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Active Allocation Plan - Associate</b>		
Investment held in the Fund : 393,090 units (2018: 963,012 units)	35,886	107,691
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Strategic Allocation Plan - Associate</b>		
Investment held in the Fund : Nil units (2018: 10,314,998 units)	-	1,153,502
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Conservative Allocation Plan - Associate</b>		
Investment held in the Fund : 2,721 units (2018: 5,913 units)	248	661
<b>IGI Life Insurance</b>		
Investment held in the Fund : 815,709 units (2018: Nil units)	74,468	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable including sales tax thereon	120	322
Security deposit	100	100
<b>Executives and their relatives</b>		
Investment held in the Fund : 49,299 units (2018: 14,572 units)	4,501	1,630

## **21. FINANCIAL RISK MANAGEMENT**

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

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

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

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

### **21.1 Market risk**

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

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

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

#### **21.1.1 Currency risk**

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

#### **21.1.2 Interest rate risk**

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

##### **a) Cash flow interest rate risk**

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 0.565 million (2018: Rs. 6.181 million) had the interest rates on savings accounts with the banks increased / (decreased) by 100 basis points.

##### **b) Fair value interest rate risk**

Presently, the Fund does not hold any fixed rate instruments at June 30, 2019, that could expose the Fund to fair value interest rate risk.

### 21.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund's equity securities are primarily exposed to equity price risk because of investments held and classified by the Fund on the statement of assets and liabilities as 'available for sale' and 'held for trading'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Fund's constitutive documents. The Fund's constitutive documents / NBFC Regulations also limit investment in individual equity securities to not more than 10% of its net assets, or 15% of the issued capital of the investee company and the sector exposure limit to 35% of net assets.

In case of 5% increase / (decrease) in the fair value of the Fund's equity securities on June 30, 2019, net assets of the Fund would have increased / (decreased) by Rs. 29.280 million (2018: Rs. 111.131 million). In case of gains / (losses) on equity securities in "fair value through profit and loss" category, the corresponding effect will be reported in other comprehensive income. In case of gains / (losses) on equity securities in "held for trading" category, with corresponding effect reported in profit and loss.

### 21.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

#### Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2019:

Name of the bank	Balance as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
	<b>Rupees in '000'</b>		
Savings Account			
Habib Bank Limited	5,506	AAA	JCR-VIS
Habib Bank Limited	1,500	AAA	JCR-VIS
Bank Islami of Pakistan	48,164	A+	PACRA
Dubai Islamic Bank	469	AA	JCR-VIS
Bank Al Baraka	10	A+	JCR-VIS
	55,650		



Name of the bank	Balance as at June 30, 2018	Latest available published rating as at June 30, 2018	Rating agency
	Rupees in '000'		
Saving Account			
Habib Bank Limited	7,666	AAA	JCR-VIS
Habib Bank Limited	2,930	AAA	JCR-VIS
Bank Islami of Pakistan	557,283	A+	PACRA
Dubai Islamic Bank	50,244	AA-	JCR-VIS
Bank Al Baraka	10	A+	JCR-VIS
	618,133		

	2019	2018
Note	----- (Rupees in '000) -----	
Dividend and profit receivable	2,347	5,771
Deposits and other receivables	2,600	2,600

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 three Banks. Management believes that these banks are reputed institutions.

### 21.3 Liquidity risk

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

The Fund is exposed to daily settlement of equity securities and daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen % 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 10% 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 10% 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 -----				
<b>Financial Liabilities</b>				
Payable to the Management Company	2,063	-	-	2,063
Payable to the Trustee	106	-	-	106
Accrued expenses and other liabilities	4,507	-	-	4,507
	<b>6,676</b>	<b>-</b>	<b>-</b>	<b>6,676</b>

----- As at June 30, 2018 -----				
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
<b>Financial Liabilities</b>				
Payable to the Management Company	8,700	-	-	8,700
Payable to the Trustee	285	-	-	285
Accrued expenses and other liabilities	7,618	-	-	7,618
Payable against purchase of equity instruments	276,163	-	-	276,163
	<b>292,766</b>	<b>-</b>	<b>-</b>	<b>292,766</b>

## 22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

		June 30, 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		----- (Rupees in '000) -----							
Financial assets measured at fair value									
Investments - Listed equity securities		585,604	-	585,604	585,604	-	-	585,604	
		<u>585,604</u>	<u>-</u>	<u>585,604</u>	<u>585,604</u>	<u>-</u>	<u>-</u>	<u>585,604</u>	
Financial assets not measured at fair value									
22.1	Bank balances	-	55,650	55,650					
	Dividend receivable and accrued mark-up	-	2,347	2,347					
		<u>-</u>	<u>57,997</u>	<u>57,997</u>					
Financial liabilities not measured at fair value									
22.1	Payable to Management Company	-	2,063	2,063					
	Payable to Trustee	-	106	106					
	Accrued expenses and other liabilities	-	4,507	4,507					
		<u>-</u>	<u>6,676</u>	<u>6,676</u>					
		June 30, 2018							
		Carrying amount			Fair Value				
		Available-for-sale	Held-for-trading	Loans and receivables / Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial instruments		----- (Rupees in '000) -----							
Financial assets measured at fair value									
Investments									
- Listed equity securities		20,598	2,202,029	-	2,222,627	2,222,627	-	-	2,222,627
		<u>20,598</u>	<u>2,202,029</u>	<u>-</u>	<u>2,222,627</u>	<u>2,222,627</u>	<u>-</u>	<u>-</u>	<u>2,222,627</u>
Financial assets not measured at fair value									
22.1	Bank balances	-	-	618,133	618,133				
	Dividend receivable and accrued mark-up	-	-	5,771	5,771				
	Deposits and other receivables	-	-	2,600	2,600				
		<u>-</u>	<u>-</u>	<u>626,504</u>	<u>626,504</u>				
Financial liabilities not measured at fair value									
22.1	Payable to Management Company	-	-	8,700	8,700				
	Payable to Trustee	-	-	285	285				
	Payable against purchase of equity instruments	-	-	276,163	276,163				
	Accrued expenses and other liabilities	-	-	7,618	7,618				
		<u>-</u>	<u>-</u>	<u>292,766</u>	<u>292,766</u>				

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

**22.2 Transfers during the year**

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. UNIT HOLDERS' FUND RISK MANAGEMENT**

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

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

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

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

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

- 1 AL Falah Securities (Pvt) Limited.
- 2 AL Habib Capital Markets (Pvt.) Limited.
- 3 Arif Habib Limited
- 4 BMA Capital Management Limited
- 5 EFG Hermes Pakistan Limited
- 6 Intermarket Securities Limited.
- 7 JS Global Capital Limited
- 8 Next Capital Limited
- 9 Taurus Securities Limited.
- 10 Topline Securities (Private) Limited.

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

- 1 JS Global Capital Limited
- 2 BMA Capital Management Limited
- 3 Optimus Capital Management (Pvt.) Limited.
- 4 Shajar Capital Pakistan (Pvt) Limited
- 5 Intermarket Securities Limited.
- 6 Arif Habib Limited

- 7 Taurus Securities Limited.
- 8 AL Habib Capital Markets (Pvt.) Limited.
- 9 EFG Hermes Pakistan Limited
- 10 Foundation Securities (Pvt) Limited.

## 25. 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	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

## 26. PATTERN OF UNIT HOLDING

-----As at June 30, 2019-----				
Category	Number of unit holders	Number of unit Held	Investment amount	Percentage investment
(Rupees in '000)				
Individuals	326	1,321,960	120,685	19.00%
Associated Companies	2	2,703,496	246,809	38.86%
Retirement Funds	3	144,585	13,200	2.08%
Trust	2	395,811	36,135	5.69%
Insurance companies	4	1,610,954	147,068	23.15%
Others	5	769,773	70,274	11.06%
Foreign Investors (Individual)	1	10,856	991	0.16%
	<b>343</b>	<b>6,957,434</b>	<b>635,161</b>	<b>100%</b>

-----As at June 30, 2018-----				
Category	Number of unit holders	Number of unit Held	Investment amount	Percentage investment
(Rupees in '000)				
Individuals	282	1,453,675	162,561	6.40%
Associated Companies	4	17,482,776	1,955,057	76.91%
Retirement Funds	1	44,985	5,031	0.20%
Asset Management Company	1	215,061	24,050	0.95%
Trust	1	458,163	51,235	2.02%
Insurance companies	5	3,067,411	343,021	13.49%
Others	3	8,824	987	0.04%
	<b>297</b>	<b>22,730,895</b>	<b>2,541,942</b>	<b>100%</b>

## 27. 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			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Agha Sher Shah 1 - 2	6	5	1	November 14,2018
2	Mr. Farid Ahmed Khan 3	6	6	0	-
3	Ms. Ava A. Cowasjee 1	6	6	0	-
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	0	-
7	Mr. Shahid Ghaffar 1	6	6	0	-
8	Mr. Aamir Hasan Irshad 4	1	1	0	-

- 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.

## 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**





# HBL Islamic Income Fund

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HBL AML Financial annual report 2018-19



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

**Type and Category of Fund**

Open end Shariah Compliant Income Fund

**Investment Objective and Accomplishment of Objective**

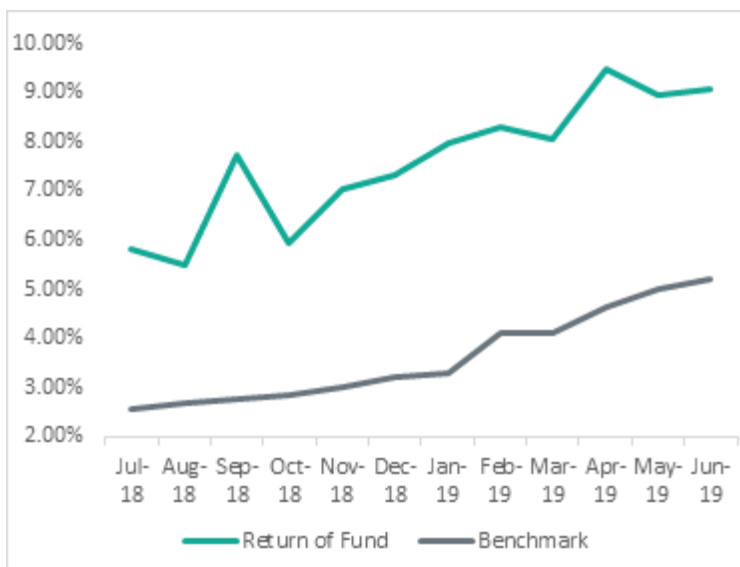
The objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is average 6Month deposit rates of 3A Rated Islamic Banks or Islamic Windows of Conventional Banks as per MUFAP.

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

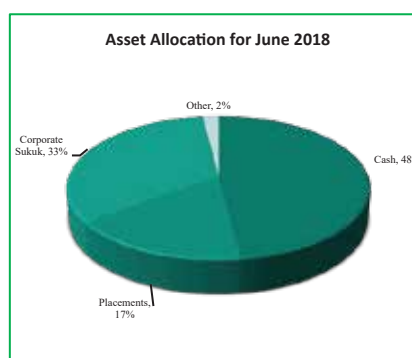
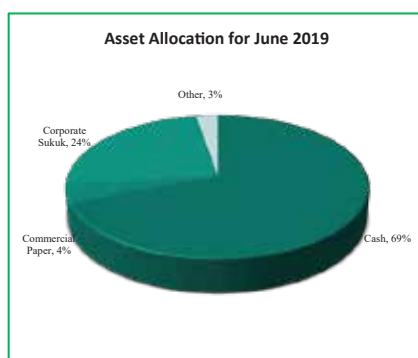
Month	Return of Fund	Benchmark
Jun-19	9.07%	5.19%
May-19	8.96%	4.99%
Apr-19	9.46%	4.65%
Mar-19	8.05%	4.09%
Feb-19	8.31%	4.09%
Jan-19	7.97%	3.31%
Dec-18	7.31%	3.20%
Nov-18	7.03%	3.01%
Oct-18	5.93%	2.86%
Sep-18	7.74%	2.78%
Aug-18	5.48%	2.69%
Jul-18	5.81%	2.56%



**Strategies and Policies employed during the Year**

During the year, funds were majorly placed in the form of Corporate Sukuk, Cash Deposits and tenor placements which yielded higher returns than the return available on the GoP Ijarah Sukuk. During the year, fund restrained from taking any exposure in Fixed rated GOP Ijarah Sukuk due to changing interest rate environment while many fresh corporate investments were initiated to support bottom line. The fund manager placed TDRs and COMs during the year to augment returns, however, all placements were matured before June end due to maturities linked to Investment Plans. Owing to proactive changes in asset allocation, HBL Islamic Income Fund posted an annualized return of 7.85% compared to benchmark return of 3.65%.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

During the year under review major shifts in the asset allocation were witnessed. During the year, exposure in Sukuk was increased to maximum 42.87% in October 2018 while minimum level of investment was recorded in May, 2019 at 16.01%. At the end of the year, exposure in Sukuk was stood at 24.20% of total assets compared to 33.93% in June, 2018. On the other hand, cash constitute 68.98% of total assets compared to 65.04% in June, 2018. Due to reduced exposure in Sukuk, WAM of the portfolio was reduced to 412 days compared to 618 days in June 2018.

## Fund Performance

The total income and net income of the Fund was Rs. 380.18 million and Rs. 307.15 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) of the Fund was Rs. 101.4883 per unit as on June 30, 2019 as compared to Rs. 106.3013 per unit as on June 30, 2018, after incorporating dividend of Rs. 12.75 (Rs. 5.00 per unit for the year ended June 30, 2018 and Rs. 7.75 per unit for the year ended June 30, 2019) per unit, thereby giving an annualized return of 7.85%. During the same year the benchmark return (6 Month bank deposit rates) was 3.65%. The size of Fund was Rs. 3.10 billion as on June 30, 2019 as compared to Rs. 4.04 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.

As per latest data available, Islamic Banking industry assets posted 19.5% growth and stood at PKR 2,790 billion by Mar-19. Similarly, deposits of Islamic banks also witnessed a sharp growth of 14.8% YoY and reached PKR 2,199 billion by Mar-19. Despite the massive growth in assets and deposits, SBP did not issue any fixed or floating rate GOP Ijarah Sukuk in FY18 and in FY19. During FY19, PKR 314bn of GoP Ijara matured while government conducted "Bai-Muajjal" transaction of PKR 237bn carried out with the banks so that banks could park their excess liquidity. The "Bai-Muajjal" was SLR Eligible which ensured that the Islamic banks continue to meet the SLR requirement.

The government has issued Energy Sukuk-I of PKR 200bn to partially retire the circular debt. This was a long term instrument and SLR Eligible fetching increased investment flows from Islamic banks. Moreover, Government is planning another Energy Sukuk-II of PKR 200bn in 1QFY20 to settle outstanding circular debt with similar pricing and characteristics.

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 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. 7.75 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 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	86	2,849
101 – 500	97	24,718
501 – 1,000	39	25,648
1,001 – 10,000	180	822,561
10,001 – 100,000	133	3,860,518
100,001 – 500,000	16	3,170,824
500,001 – 1,000,000	2	1,468,603
1,000,001 – 5,000,000	-	-
5,000,001 and above	1	21,203,998
<b>Total</b>	<b>554</b>	<b>30,579,719</b>

#### Unit Splits

There were no unit splits during the year.

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

Investments are subject to market risk.

#### Soft Commission

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

# PERFORMANCE TABLE - HBL ISLAMIC INCOME FUND

	2019	2018	2017	2016	2015	2014
Net assets at the period end (Rs'000)	3,103,484	4,041,526	4,461,245	226,967	359,343	769,602
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	101.4883	106.3013	101.0691	100.7401	100.3876	100.0282
Offer	103.2085	108.1031	102.7823	102.2512	101.8934	101.5286
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit - Class C	103.2085	108.1031	107.3662	106.7245	109.6756	102.1769
Lowest offer price per unit - Class C	102.6902	102.6902	102.2990	101.9324	101.5694	101.4335
Highest offer price per unit - Class D	110.9432	108.1031	107.3662	106.7245	109.6756	102.1769
Lowest offer price per unit - Class D	103.0902	102.6902	102.2990	101.9324	101.5694	101.4335
Highest redemption price per unit	109.0941	106.3013	105.5767	105.1473	108.0548	100.6669
Lowest redemption price per unit	101.3719	100.9786	100.7872	100.4260	100.0684	99.9345
<b>RETURN ( % )</b>						
Total return	7.85%	5.18%	5.52%	4.82%	8.37%	8.95%
Income distribution	7.75%	5.00%	5.20%	4.50%	8.00%	0.78%
Capital growth	0.10%	0.18%	0.32%	0.32%	0.37%	8.17%
<b>DISTRIBUTION</b>						
First Interim dividend distribution						-
Second Interim dividend distribution						-
Third Interim dividend distribution						-
First Interim dividend distribution (Rs)	-	-	4.85	4.50	8.00	0.78
Date of Income Distribution	-	-	22-Jun-17	24-Jun-16	24-Jun-15	25-Jun-14
Final Interim dividend distribution (Rs)	7.75%	5.00	0.35	-	-	-
Date of Income Distribution	26-Jun-19	4-Jul-18	30-Jun-17	-	-	-
Total dividend distribution for the year (Rs)	0.08	5.00	5.20	4.50	8.00	0.78
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	7.85%	5.18%	5.52%	4.82%	8.37%	8.95%
Average annual return 2 year	6.50%	5.35%	5.18%	6.59%	8.45%	-
Average annual return 3 year	6.18%	5.18%	6.24%	6.71%	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Net Assets as at 30 June:						
Bank Balances	68.98%	47.62%	50%	82%	65%	42%
GoP Ijarah Sukuks	0.00%	0%	33%	-	22%	-
Placement with Banks and DFIs	0.00%	17.43%	14%	-	0%	57%
Corporate Sukuks	24.20%	33.39%	3%	16%	11%	-
Others	2.70%	1.56%	-	2%	2%	1%
Weighted average portfolio during (No. of days)	618	618	481	187	198	33

**Note:**

The Launch date of the Fund is May 29, 2014

**Disclaimer:**

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC INCOME FUND**

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

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

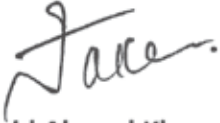
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 16, 2019



**STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

HBL Islamic Income Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shariah Advisor of the Fund.



**Farid Ahmed Khan**

Chief Executive Officer

Dated: August 29, 2019

HBL Asset Management Limited  
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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 30, 2019

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2019 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Income Fund (HBL-IIF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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

  
Mufti Irshad Ahmad Aijaz  
Member Shariah Council



  
Faraz Younus Bandukda, CFA  
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited



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

### Scope of our Work

We have performed an independent assurance engagement of HBL Islamic Income Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2019. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### Applicable Criteria

The criteria for the assurance engagement against which the underlying statement (the subject matter) is assessed comprises of compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). Therefore, the underlying subject matter may not be suitable for another purpose. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### Management Company's responsibility

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

### Our Independence and Quality Control

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. The firms apply International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, And Other Assurance and Related Services Engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Responsibility of independent assurance providers

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

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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.



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

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2019 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

#### Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2019.

KARACHI

DATED: AUGUST 30, 2019

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of HBL Islamic Income Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 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.	<p><b>Adoption of IFRS 9</b></p> <p>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".</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>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;</li> </ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>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.</p> <p>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.</p> <p>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 &amp; measurement and disclosure perspective.</p> <p>Refer to note 4.2, which explains the impact of the adoption of the new accounting standard.</p>	<ul style="list-style-type: none"> <li>• Reviewed 'Investment Classification Model' of the management for analysis of 'Business Model' assessment and 'Contractual Cash Flow Characteristics' test for classification of financial assets;</li> <li>• Reviewed management's assessment of the impact of new accounting standard on the Fund's financial statements;</li> <li>• 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;</li> <li>• Evaluated the adequacy and appropriateness of disclosures made in the financial statements in relation to adoption of the new accounting standard.</li> </ul>
2.	<p><b>Recognition, measurement and presentation of 'Element of Income'</b></p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• 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".</li> </ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>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'.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• We also 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.</li> </ul>

**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 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

	Note	2019 ------(Rupees in '000)-----	2018
<b>ASSETS</b>			
Bank balances	5	2,164,208	2,716,661
Investments	6	888,592	1,389,253
Profit receivable	7	76,919	38,957
Receivable against sale of investments		-	10,156
Preliminary expense and floatation costs	8	-	740
Deposits and prepayments	9	7,798	4,450
<b>TOTAL ASSETS</b>		<u>3,137,517</u>	<u>4,160,217</u>
<b>LIABILITIES</b>			
Payable to the Management Company	10	7,001	3,308
Payable to the Trustee	11	407	421
Payable to Securities and Exchange Commission of Pakistan	12	3,049	3,331
Payable against redemption of units		199	101,997
Dividend payable		3,864	20
Accrued expenses and other liabilities	13	19,513	9,614
<b>TOTAL LIABILITIES</b>		<u>34,033</u>	<u>118,691</u>
<b>NET ASSETS</b>		<u>3,103,484</u>	<u>4,041,526</u>
<b>UNIT HOLDERS FUNDS (AS PER STATEMENT ATTACHED)</b>		<u>3,103,484</u>	<u>4,041,526</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14	----- Number of units -----	
<b>Number of units in issue</b>	15	<u>30,579,719</u>	<u>38,019,523</u>
		----- Rupees -----	
<b>Net assets value per unit</b>		<u>101.4883</u>	<u>106.3013</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

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

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

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

# HBL ISLAMIC INCOME FUND

## Income Statement

For the year ended June 30, 2019

	Note	2019 ------(Rupees in '000)-----	2018
<b>Income</b>			
Capital (loss) / gain on sale of investment- net		(711)	14,203
Income from sukuks		140,764	74,373
Income from commercial papers and term deposit receipts		80,361	51,533
Profit on bank deposits		171,920	147,983
		<u>392,334</u>	<u>288,092</u>
Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.3	(12,157)	(12,183)
		<u>380,177</u>	<u>275,909</u>
<b>Expenses</b>			
Remuneration of the Management Company	10.1	39,448	28,248
Sindh sales tax on remuneration of the Management Company	10.2	5,128	3,672
Remuneration of the Trustee	11.1	4,865	5,227
Annual fee to Securities and Exchange Commission of Pakistan	12.1	3,049	3,332
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	4,065	4,444
Selling and marketing expense	10.4	7,454	-
Amortization of preliminary expenses and floatation costs		740	817
Auditors' remuneration	16	236	236
Fee and subscription		377	485
Security transaction cost		918	564
Bank charges		271	158
Shariah advisory charges		210	143
Printing charges		-	351
		<u>66,761</u>	<u>47,677</u>
<b>Net income for the year from operating activities</b>		<u>313,416</u>	<u>228,232</u>
Provision for Sindh Worker's Welfare Fund	13.2	(6,268)	(4,565)
<b>Net income for the year before taxation</b>		<u>307,148</u>	<u>223,667</u>
Taxation	17	-	-
<b>Net income for the year after taxation</b>		<u>307,148</u>	<u>223,667</u>
<b>Allocation of net income for the year</b>			
Income already paid on units redeemed		190,292	176,954
Accounting income available for distribution:			
Relating to capital gains		-	968
Excluding capital gains		116,856	45,745
		<u>116,856</u>	<u>46,713</u>
		<u>307,148</u>	<u>223,667</u>
Earnings per unit	18		

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director







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

HBL Islamic Income Fund ('the Fund') was established under a trust deed executed between PICIC Asset Management Company Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/AMCW/PIIF/949/2014 dated April 4, 2014 as a notified entity and the trust deed was executed on February 20, 2014.

Through an order dated August 31, 2016 SECP approved 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 Agha 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 has been categorised as a Shariah Compliant Income Scheme as per the criteria laid down by the SECP for categorization of open-end Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The investment objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations.

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

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.

## **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 as 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 19 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 17 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:

	<b>Effective date (annual periods beginning on or after)</b>
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:

	<b>Effective date (annual periods beginning on or after)</b>
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.	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, 2018

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 - saving accounts	(b)	Loans and receivables	Amortised cost	1,991,661	1,991,661
Bank balances - Term Deposit Receipts (TDRs)	(b)	Loans and receivables	Amortised cost	725,000	725,000
Investments	(a)	Held for trading	FVTPL	1,389,253	1,389,253
Profit receivable	(b)	Loans and receivables	Amortised cost	38,957	38,957
Receivable against sale of investments	(b)	Loans and receivables	Amortised cost	10,156	10,156
Deposits	(b)	Loans and receivables	Amortised cost	4,257	4,257
				<u>4,159,284</u>	<u>4,159,284</u>

(a) Debt 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 be 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.

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 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 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.

#### 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 ------(Rupees in '000)-----	2018
	Cash at bank			
	In savings accounts	5.1	2,164,187	1,991,661
	Term deposit receipts		-	725,000
	In current accounts		21	-
			<u>2,164,208</u>	<u>2,716,661</u>
5.1	These accounts carry mark-up at rates ranging between 6.50% and 12.5% (2018: 5.45% and 6.50%) per annum. This includes an amount held by a related party (Habib Bank Limited) amounting to Rs. 144.066 million (June 30, 2018: Rs. 0.009 million) on which return is earned at 8.00% (June 30, 2018: 6.00%) per annum.			
6	<b>INVESTMENTS</b>			
	Financial assets:			
	At fair value through profit or loss	6.1	759,168	1,389,253
	At amortized cost	6.2	129,424	-
			<u>888,592</u>	<u>1,389,253</u>
6.1	<b>Financial assets at fair value through profit or loss</b>			
	Privately placed Corporate Sukuk Bonds	6.1.1	<u>759,168</u>	<u>1,389,253</u>

**6.1.1 Financial assets at fair value through profit or loss:  
- Privately placed Corporate Sukuk Bonds**

Name of the Investee Company	Note	Number of units				As at June 30, 2019			Market value as a percentage of	
		As at July 1, 2018	Purchases during the year	Sales during the year	As at June 30, 2019	Market value	Carrying value	Un-realised appreciation / (diminution)	Total investments	Net assets
----- (Rupees in '000) -----										
<b>Corporate sukuk bonds - listed</b>										
International Brands Limited		1,040	1,760	1,700	1,100	107,745	109,850	(2,105)	12.13%	3.47%
K Electric Limited		-	76,700	76,700	-	-	-	-	-	-
Dawood Hercules Corporation Limited *		5,220	-	4,469	751	67,368	71,644	(4,276)	7.58%	2.17%
Meezan Bank Limited		50	-	50	-	-	-	-	-	-
		<u>6,310</u>	<u>78,460</u>	<u>82,919</u>	<u>1,851</u>	<u>175,113</u>	<u>181,494</u>	<u>(6,381)</u>	<u>19.71%</u>	<u>5.64%</u>
<b>Corporate sukuk bonds - unlisted</b>										
Dawood Hercules Corporation Limited *		1,000	450	1,000	450	44,910	44,316	594	5.05%	1.45%
AGP Limited		2,660	1,314	1,332	2,642	158,520	160,120	(1,600)	17.84%	5.11%
Dubai Islamic Bank Limited		190	-	-	190	190,000	193,554	(3,554)	21.38%	6.12%
Ghani Gases Limited		1,530	-	-	1,530	95,625	96,841	(1,216)	10.76%	3.08%
Agha Steel Industries Limited	6.1.3	-	100	5	95	95,000	95,000	-	10.69%	3.06%
Engro Fertilizers Limited		30,350	23,400	53,750	-	-	-	-	-	-
Neelum Jhelum Hydropower Company (Private) Limited		-	2,500	2,500	-	-	-	-	-	-
Byco Petroleum Pakistan Limited		-	1,000	1,000	-	-	-	-	-	-
Fatima Fertilizer Company Limited		-	20,000	20,000	-	-	-	-	-	-
		<u>35,730</u>	<u>48,764</u>	<u>79,587</u>	<u>4,907</u>	<u>584,055</u>	<u>589,831</u>	<u>(5,776)</u>	<u>66%</u>	<u>19%</u>
Total - as at June 30, 2019		<u>42,040</u>	<u>127,224</u>	<u>162,506</u>	<u>6,758</u>	<u>759,168</u>	<u>771,325</u>	<u>(12,157)</u>	<u>85.43%</u>	<u>24.46%</u>
Total - as at June 30, 2018		<u>11,473</u>	<u>80,476</u>	<u>50,849</u>	<u>41,100</u>	<u>1,389,253</u>	<u>1,401,436</u>	<u>(12,183)</u>	<u>100%</u>	<u>34.37%</u>

\* Related party (associated company) due to common directorship.

**6.1.2** These Corporate Sukuk Bonds carry mark-up at the rates ranging from 5.97% to 10.46% per annum (June 30, 2018: 6.04% to 7.96% per annum).

**6.1.3** These Corporate Sukuk Bonds are in the process of listing . These are stated at cost.

**6.1.4** Significant terms and conditions of privately placed Corporate Sukuk Bonds as at June 30, 2019 are as follows:

Name of company	Remaining principal (per sukuk bond)	Mark-up rate (per annum)	Issue date	Maturity date
----- (Rupees in '000) -----				
<b>Corporate sukuk bonds - listed</b>				
International Brands Limited	100,000	12 Month Kibor + 0.50%	15-Nov-17	15-Nov-21
Dawood Hercules Corporation Limited	90,000	3 Month Kibor + 1%	16-Nov-17	16-Nov-22
<b>Corporate sukuk bonds - unlisted</b>				
Dawood Hercules Corporation Limited	100,000	3 Month Kibor + 1%	01-Mar-18	01-Mar-23
AGP Limited	60,000	3 Month Kibor + 1.30%	09-Jun-17	09-Jun-22
Dubai Islamic Bank Limited	1,000,000	6 Month Kibor + 0.50%	14-Jul-17	14-Jul-27
Ghani Gases Limited	62,500	3 Month Kibor + 1%	02-Feb-17	02-Feb-23
Agha Steel Industries Limited	1,000,000	3 Month Kibor + 0.50%	09-Oct-18	09-Oct-24

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

**6.2 Financial assets at amortised cost**

Commercial paper	6.2.1	<u>129,424</u>	-
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**6.2.1 Commercial paper**

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) -----							
Hascol Petroleum Limited	-	270,976	11,140	282,116	-	-	-
K-Electric Limited	-	379,860	17,157	397,017	-	-	-
Hascol Petroleum Limited	-	122,549	6,874	-	129,423	14.57%	4.17%
Total - as at June 30, 2019	-	<u>773,385</u>	<u>35,171</u>	<u>679,133</u>	<u>129,423</u>	<u>14.57%</u>	<u>4.17%</u>

6.2.2 This carries mark-up at the rate of 12.26% per annum and will be matured by July 15, 2019.

6.3	Net unrealized diminution on re-measurement of investments classified as financial assets at fair value through profit or loss	Note	2019 ------(Rupees in '000)-----	2018
	Market value of investments		759,168	1,389,253
	Less: Carrying value of investments		(771,325)	(1,401,436)
			<u>(12,157)</u>	<u>(12,183)</u>

## 7 PROFIT RECEIVABLE

	Profit on bank deposits		52,312	12,680
	Profit on Corporate Sukuk Bonds	7.1	24,607	22,758
	Profit on Term Deposit Receipts		-	3,519
			<u>76,919</u>	<u>38,957</u>

7.1 This includes Rs. 1.588 million (2018: Rs. 5.516 million ) receivable from Dawood Hercules Corporation Limited, which is a related party due to common directorship.

## 8 PRELIMINARY EXPENSES AND FLOATATION COSTS

	Opening balance		740	1,557
	Cost amortised during the year		(740)	(817)
	Closing balance		<u>-</u>	<u>740</u>

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from May 29, 2014 (post IPO) as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

9	DEPOSITS AND PREPAYMENTS	Note	2019 ------(Rupees in '000)-----	2018
	Security deposits with:			
	Central Depository Company of Pakistan Limited		100	100
	National Clearing Company of Pakistan Limited		7,499	4,157
			7,599	4,257
	Prepaid rating fee		199	193
			<u>7,798</u>	<u>4,450</u>

## 10 PAYABLE TO THE MANAGEMENT COMPANY

	Remuneration payable of the Management Company	10.1	3,889	2,475
	Sindh Sales Tax payable on Management Company's remuneration	10.2	505	322
	Sales load payable		104	154
	Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	341	357
	Selling and marketing expense payable	10.4	2,162	-
			<u>7,001</u>	<u>3,308</u>

- 10.1** As per the offering document of the Fund, the Management Company shall charge a fee at the rate of 10% of gross earnings of the Scheme, calculated on daily basis not exceeding 1.50% of the average daily net assets of the Scheme and subject to a minimum fee of 0.50% of the average daily net assets of the Scheme, subject to the guidelines issued by the Commission from time to time. During the year, the fee is charged at the rate of 0.97% of the daily annual net assets of the Fund. The fee is payable monthly in arrears.
- 10.2** 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.
- 10.3** 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%.
- 10.4** 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.

<b>11</b>	<b>PAYABLE TO THE TRUSTEE</b>	Note	<b>2019</b> ------(Rupees in '000)-----	<b>2018</b> -----
	Trustee fee payable	11.1	<u>407</u>	<u>421</u>

- 11.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.
- 11.2** 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            | 0.17% p.a. of net assets   |
| Rs. 1 billion to Rs. 5 billion | Rs. 1.7 million plus 0.085% p.a. of net assets exceeding Rs. 1 billion |
| Over Rs. 5 billion             | Rs. 5.1 million plus 0.07% p.a. of net assets exceeding Rs. 5 billion  |

- 11.3** 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.

<b>12</b>	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	Note	<b>2019</b> ------(Rupees in '000)-----	<b>2018</b> -----
	Annual fee payable	12.1	<u>3,049</u>	<u>3,331</u>

- 12.1** Under the provisions of NBFC Regulations, a collective investment scheme categorized as a 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 scheme. The fee is payable annually in arrears.

13	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2019 ------(Rupees in '000)-----	2018
	Provision for Federal Excise Duty	13.1	1,344	1,344
	Provision for Sindh Workers' Welfare Fund	13.2	12,010	5,741
	Withholding tax payable		5,461	2,045
	Auditors' remuneration		169	169
	Payable to brokers		83	43
	Printing charges		238	254
	Other payables		208	18
			19,513	9,614

**13.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) is levied at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the year SST at the rate of 13% (2018: 13%) was charged on the remuneration of Fund Manager and sales load.

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 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 on FED on remuneration of Management Company, aggregating to Rs. 1.344 million (2018: Rs. 1.344 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. 0.04 (2018: Re. 0.04) per unit.

**13.2 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 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.

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

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

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

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

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

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

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

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

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

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

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



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

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 0.333 million and had started recognising provision for SWWF.

As at June 30, 2019, the provision in relation to SWWF amounted to Rs. 12.010 million (2018: Rs. 5.741 million). Had the provision not being made, the net asset value per unit as at June 30, 2019 would have been higher by Re. 0.39 (June 30, 2018: Re. 0.15) per unit.

#### 14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2019 (2018: Nil).

15 NUMBER OF UNITS IN ISSUE	2019	2018
	------(Number of Units)-----	
Total units in issue at the beginning of the year	38,019,523	44,140,526
Add: Units issued	50,089,542	57,492,183
Less: Units redeemed	(57,529,346)	(63,613,186)
Total units in issue at the end of the year	30,579,719	38,019,523

16 AUDITORS' REMUNERATION	2019	2018
	------(Rupees in '000)-----	
Annual statutory audit fee	140	140
Fee for half yearly review	60	60
Other certifications and out of pocket expenses	36	36
	236	236

#### 17 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 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.

#### 18 EARNINGS PER UNIT

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

**19 FINANCIAL INSTRUMENTS BY CATEGORY**

	----- As at June 30, 2019 -----		
	At fair value through profit or loss	Amortized cost	Total
	-----Rupees in '000'-----		
<b>Financial assets</b>			
Bank balances	-	2,164,208	2,164,208
Investments			
Corporate sukuk bonds	759,168	-	759,168
Commercial papers	-	129,424	129,424
Profit receivable	-	76,919	76,919
Deposits	-	7,599	7,599
	<u>759,168</u>	<u>2,378,150</u>	<u>3,137,318</u>

	----- As at June 30, 2019 -----		
	At fair value through profit or loss	Amortized cost	Total
	-----Rupees in '000'-----		
<b>Financial liabilities</b>			
Payable to the Management Company	-	6,496	6,496
Payable to the Trustee	-	360	360
Accrued expenses and other liabilities	-	678	678
Dividend payable	-	3,864	3,864
Payable against redemption of units	-	199	199
	<u>-</u>	<u>11,597</u>	<u>11,597</u>

	----- As at June 30, 2018 -----		
	At fair value through profit or loss - held for trading	Loan and receivables	Total
	-----Rupees in '000'-----		
<b>Financial assets</b>			
Bank balances	-	2,716,661	2,716,661
Investments			
Corporate sukuk bonds	1,389,253	-	1,389,253
Profit receivable	-	38,957	38,957
Receivable against sale of investment	-	10,156	10,156
Deposits	-	4,257	4,257
	<u>1,389,253</u>	<u>2,770,031</u>	<u>4,159,284</u>

	----- As at June 30, 2018 -----		
	At fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000'-----		
<b>Financial liabilities</b>			
Payable to the Management Company	-	2,986	2,986
Payable to the Trustee	-	373	373
Accrued expenses and other liabilities	-	472	472
Dividend payable	-	20	20
Payable against redemption of units	-	101,997	101,997
	-	105,848	105,848

## 20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company and directors of connected persons.

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

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

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

20.1 Transactions during the year	2019	2018
	----- (Rupees in '000) -----	
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company for the year	39,448	28,248
Sindh sales tax on remuneration of the Management Company	5,128	3,672
Sales load paid	836	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	4,065	4,444
Issue of 245,246 (2018: Nil ) units	25,000	-
Redemption of 245,246 (2018: Nil) units	25,096	-
<b>Habib Bank Limited - Sponsors</b>		
Profit on bank deposits	728	341
Bank charges paid	137	93
Issue of 119,554 (2018: 2,422,199) units	12,111	250,000
Redemption of 2,541,753 (2018: Nil) units	269,961	-
Dividend paid	7,151	-
<b>Central Depository Company of Pakistan Limited-Trustee</b>		
Remuneration	4,865	5,227
CDS charges paid	147	63

	2019	2018
	------(Rupees in '000)-----	
<b>Directors and executives of the Management Company</b>		
Issue of 336,976 (2018: 208,630) units	35,282	21,551
Redemption of 517,269 (2018: 79,087) units	54,439	8,076
Dividend paid	1,471	-
<b>HBL Asset Management Limited Employees Gratuity Fund</b>		
Issue of 534 (2018: 4,124) units	54	428
Dividend paid	43	-
<b>HBL Asset Management Limited Employees Provident Fund</b>		
Issue of 2,873 (2018: 22,169) units	291	2,313
Dividend paid	222	-
<b>HBL Islamic Financial Planning Fund</b>		
Active Allocation Plan		
Issue of 613,241 (2018: 2,478,879) units	64,287	257,259
Redemption of 692,711 (2018: 3,073,447) units	72,687	320,274
Dividend paid	3,901	-
<b>HBL Islamic Financial Planning Fund</b>		
Conservative Allocation Plan		
Issue of 30,112 (2018: 864,289) units	3,071	89,481
Redemption of 163,827 (2018: 975,448) units	16,984	101,029
Dividend paid	1,007	-
<b>HBL Islamic Financial Planning</b>		
Fund Strategic Allocation Plan		
Issue of 25,662,538 (2018: 26,235,908) units	2,696,594	2,780,608
Redemption of 24,849,835 (2018: 43,251,224) units	2,654,035	4,527,507
Dividend paid	69,591	-
<b>Archroma Pakistan Limited Employees Gratuity Fund</b>		
Associated undertaking due to common directorship		
Issue of 630,163 (2018: Nil) units	68,311	-
Dividend paid	89	-
<b>Jubilee Life Insurance Company Limited</b>		
Associated company due to common directorship		
Sale of certificates	-	2,300
<b>HBL Income fund</b>		
Sale of investments	-	100,000
<b>HBL Islamic Asset Allocation fund</b>		
Purchase of investments	-	96,000
Sale of investments	-	96,000

20.2	Balances outstanding as at year end	2019	2018
		-----	-----
		(Rupees in '000)	
	<b>HBL Asset Management Limited - Management Company</b>		
	Management fee payable	3,889	2,475
	Sindh sales tax on management fee payable	505	322
	Sales load payable	104	154
	Allocation of expenses related to registrar services, accounting, operation and valuation services	341	357
	Selling and marketing expense payable	2,162	-
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Remuneration payable	407	421
	<b>Habib Bank Limited - Sponsor</b>		
	Units held : Nil (2018: 2,422,199)	-	257,483
	Bank balances	144,066	8,636
	<b>HBL Asset Management Limited Employees Gratuity Fund</b>		
	Units held: 4,658 (2018: 4,124)	473	438
	<b>HBL Asset Management Limited Employees Provident Fund</b>		
	Units held: 25,042 (2018: 22,169)	2,541	2,357
	<b>HBL Islamic Financial Planning Fund</b>		
	Active Allocation Plan		
	Units held: 838,440 (2018: 917,910)	85,092	97,575
	<b>HBL Islamic Financial Planning Fund</b>		
	Conservative Allocation Plan		
	Units held: 140,026 (2018: 273,740)	14,211	29,099
	<b>HBL Islamic Financial Planning</b>		
	Fund Strategic Allocation Plan		
	Units held: 21,203,996 (2018: 20,391,293)	2,151,958	2,167,622
	<b>Executives of the Management Company and their relatives</b>		
	Units held: 56,017 (2018: 260,862)	5,685	27,730

## 21 FINANCIAL RISK MANAGEMENT

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

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

The Fund primarily invests in a portfolio of long, medium and short term Shariah compliant debt instruments. These activities are exposed to a variety of financial risks, market risks, credit risks and liquidity risks.

## **21.1 Market risk**

Market risk is 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 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.

### **21.1.1 Currency risk**

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

### **21.1.2 Interest rate risk**

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

#### **a) Cash flow interest rate risk**

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 6.5% to 12.5% 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. 27.48 million (2018: Rs. 27.17 million).

#### **b) Fair value interest rate risk**

The Fund's investment in Corporate 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 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. 7.592 million (2018: Rs. 13.893 million). In case of 100 basis points decrease 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 higher by Rs. 7.592 million (2018: Rs. 13.893 million).

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.

		2019				
Particulars	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'-----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	6.5 - 12.5	2,164,187	-	-	21	2,164,208
Investments						
Corporate sukuk bonds	5.97 - 10.46	-	-	759,168	-	759,168
Commercial paper	12.26	129,424	-	-	-	129,424
Profit receivable		-	-	-	76,919	76,919
Deposits		-	-	-	7,599	7,599
<b>Sub total</b>		<b>2,293,611</b>	<b>-</b>	<b>759,168</b>	<b>84,539</b>	<b>3,137,318</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	6,496	6,496
Payable to the Trustee		-	-	-	360	360
Payable against redemption of units		-	-	-	199	199
Dividend payable		-	-	-	3,864	3,864
Accrued expenses and other liabilities		-	-	-	678	678
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>11,597</b>	<b>11,597</b>
<b>On-balance sheet gap (a)</b>		<b>2,293,611</b>	<b>-</b>	<b>759,168</b>	<b>72,942</b>	<b>3,125,721</b>
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>2,293,611</b>	<b>-</b>	<b>759,168</b>	<b>72,942</b>	<b>3,125,721</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>2,293,611</b>	<b>-</b>	<b>759,168</b>		
-----Rupees in '000'-----						
		2018				
Particulars	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'-----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	5.45 - 6.50	2,716,661	-	-	-	2,716,661
Investments						
Corporate sukuk bonds	6.04 - 7.96	-	-	1,389,253	-	1,389,253
Profit receivable		-	-	-	38,957	38,957
Receivable against sale of investments		-	-	-	10,156	10,156
Deposits		-	-	-	4,257	4,257
		<b>2,716,661</b>	<b>-</b>	<b>1,389,253</b>	<b>53,370</b>	<b>4,159,284</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	2,986	2,986
Payable to the Trustee		-	-	-	373	373
Payable against redemption of units		-	-	-	472	472
Dividend payable		-	-	-	20	20
Accrued expenses and other liabilities		-	-	-	101,997	101,997
		<b>-</b>	<b>-</b>	<b>-</b>	<b>105,848</b>	<b>105,848</b>
<b>On-balance sheet gap (a)</b>		<b>2,716,661</b>	<b>-</b>	<b>1,389,253</b>	<b>(52,478)</b>	<b>4,053,436</b>
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>2,716,661</b>	<b>-</b>	<b>1,389,253</b>	<b>(52,478)</b>	<b>4,053,436</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>2,716,661</b>	<b>-</b>	<b>1,389,253</b>		



### 21.1.3 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.

### 21.2 Credit risk

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

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

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

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

Name of investee company	Balances held by the Fund as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
<b>Balances with banks by rating category</b>			
Bank Islami Pakistan limited	500,425	A+	PACRA
Al Baraka Bank Limited	37	A	PACRA
United Bank Limited	19	AAA	JCR-VIS
Habib Bank Limited	144,066	AAA	JCR-VIS
Soneri Bank Limited	157	AA-	PACRA
Dubai Islamic Bank Limited	1,516,850	AA-	JCR-VIS
Askari Bank Limited	131	AA+	PACRA
Faysal Bank Limited	1,660	AA	PACRA
Summit Bank Limited	61	A-	JCR-VIS
Bank Al Habib Limited	711	AA+	PACRA
MCB Islamic Bank Limited	91	AAA	PACRA
	2,164,208		

**Investments by rating category**

Name of investee company	Balances held by the Fund as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
<b>Corporate Sukuks - Listed</b>			
International Brands Limited	107,745	A	JCR-VIS
Dawood Hercules Corporation Limited	67,368	AA	PACRA
<b>Corporate Sukuks - Unlisted</b>			
Dawood Hercules Corporation Limited	44,910	AA	PACRA
AGP Limited	158,520	A+	PACRA
Dubai Islamic Bank Limited	190,000	AA-	JCR-VIS
Ghani Gasses Limited	95,625	A	PACRA
Agha Steel Industries Limited	95,000	A+	JCR-VIS
Total Investments	<u>759,168</u>		

**Balances with banks by rating category**

Name of investee company	Balances held by the Fund as at June 30, 2018	Latest available published rating as at June 30, 2019	Rating agency
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**Balances with banks by rating category**

Al Baraka Pakistan Limited	49	A+	JCR-VIS
United Bank Limited	35	AAA	JCR-VIS
Bank Islami Pakistan Limited	24,201	A+	PACRA
Burj Bank Limited	15	BBB+	JCR-VIS
Habib Bank Limited	8,636	AAA	JCR-VIS
Soneri Bank Limited	396,734	AA-	PACRA
Dubai Islamic Bank	322,383	AA-	JCR-VIS
Allied Bank Limited	524,823	AA+	PACRA
Askari Bank Limited	20	AA+	PACRA
Faysak Bank Limited	91	AA	PACRA
Summit Bank Limited	767,543	A-	JCR-VIS
Bank Alhabib Limited	327,131	AA+	PACRA
	<u>2,371,661</u>		

**Balance with financial institution**

First Habib Modarba	345,000	AA+	PACRA
Total Balances with banks and financial institutions	<u>2,716,661</u>		

**Investments by rating category**

Name of investee company	Balances held by the Fund as at June 30, 2018	Latest available published rating as at June 30, 2019	Rating agency
<b>Corporate Sukuks - Listed</b>			
Dawood Hercules Corporation Limited	523,044	AA	PACRA
International Brands Limited	104,000	AA	JCR-VIS
Meezan Bank Limited	50,750	AA	JCR-VIS
<b>Corporate Sukuks - Unlisted</b>			
AGP Limited	215,034	A	PACRA
Dawood Hercules Corporation Limited	100,064	AA	PACRA
Dubai Islamic Bank Pakistan Limited	193,554	A+	JCR-VIS
Engro Fertilizers Limited	80,465	AA-	PACRA
Ghani Gasses Limited	122,342	A	PACRA
<b>Total Investments</b>	<b>1,389,253</b>		

**21.2.2** The analysis below summarizes the credit quality of the Fund's credit exposure:

<b>Rating by rating category</b>	<b>2019</b>	<b>2018</b>
	----- (Rupees in '000) -----	
AAA	6.66	0.37
AA+	0.04	35.92
AA	0.08	0.0038
AA-	70.10	30.32
A+	23.12	1.02
A-	0.003	32.36
A	0.002	-

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in privately placed corporate sukuks and bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the government.

**21.3 Liquidity risk**

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings 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)-----			
<b>Financial liabilities</b>				
Payable to the Management Company	6,496	-	-	6,496
Payable to the Trustee	360	-	-	360
Payable against redemption of units	199	-	-	199
Dividend payable	3,864	-	-	3,864
Accrued expenses and other liabilities	678	-	-	678
	<u>11,597</u>	<u>-</u>	<u>-</u>	<u>11,597</u>

	-----As at June 30, 2018 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	------(Rupees in '000)-----			
<b>Financial liabilities</b>				
Payable to the Management Company	2,986	-	-	2,986
Payable to the Trustee	373	-	-	373
Payable against redemption of units	101,997	-	-	101,997
Dividend payable	20	-	-	20
Accrued expenses and other liabilities	472	-	-	472
	<u>105,848</u>	<u>-</u>	<u>-</u>	<u>105,848</u>

## 22 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.

## **23 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.

		June 30, 2019						
		Carrying amount			Fair Value			
		At fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Note		------(Rupees in '000)-----						
On-balance sheet financial instruments								
Financial assets measured at fair value 23.1								
Investments								
Corporate sukuk bonds								
		759,168	-	759,168	-	759,168	-	759,168
		<u>759,168</u>	<u>-</u>	<u>759,168</u>	<u>-</u>	<u>759,168</u>	<u>-</u>	<u>759,168</u>
Financial assets not measured at fair value 23.2								
Bank balance								
		-	2,164,208	2,164,208				
Receivable against sale of investments								
		-	10,156	10,156				
Commercial paper								
		-	129,424	129,424				
Deposits								
			7,599	7,599				
		<u>-</u>	<u>2,311,387</u>	<u>2,311,387</u>				
Financial liabilities not measured at fair value 23.2								
Payable to Management Company								
		-	6,496	6,496				
Payable to Trustee								
		-	360	360				
Payable against redemption of units								
		-	199	199				
Dividend payable								
		-	3,864	3,864				
Accrued expenses and other liabilities								
		-	678	678				
		<u>-</u>	<u>11,597</u>	<u>11,597</u>				

		June 30, 2018						
		Carrying amount			Fair Value			
		At fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Note		------(Rupees in '000)-----						
On-balance sheet financial instruments								
Financial assets measured at fair value 23.1								
Investments								
Corporate sukuk bonds								
		1,389,253	-	1,389,253	-	1,389,253	-	1,389,253
		<u>1,389,253</u>	<u>-</u>	<u>1,389,253</u>	<u>-</u>	<u>1,389,253</u>	<u>-</u>	<u>1,389,253</u>
Financial assets not measured at fair value 23.2								
Bank balance								
		-	2,716,661	2,716,661				
Profit receivable								
		-	38,957	38,957				
Receivable against sale of investments								
		-	10,156	10,156				
Deposits								
		-	4,257	4,257				
		<u>-</u>	<u>2,770,031</u>	<u>2,770,031</u>				
Financial liabilities not measured at fair value 23.2								
Payable to Management Company								
		-	2,986	2,986				
Payable to Trustee								
		-	373	373				
Payable against redemption of units								
		-	101,997	101,997				
Dividend payable								
		-	20	20				
Accrued expenses and other liabilities								
		-	472	472				
		<u>-</u>	<u>105,848</u>	<u>105,848</u>				

**23.1 Valuation techniques**

For level 2 investments at fair value through profit or loss - investment in respect of Corporate Sukuk Bonds, Fund uses rates which are prescribed by MUFAP at reporting date.

**23.2** 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.

**23.3 Transfers during the year**

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

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

**Brokers during the year ended June 30, 2019**

- 1 BIPL Securities Limited
- 2 BMA Capital Management Limited
- 3 JS Global Capital Limited
- 4 Next Capital Limited
- 5 Paramount Capital (Private) Limited
- 6 Summit Capital (Private) Limited

**Brokers during the year ended June 30, 2018**

- 1 Next Capital Limited
- 2 Invest Capital Markets Limited
- 3 BIPL Securities Limited
- 4 JS Global Capital Limited
- 5 Paramount Capital (Private) Limited
- 6 BMA Capital Management Limited
- 7 Bright Capital (Private) Limited

**25. 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	Muhammad 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



**26 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	516	5,531,816	561,415	18.09%
Associated Companies	3	29,700	3,014	0.10%
Insurance Companies	4	392,744	39,859	1.28%
Trust	5	22,204,774	2,253,525	72.61%
Retirement Funds	13	1,186,939	120,460	3.88%
Other corporate	12	1,233,482	125,184	4.03%
Individual Foreign	1	264	27	0.00%
	554	30,579,719	3,103,484	100.00%

Pattern of unit holding as at June 30, 2018 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Individuals	312	4,782,703	508,408	12.58%
Associated Companies and Directors	2	29,922	3,181	0.08%
Banks and DFIs	1	2,422,199	257,483	6.37%
Insurance Companies	5	1,938,135	206,026	5.10%
Trust	5	21,602,945	2,296,422	56.82%
Retirement Funds	10	444,288	47,228	1.17%
Other corporate	12	6,799,331	722,778	17.88%
	347	38,019,523	4,041,526	100.00%

**27 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 during the year 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. Raymond 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.

**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 1.80% (2018: 1.18%) which includes 0.37% (2018: 0.27%) representing 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, unless otherwise stated.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



# HBL Islamic Equity Fund

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HBL AML Financial annual report 2018-19

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

### Type and Category of Fund

Open end Equity Fund

### Investment Objective and Accomplishment of Objective

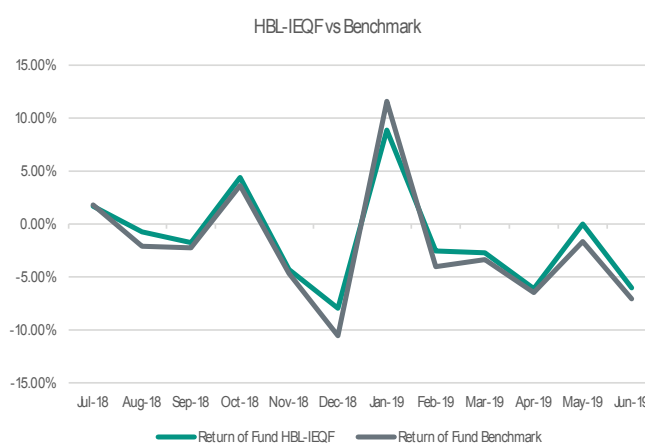
The objective of the Fund is to provide maximum total return to the unit holders from investment in shariah compliant equity investments for the given level of risk.

### Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KMI 30 Index.

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

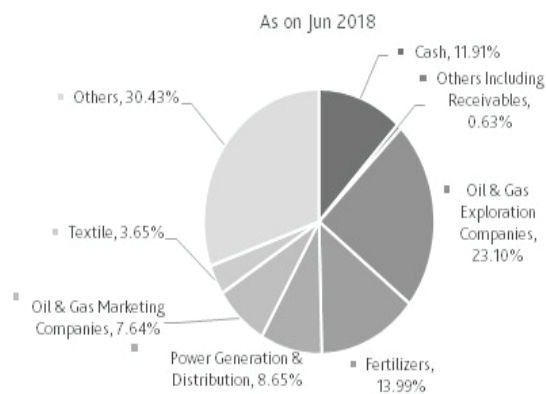
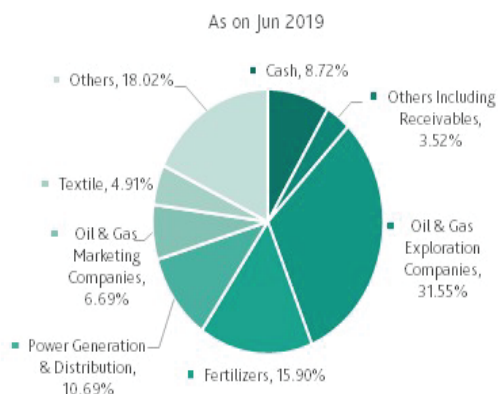
Month	Return of Fund	
	HBL-IEQF	Benchmark
Jun-19	-6.04%	-7.07%
May-19	-0.01%	-1.65%
Apr-19	-6.10%	-6.48%
Mar-19	-2.71%	-3.35%
Feb-19	-2.55%	-4.04%
Jan-19	8.86%	11.60%
Dec-18	-7.96%	-10.55%
Nov-18	-4.29%	-4.67%
Oct-18	4.40%	3.62%
Sep-18	-1.76%	-2.24%
Aug-18	-0.74%	-2.11%
Jul-18	1.68%	1.80%



### Strategies and Policies employed during the Year

During the year under review, the Fund increased its exposure in equity from 87% 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 Marketing was reduced; however exposure in Power Generation & Distribution, Fertilizers, Oil & gas exploration companies and Textile was increased.

### Asset Allocation



## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2019 and June 30, 2018:

Sector Name	As on Jun 2019	As on Jun 2018
Cash	8.72%	11.91%
Others Including Receivables	3.52%	0.63%
Oil & Gas Exploration Companies	31.55%	23.10%
Fertilizers	15.90%	13.99%
Power Generation & Distribution	10.69%	8.65%
Oil & Gas Marketing Companies	6.69%	7.64%
Textile	4.91%	3.65%
Others	18.02%	30.43%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The total and net loss of the Fund was Rs. 105.93 million and Rs. 131.75 million respectively during the year ended June 30, 2019. The Net Asset Value (NAV) of the Fund was Rs. 76.7854 per unit as on June 30, 2019 as compared to Rs. 92.4834 per unit as on June 30, 2018 giving a negative return of 16.97% during the year against the benchmark return (KMI 30 Index) of negative 23.84%. The size of Fund was Rs. 0.26 billion as on June 30, 2019 as compared to Rs. 1.32 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 KMI30 index recorded 16,942 points decline (-24%) during FY19 to close at 54,119 level. Index heavy weights & cyclical sector led the decline in the index. Major decline in the index was contributed by Oil & Gas Exploration (-23%), Cement (-33%) and Oil Marketing sector (-42%) due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive return 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 (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 (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	14	671
101 – 500	30	7,969
501 – 1,000	24	15,653
100,1 – 10,000	59	214,501
10,001 – 100,000	16	308,901
100,001 – 500,000	3	887,561
500,001 – 1,000,000	3	2,021,966
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	<b>149</b>	<b>3,457,222</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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



# PERFORMANCE TABLE - HBL ISLAMIC EQUITY FUND

	2019	2018	2017	2016	2015	2014
Net assets at the period end(Rs'000)	265,464	1,317,899	789,907	348,924	229,129	131,280
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	76.7854	92.4834	105.4755	106.4735	116.4714	100.8827
Offer	78.5208	94.5735	107.8590	109.6677	119.9655	103.9092
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	98.3553	109.3377	152.2625	132.6151	127.8777	101.6865
Lowest offer price per unit	75.3913	85.5229	102.5189	104.4090	91.8137	97.5635
Highest redemption price per unit	96.1816	106.9213	148.8974	132.6151	127.8777	101.6865
Lowest redemption price per unit	73.7251	83.6328	100.2532	104.4090	91.8137	97.5635
<b>RETURN ( % )</b>						
Total return	-16.97%	-12.32%	24.42%	10.96%	24.49%	0.88%
Income distribution	0.00%	0.00%	27.00%	23.00%	9.00%	-
Capital growth	-16.97%	-12.32%	-2.58%	-12.04%	15.49%	0.88%
<b>DISTRIBUTION</b>						
Final dividend distribution- Cash	-	-	26.00	3.00	9.00	-
Date of Income Distribution	-	-	20-Jun-17	24-Jun-16	23-Jun-15	-
Final dividend distribution- Bonus	-	-	1.00	20.00	-	-
Date of Income Distribution	-	-	20-Jun-17	24-Jun-16	23-Jun-15	-
Total dividend distribution for the year/ period	-	-	27.00	23.00	9.00	-
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-16.97%	-12.32%	24.42%	10.96%	24.49%	0.88%
Average annual return 2 year	-14.68%	4.45%	17.50%	17.53%	12.07%	-
Average annual return 3 year	-3.24%	6.58%	19.79%	11.70%	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Net Assets as at 30 June:						
Bank Balances	8.72%	11.91%	23%	29%	5%	2%
GoP Ijarah Sukuks	-	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	-	-
Corporate Sukuks	-	-	-	-	-	-
Stock / Equities	87.76%	87.46%	77%	70%	88%	95%
Others	3.52%	0.63%	-	1%	7%	3%

**Note:**

The Launch date of the Fund is May 29, 2014

**Disclaimer:**

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

# PROXY VOTING DISCLOSURE

As at June 30, 2019

Summary of Actual Proxy voted by CIS

HBL Islamic Equity Fund	Meetings	Resolutions	For	Against
Number	3	5	5	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Amreli Steels Limited	23/10/2018	
AGP Limited	17/4/2019	
Dawood Hercules Corporation	(24/09/2018)(5/12/2018)(27/4/2019)(20/5/2019)	
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 Co Ltd	(28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019)	
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
Mughal iron & Steel	27/10/2018	
Millat Tractors Limited	(30/10/2018)(8/3/2019)	
Nishat Mills Ltd	27/10/2018)(17/4/2019)	
Oil & Gas Development Co Ltd	(25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019)	
Packages Limited	18/4/2019	30/5/2019
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	

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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S.M.C.H.S. Main Shakra-e-Faisal  
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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC INCOME FUND**

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

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







ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٹڈ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Equity Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shariah Advisor of the Fund.

Farid Ahmed Khan

Chief Executive Officer

Dated: August 29, 2019

HBL Asset Management Limited  
Head Office  
7th Floor  
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Clifton, Karachi

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 30, 2019

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2019 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Equity Fund (HBL-IEF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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

Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited





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

### Scope of our Work

We have performed an independent assurance engagement of HBL Islamic Equity Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2019. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### Applicable Criteria

The criteria for the assurance engagement against which the underlying statement (the subject matter) is assessed comprises of compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). Therefore, the underlying subject matter may not be suitable for another purpose. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### Management Company's responsibility

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

### Our Independence and Quality Control

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. The firms apply International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, And Other Assurance and Related Services Engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Responsibility of Independent assurance providers

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



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

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2019 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

#### Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2019.

KARACHI

DATED: AUGUST 30, 2019

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



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of HBL Islamic Equity Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 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.	<p><b>Adoption of IFRS 9</b></p> <p>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".</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• Reviewed 'Investment Classification Model' of the management for analysis of 'Business Model' assessment and 'Contractual Cash Flow Characteristics' test for classification of financial assets;</li> </ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>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.</p> <p>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.</p> <p>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 &amp; measurement and disclosure perspective.</p> <p>Refer to note 4.2, which explains the impact of the adoption of the new accounting standard.</p>	<ul style="list-style-type: none"> <li>Reviewed management's assessment of the impact of new accounting standard on the Fund's financial statements;</li> <li>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;</li> <li>Evaluated the adequacy and appropriateness of disclosures made in the financial statements in relation to adoption of the new accounting standard.</li> </ul>
2.	<p><b>Existence and valuation of investments</b></p> <p>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 88% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>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.</li> </ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>
3.	<p><b>Recognition, measurement and presentation of 'Element of Income'</b></p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p> <p>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'.</p> <p>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.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>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".</li> <li>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.</li> <li>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.</li> </ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>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.</li> </ul>

#### 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 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.  
CHARTERED ACCOUNTANTS

	Note	2019 ------(Rupees in '000)-----	2018
<b>ASSETS</b>			
Bank balances	5	24,030	159,107
Investments	6	241,786	1,168,226
Dividend and profit receivable	7	1,640	3,035
Receivable against sale of investments		5,002	2,152
Preliminary expenses and floatation costs	8	-	183
Deposits, prepayments and other receivables	9	3,001	3,001
<b>TOTAL ASSETS</b>		275,459	1,335,704
<b>LIABILITIES</b>			
Payable to the Management Company	10	915	5,309
Payable to the Trustee	11	65	442
Payable to Securities and Exchange Commission of Pakistan	12	663	1,194
Payable against redemption of units		-	5
Accrued expenses and other liabilities	13	8,352	10,855
<b>TOTAL LIABILITIES</b>		9,995	17,805
<b>NET ASSETS</b>		265,464	1,317,899
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		265,464	1,317,899
<b>CONTINGENCIES AND COMMITMENTS</b>			
	14	----- Number of units -----	
Number of units in issue	15	3,457,222	14,250,123
		----- Rupees -----	
Net assets value per unit		76.7854	92.4834

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

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

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

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



**HBL Islamic Equity Fund**  
**Income Statement**  
For the year ended June 30, 2019

	Note	2019 ------(Rupees in '000)-----	2018
<b>Income</b>			
Capital loss on sale of investment- net		(93,590)	(102,021)
Dividend income		24,415	52,792
Profit from bank deposits		7,356	11,831
		<u>(61,819)</u>	<u>(37,398)</u>
Unrealised diminution on remeasurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.1.3	(44,108)	(44,421)
		<u>(105,927)</u>	<u>(81,819)</u>
<b>Expenses</b>			
Remuneration to the Management Company	10.1	13,963	25,127
Sindh sales tax on remuneration of the Management Company	10.2	1,815	3,266
Remuneration to the Trustee	11.1	1,538	2,526
Annual fee to Securities and Exchange Commission of Pakistan	12.1	663	1,194
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.4	699	1,256
Selling and marketing expenses	10.4	2,793	5,026
Amortization of preliminary expenses and floatation costs	8.1	183	203
Auditors' remuneration	16	236	236
Securities transaction cost		3,096	4,131
Settlement and bank charges		534	159
Fee and subscription		74	89
Printing charges		-	300
Shariah advisory services		227	143
		<u>25,821</u>	<u>43,656</u>
<b>Net loss for the year from operating activities</b>		<u>(131,748)</u>	<u>(125,475)</u>
Provision for Sindh Workers' Welfare Fund	13.2	-	-
<b>Net loss for the year before taxation</b>		<u>(131,748)</u>	<u>(125,475)</u>
Taxation	17	-	-
<b>Net loss for the year after taxation</b>		<u>(131,748)</u>	<u>(125,475)</u>
Earnings per unit	18	<u><u></u></u>	<u><u></u></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

	2019	2018
	----- (Rupees in '000) -----	
Net loss for the year	(131,748)	(125,475)
Other comprehensive income		
Items that may be reclassified subsequently to income statement	<u>-</u>	<u>-</u>
Items that will not be reclassified subsequently to income statement	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	(131,748)	(125,475)

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

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

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

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

**HBL Islamic Equity Fund**  
**Statement of Movement in Unitholders' Fund**  
For the year ended June 30, 2019

	2019			2018		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
----- Rupees in '000' -----						
<b>Net assets at beginning of the year</b>	1,402,368	(84,469)	1,317,899	748,901	41,006	789,907
<b>Issuance of 730,985 units (2018: 9,938,204 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	67,603	-	67,603	1,048,237	-	1,048,237
Element of income / (loss)	213	-	213	(100,435)	-	(100,435)
<b>Total proceeds on issuance of units</b>	67,816	-	67,816	947,802	-	947,802
<b>Redemption of 11,523,886 units (2018: 3,177,096 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	(1,065,769)	-	(1,065,769)	(335,105)	-	(335,105)
Element of income	77,266	-	77,266	40,770	-	40,770
<b>Total payments on redemption of units</b>	(988,503)	-	(988,503)	(294,335)	-	(294,335)
Total comprehensive loss for the year	-	(131,748)	(131,748)	-	(125,475)	(125,475)
<b>Net assets at end of the year</b>	481,681	(216,217)	265,464	1,402,368	(84,469)	1,317,899
Accumulated (loss) / undistributed income brought forward						
Realised (loss) / income		(40,048)			29,237	
Unrealised (loss) / income		(44,421)			11,769	
		(84,469)			41,006	
Total comprehensive loss		(131,748)			(125,475)	
Accumulated loss carried forward		(216,217)			(84,469)	
<b>Accumulated loss carried forward</b>						
Realised loss		(172,109)			(40,048)	
Unrealised loss		(44,108)			(44,421)	
		(216,217)			(84,469)	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			92.4834			105.4755
<b>Net assets value per unit at end of the year</b>			76.7854			92.4834

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

	2019	2019
Note	------(Rupees in '000)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year before taxation	(131,748)	(125,475)
Adjustments for:		
Dividend income	(24,415)	(52,792)
Profit from bank deposits	(7,356)	(11,831)
Capital loss on sale of investments - net	93,590	102,021
Amortisation of preliminary expense and flotation costs	183	203
Unrealised diminution on remeasurement of investments classified as financial asset at fair value through profit or loss - net	44,108	44,421
	(25,638)	(43,453)
<b>Decrease / (increase) in assets</b>		
Investments - net	785,892	(608,729)
Deposits, prepayments and other receivables	-	(369)
	785,892	(609,098)
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(4,394)	3,016
Payable to the Trustee	(377)	226
Payable to Securities and Exchange Commission of Pakistan	(531)	743
Accrued expenses and other liabilities	(2,503)	(2,536)
	(7,805)	1,449
<b>Cash generated from / (used in) operations</b>	752,449	(651,102)
Dividend received	25,605	52,885
Profit received from saving accounts	7,561	11,381
	33,166	64,266
<b>Net cash generated from / (used in) operating activities</b>	785,615	(586,836)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	67,816	947,802
Payment against redemption of units	(988,508)	(411,323)
Net cash (used in) / generated from financing activities	(920,692)	536,479
Net decrease in cash and cash equivalents	(135,077)	(50,357)
Cash and cash equivalents at beginning of the year	159,107	209,464
Cash and cash equivalents at end of the year	24,030	159,107

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

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

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

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

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

HBL Islamic Equity Fund ('the Fund') was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/AMCW/PISF/965/2014 dated April 23, 2014 as a notified entity and the Trust Deed was executed on February 20, 2014.

The Fund has been categorised as a Shariah Compliant equity scheme as per the criteria laid down by the SECP for categorisation of Open-End Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

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

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the 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 objective of HBL Islamic Equity Fund is to provide the maximum total return to the unit holders from investment in 'Shariah Compliant' equity investments for the given level of risk. Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

JCR-VIS Credit Rating Company has assigned a management quality rating of 'AM2+' (AM Two Plus) to the Management Company.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, 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 20 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 17 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:

	<b>Effective date (annual periods beginning on or after)</b>
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
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



**Effective date  
(annual periods  
beginning on or after)**

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
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### **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
IAS 28	Investments in Associates and Joint Ventures

### **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.	January 01, 2020
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	<b>Effective date (annual periods beginning on or after)</b>
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
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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	1,168,226	1,168,226
Bank balances	(b)	Loans and receivables	Amortised cost	159,107	159,107
Dividend and profit receivable	(b)	Loans and receivables	Amortised cost	3,035	3,035
Receivable against sale of investments	(b)	Loans and receivables	Amortised cost	2,152	2,152
Deposits	(b)	Loans and receivables	Amortised cost	2,600	2,600
				1,335,120	1,335,120

- (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 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 ------(Rupees in '000)-----	2018
	Cash at bank:			
	- In savings accounts	5.1	22,595	157,672
	- In current account		1,435	1,435
			<u>24,030</u>	<u>159,107</u>

**5.1** These accounts carry profit ranging from 6.50% and 13.50% (2018: 5.45% to 6.50%) per annum. This includes an amount held in Habib Bank Limited (a related party) amounting to Rs. 0.648 million (2018: Rs. 0.01 million) on which profit is earned at 13.6% (2018: 6.50%) per annum.

**6 INVESTMENTS**

Financial assets at fair value through profit or loss

Listed equity securities	6.1	<u>241,786</u>	<u>1,168,226</u>
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## 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 investee companies (Sector wise)	Number of shares					Carrying value as at June 30, 2019	Market value as at June 30, 2019	Unrealised appreciation/ (diminution) on re- measurement of investments	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
	As at July 1, 2018	Purchases during the year	Bonus / right issues	Sales during the year	As at June 30, 2019						
-----Rupees in 000-----											
<b>Investment Banks/Cos./Securities</b>											
Dawood Hercules Corporation Limited	-	56,500	-	30,100	26,400	3,229	2,937	(292)	1.21%	1.11%	0.06%
<b>Automobile Assembler</b>											
Millat Tractors Limited	32,460	7,000	-	39,460	-	-	-	-	-	-	-
<b>Automobiles Parts &amp; Accessories</b>											
Thal Limited (Par value Rs 5 per share)	75,450	21,000	-	74,500	21,950	9,943	7,991	(1,952)	3.30%	3.01%	1.97%
<b>Cable &amp; Electrical Goods</b>											
Pak Elektron Limited	409,500	21,000	-	430,500	-	-	-	-	-	-	-
<b>Cement</b>											
Cherat Cement Company Limited	-	119,000	-	119,000	-	-	-	-	-	-	-
D.G Khan Cement Company Limited	115,200	97,500	-	212,700	-	-	-	-	-	-	-
Lucky Cement Limited (6.1.1)	106,150	67,200	-	148,050	25,300	11,483	9,626	(1,857)	3.98%	3.63%	0.30%
Kohat Cement Limited	177,200	117,500	14,010	253,500	55,210	4,461	2,900	(1,561)	1.20%	1.09%	0.19%
Maple Leaf Cement factory Limited	-	752,500	-	752,500	-	-	-	-	-	-	-
Pioneer Cement Limited	149,500	-	-	149,500	-	-	-	-	-	-	-
	548,050	1,153,700	14,010	1,635,250	80,510	15,944	12,526	(3,418)	5.18%	4.72%	-
<b>Chemicals</b>											
Engro Polymer & Chemicals Limited	854,500	681,952	-	1,242,000	294,452	9,166	7,938	(1,228)	3.28%	2.99%	0.09%
Engro Polymer & Chemicals Limited (LoR) *	273,952	-	-	273,952	-	-	-	-	-	-	-
Lotto Chemical Pakistan Limited	-	325,000	-	225,000	100,000	1,463	1,525	62	0.63%	0.57%	0.01%
Sitara Chemicals industries Limited	-	8,800	-	8,800	-	-	-	-	-	-	-
	1,128,452	1,015,752	-	1,749,752	394,452	10,629	9,463	(1,166)	3.91%	3.56%	-
<b>Commercial Bank</b>											
Meezan Bank Limited (6.1.1)	642,500	442,000	53,675	1,013,500	124,675	10,208	10,867	659	4.49%	4.09%	0.09%
<b>Engineering</b>											
Amreli Steels Limited	184,100	70,000	-	254,100	-	-	-	-	-	-	-
Aisha Steel Mills Limited	440,000	-	-	440,000	-	-	-	-	-	-	-
International Industries Limited	55,800	56,000	-	111,800	-	-	-	-	-	-	-
International Steels Limited	194,000	105,000	-	299,000	-	-	-	-	-	-	-
Mughal Iron & Steel Industries Limited	288,500	5,000	-	293,500	-	-	-	-	-	-	-
Crescent Steel & Allied Products Limited	-	56,500	-	56,500	-	-	-	-	-	-	-
	1,162,400	292,500	-	1,454,900	-	-	-	-	-	-	-
<b>Fertilizer</b>											
Engro Corporation Limited	275,800	95,500	13,730	299,500	85,530	24,297	22,717	(1,580)	9.40%	8.56%	0.42%
Engro Fertilizers Limited (6.1.1)	987,000	158,500	-	977,000	168,500	12,306	10,779	(1,527)	4.46%	4.06%	0.08%
Fauji Fertilizer Company Limited (6.1.1)	267,000	156,000	-	305,000	118,000	11,583	10,290	(1,293)	4.26%	3.88%	0.08%
	1,529,800	410,000	13,730	1,581,500	372,030	48,186	43,786	(4,400)	18.11%	16.49%	-
<b>Glass &amp; Ceramics</b>											
Shabbir Tiles & Ceramics Limited	408,500	-	-	408,500	-	-	-	-	-	-	-
<b>Oil and Gas Exploration Companies</b>											
Mari Petroleum Company Limited	43,230	15,540	2,025	39,080	21,715	29,461	21,918	(7,543)	9.07%	8.26%	1.81%
Oil & Gas Development Company Limited (6.1.1)	499,400	506,000	-	797,600	207,800	30,615	27,324	(3,291)	11.30%	10.29%	0.06%
Pakistan Oilfields Limited	109,300	55,650	14,120	142,350	36,720	18,285	14,904	(3,381)	6.16%	5.61%	0.53%
Pakistan Petroleum Limited (6.1.1)	429,700	215,900	29,580	517,600	157,580	28,392	22,759	(5,633)	9.41%	8.57%	0.10%
	1,081,630	793,090	45,725	1,496,630	423,815	106,753	86,905	(19,848)	35.94%	32.74%	-
<b>Oil and Gas Marketing Companies</b>											
Hassco Petroleum Limited	50,900	3,000	5,650	59,550	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	167,200	147,000	23,740	260,000	77,940	18,557	13,221	(5,336)	5.47%	4.98%	0.34%
Sui Northern Gas Pipeline Limited	327,300	142,000	-	394,500	74,800	6,327	5,198	(1,129)	2.15%	1.96%	0.08%
	545,400	292,000	29,390	714,050	152,740	24,884	18,419	(6,465)	7.62%	6.94%	-
<b>Power Generation &amp; Distribution</b>											
The Hub Power Company Limited (6.1.1)	954,300	363,687	-	1,014,000	303,987	24,957	23,939	(1,018)	9.90%	9.02%	0.21%
The Hub Power Company Limited (LoR) *	-	65,195	-	65,195	-	-	-	-	-	-	-
K-Electric Limited	4,867,000	1,736,000	-	5,346,000	1,257,000	7,063	5,518	(1,545)	2.28%	2.08%	0.01%
Pakgen Power Limited	-	187,500	-	187,500	-	-	-	-	-	-	-
	5,821,300	2,352,382	-	6,612,695	1,560,987	32,020	29,457	(2,563)	12.18%	11.10%	-
<b>Pharmaceuticals</b>											
AGP Limited	223,500	69,500	-	272,500	20,500	1,700	1,405	(295)	0.58%	0.53%	0.05%
The Searle Company Limited (Note 6.1.2)	39,820	29,800	2,823	54,000	18,443	4,171	2,703	(1,468)	1.12%	1.02%	0.13%
	263,320	99,300	2,823	326,500	38,943	5,871	4,108	(1,763)	1.70%	1.55%	-
<b>Paper &amp; Board</b>											
Packages Limited	27,000	2,000	-	29,000	-	-	-	-	-	-	-
<b>Textile Composite</b>											
Nishat Mills Limited	345,500	80,000	-	357,700	67,800	9,171	6,328	(2,843)	2.62%	2.38%	0.18%
Kohinoor textiles mills Limited	-	320,000	-	320,000	-	-	-	-	0.00%	-	-
Interloop Limited	-	262,250	-	100,000	162,250	7,320	7,183	(137)	2.97%	2.71%	0.08%
	345,500	662,250	-	777,700	230,050	16,491	13,511	(2,980)	5.59%	5.09%	-
<b>Transport</b>											
Pakistan National Shipping Corporation	-	53,500	-	30,000	23,500	1,433	1,500	67	0.62%	0.57%	0.11%
<b>Technology &amp; Communication</b>											
Pakistan Telecommunications Limited	-	300,000	-	300,000	-	-	-	-	-	-	-
Systems Limited	140,000	-	300	137,000	3,300	304	317	13	0.13%	0.12%	0.03%
	140,000	300,000	300	437,000	3,300	304	317	13	-	-	-
As at June 30, 2019	14,161,262	7,973,974	159,653	18,841,537	3,453,352	285,894	241,786	(44,108)	100.00%	91%	-
As at June 30, 2018	3,924,260	19,368,195	28,470	9,159,663	14,161,262	1,123,805	1,168,226	(44,421)	100.00%	88.64%	-

\* During the year Fund exercised following Letter of Rights:

\* The Hub Power Company Limited issued 12 right shares 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 exercised the right by making stipulated payment on May 27, 2019 and shares were credited to the CDC account of the Funds on June 28, 2019

\* Engro Polymer & Chemicals Limited issued 37 right shares for every 100 shares held at a premium of Rs. 972/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 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 (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 Limited (134,400 shares having market value of Rs. 17.670 million)
- The Hub Power Company Limited (235,000 shares having market value of Rs. 18.506 million)
- Meezan Bank Limited (60,000 shares having market value of Rs. 5.229 million)
- Lucky Cement Limited (10,000 shares having market value of Rs. 3.800 million)
- Pakistan Petroleum Limited (40,000 shares having market value of Rs. 5.77 million)
- Fauji Fertilizers Company Limited (20,000 shares having market value of Rs. 1.744 million)
- Engro Fertilizers Limited (65,000 shares having market value of Rs. 4.158 million)

**6.1.2** These investments include gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan has filed a petition in 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. 0.719 million at June 30, 2019 (June 30, 2018 Rs. 0.472 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end. Moreover, the requirement to deduct tax on bonus shares has been withdrawn through Finance Act, 2018.

	Note	2019 ------(Rupees in '000)-----	2018
<b>6.1.3</b>			
<b>Net unrealized diminution on re-measurement of investments classified as financial assets at fair value through profit or loss</b>			
Market value of investments		241,786	1,168,226
Less: Carrying value of investments		(285,894)	(1,212,647)
		(44,108)	(44,421)
<b>7</b>	<b>DIVIDEND AND PROFIT RECEIVABLE</b>		
Dividend receivable		965	2,155
Profit receivable on savings accounts		675	880
		1,640	3,035
<b>8</b>	<b>PRELIMINARY AND FLOATATION COST</b>		
Unamortised cost	8.1	183	386
Amortised to the income statement during the year		(183)	(203)
Closing balance		-	183

**8.1** This represents expenditure incurred prior to the commencement of operations of the Fund and are being amortised over the period of five years commencing from May 29, 2014 (post IPO) as per the requirements set out in the Trust Deed.

9	<b>DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE</b>	Note	2019 ------(Rupees in '000)-----	2018
	Security deposit with:			
	National Clearing Company of Pakistan Limited		2,500	2,500
	Central Depository Company of Pakistan Limited		100	100
			2,600	2,600
	Prepaid listing fee		122	122
	Advance tax	9.1	279	279
			3,001	3,001

**9.1** 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 of ITO 2001. The management is confident that the same shall be refunded after filing Income Tax Return for Tax Year 2019.

10	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>	Note	2019 ------(Rupees in '000)-----	2018
	Remuneration payable to the Management Company	10.1	448	2,206
	Sindh Sales Tax payable on Management Company's remuneration	10.2	59	287
	Selling and marketing expenses payable	10.3	22	2,706
	Allocation of expenses related to registrar, accounting, operation and valuation services	10.4	386	110
			915	5,309

**10.1** As per regulation 61 of NBFC Regulations, 2008 and 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 assets on daily basis of the Fund. The remuneration is paid to management company on monthly basis in arrears.

**10.2** 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.

**10.3** 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%.

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

<b>11</b>	<b>PAYABLE TO THE TRUSTEE</b>	Note	<b>2019</b> ------(Rupees in '000)-----	<b>2018</b> -----
	Trustee fee payable	11.1	<u>65</u>	<u>442</u>

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

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	Rs. 0.7 million or 0.20% per annum of net assets whichever is higher
Over Rs. 1 billion	Rs. 2.0 million plus 0.10% per annum of net assets, on amount exceeding Rs 1 billion

**11.2** 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.

<b>12</b>	<b>PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	Note	<b>2019</b> ------(Rupees in '000)-----	<b>2018</b> -----
	Annual fee payable	12.1	<u>663</u>	<u>1,194</u>

**12.1** 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% of the average annual net assets of the scheme. The fee is payable annually in arrears.

<b>13</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	Note	<b>2019</b> ------(Rupees in '000)-----	<b>2018</b> -----
	Provision for Federal Excise Duty	13.1	3,268	3,268
	Provision for Sindh Workers' Welfare Fund	13.2	3,194	3,194
	Donation payable		1,359	3,704
	Brokerage payable		79	269
	Withholding tax		58	8
	Auditors' remuneration		169	169
	Printing charges		195	228
	Others		<u>30</u>	<u>15</u>
			<u>8,352</u>	<u>10,855</u>

**13.1** 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 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 since 2016 till to date of financial statements.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, has retained a provision on FED on remuneration of Management Company, aggregating to Rs. 3.268 million (2018: Rs. 3.268 million).

Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2019 would have been higher by Re. 0.9454 per unit (2018: 0.2293 per unit).

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

The 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 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.1 million. Further, the Fund 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. 3.194 million (2018: 3.194 million). Had the provision not being made, the net asset value per unit as at June 30, 2019 would have been higher by Re. 0.9238 per unit (2018: Rs. 0.2241 per unit).

#### 14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2019 ( 2018: Nil).

15	NUMBER OF UNITS IN ISSUE	Note	2019 ------(Number of units)-----	2018
	Total units in issue at the beginning of the year		14,250,123	7,489,015
	Units issued		730,985	9,938,204
	Units redeemed		(11,523,886)	(3,177,096)
	Total units in issue at the end of the year		3,457,222	14,250,123



16	AUDITORS' REMUNERATION	Note	2019 ------(Rupees in '000)-----	2018
	Annual audit fee		135	135
	Fee for half yearly review		60	60
	Shariah compliance audit fee		5	5
	Other certifications and out of pocket		36	36
			236	236

## 17 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 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.

## 18 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.

## 19 FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	----- As at June 30, 2019 -----		
	At fair value through profit or loss	At amortised cost	Total
-----Rupees in '000'-----			
<b>Financial assets</b>			
Bank balances	-	24,030	24,030
Investments	241,786	-	241,786
Dividend and profit receivable	-	1,640	1,640
Receivable against sale of investments	-	5,002	5,002
Deposits	-	2,600	2,600
	241,786	33,272	275,058

Particulars	----- As at June 30, 2019 -----		
	At fair value through profit or loss	At amortised cost	Total
-----Rupees in '000'-----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	856	856
Payable to the Trustee	-	58	58
Accrued expenses and other liabilities	-	1,819	1,819
	-	2,732	2,732

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	-	159,107	159,107
Investments	1,168,226	-	1,168,226
Dividends and profit receivable	-	3,035	3,035
Receivable against sale of investment	-	2,152	2,152
Deposits	-	2,600	2,600
	<u>1,168,226</u>	<u>166,894</u>	<u>1,335,120</u>

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	-	5,022	5,022
Payable to the Trustee	-	442	442
Payable against redemption of units	-	5	5
Accrued expenses and other liabilities	-	4,373	4,373
	<u>-</u>	<u>9,842</u>	<u>9,842</u>

## 20 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 statements are as follows:

20.1 Transactions during the year	2019	2018
	----- (Rupees in '000) -----	
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	13,963	25,127
Sindh Sales tax on remuneration of the Management Company	1,815	3,266

	2019	2018
	------(Rupees in '000)-----	
Allocation of expenses related to registrar services, accounting, operation and valuation services	699	1,256
Selling and marketing expenses	2,792	5,026
Redemption of 431,313 (2018: 787,166) units	39,500	70,000
Executives of the Management Company		
Issue of 19,251 (2018: Nil ) units	1,698	-
Redemption of 31,059 (2018: Nil) units	2,773	-
<b>HBL Islamic Financial Planning Fund</b>		
Strategic Allocation Plan		
Issue of Nil (2018: 8,433,819) units	-	800,000
Redemption of 10,424,976 (2018: 29,644) units	890,118	2,800
<b>HBL Islamic Financial Planning Fund</b>		
Active Allocation Fund		
Issue of Nil (2018: 566,975) units	-	54,000
Redemption of 135,383 (2018: 305,613) units	12,575	30,000
<b>HBL Islamic Financial Planning Fund</b>		
Conservative Allocation Fund		
Issue of 8,735 (2018: 108,943) units	776	9,937
Redemption of 39,748 (2018: 143,171) units	3,682	13,565
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee	1,538	2,526
CDS charges	105	121
<b>HBL Investment Fund</b>		
Sale of investments	824	-
<b>HBL Growth Fund</b>		
Sale of investments	2,134	-
<b>20.2 Balance as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Units held: 483,649 (2018: 914,962)	37,139	84,619
Management fee payable	448	2,206
Sindh Sales Tax payable on management company's remuneration	58	287
Selling and marketing expenses payable	386	2,706
Allocation of expenses related to registrar services, accounting, operation and valuation services	22	110
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	65	442
<b>Executives of the Management Company</b>		
Units held: 6,317 (2018: 25,777)	485	2,384

	2019	2018
	------(Rupees in '000)-----	
<b>HBL Islamic Financial Planning Fund</b>		
Active Allocation Plan		
Units held: 302,592 (2018: 437,975)	23,235	40,505
<b>HBL Islamic Financial Planning Fund</b>		
Conservative Allocation Plan		
Units held: 40,622 (2018: 71,636)	3,119	6,625
<b>HBL Islamic Financial Planning Fund</b>		
Strategic Allocation Plan		
Units held: Nil (2018: 10,424,976)	-	964,137

## 21. FINANCIAL RISK MANAGEMENT

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

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

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

### 21.1 Market risk

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

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

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

#### 21.1.1 Currency risk

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

#### 21.1.2 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 is exposed to cash flow interest rate risk for balances in certain savings account, the interest rates on which range between 6.50% to 13.6% per annum.

Presently, the Fund holds balances in saving accounts at bank accounts as at June 30, 2019, that could expose the Fund to cash flow interest rate risk. The loss for the year would have (decreased) / increased by Rs. 0.226 million (2018: Rs. 1.576 million) had the interest rates on saving account with the banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

	As at June 30, 2019					Total
	Effective yield / interest rate	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)						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	6.5-13.5	22,595	-	-	1,435	24,030
Investments						
Listed equity securities		-	-	-	241,786	241,786
Dividend and profit receivable		-	-	-	1,640	1,640
Receivable against sale of investment		5,002	-	-	-	5,002
Deposits		-	-	-	2,600	2,600
<b>Sub total</b>		<b>27,597</b>	<b>-</b>	<b>-</b>	<b>247,461</b>	<b>275,058</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	856	856
Payable to the Trustee		-	-	-	58	58
Accrued expenses and other liabilities		-	-	-	1,819	1,819
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,732</b>	<b>2,732</b>
<b>On-balance sheet gap (a)</b>		<b>27,597</b>	<b>-</b>	<b>-</b>	<b>244,729</b>	<b>272,326</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>27,597</b>	<b>-</b>	<b>-</b>	<b>244,729</b>	<b>272,326</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>27,597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	As at June 30, 2018					Total
	Effective yield / interest rate	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						
Balances with banks	5.45-6.5	157,672	-	-	1,435	159,107
Investments						
Listed equity securities		1,168,226	-	-	-	1,168,226
Dividend and profit receivable		-	-	-	3,035	3,035
Receivable against sale of investments		-	-	-	2,152	2,152
Preliminary expenses and floatation costs		-	-	-	183	183
Deposits		-	-	-	2,600	2,600
Sub total		1,325,898	-	-	9,405	1,335,303
Financial liabilities						
Payable to the Management Company		-	-	-	5,022	5,022
Payable to the Trustee		-	-	-	442	442
Accrued expenses and other liabilities		-	-	-	4,373	4,373
Payable against redemption of units		-	-	-	5	5
Sub total		-	-	-	9,842	9,842
On-balance sheet gap (a)		1,325,898	-	-	(437)	1,325,461
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		1,325,898	-	-	(437)	1,325,461
Cumulative interest rate sensitivity gap		1,325,898	-	-	-	-

### 21.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified on the Statement of Assets and Liabilities as 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 15% of net assets of the Fund, or issued capital of the investee company.

In case of 5% increase / decrease in price of all shares held by Fund at the year end, net loss for the year would (decrease) / increase by Rs 12.089 million (2018: Rs 58.411 million) and net assets of the Fund would increase / (decrease) by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

### 21.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from saving accounts with banks and credit exposure arising as a result of dividend receivable on equity securities.

**Management of credit risk**

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

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

**Balances with banks by rating category**

Name of the bank	Balances held by the Fund as at June 30, 2019	Latest available published rating as at June 30, 2018	Rating agency
	Rupees in '000'		
MCB Bank Limited	1,435	AAA	PACRA
Faysal Bank Limited	9	AA	PACRA
Habib Bank Limited	656	AAA	JCR-Vis
Bank Islami Pakistan Limited	21,793	A+	PACRA
AlBaraka Bank Limited	124	A	PACRA
United Bank Limited	13	AAA	JCR-VIS
	24,030		

**Balances with banks by rating category**

Name of the bank	Balances held by the Fund as at June 30, 2018	Latest available published rating as at June 30, 2017	Rating agency
	Rupees in '000'		
MCB Bank Limited	1,435	AAA	PACRA
Faysal Bank Limited	9	AA	PACRA
Habib Bank Limited	20	AAA	JCR-Vis
Bank Islami Pakistan Limited	154,111	A+	PACRA
AlBaraka Bank Limited	404	A	PACRA
Burj Bank Limited	2,912	A	JCR-Vis
United Bank Limited	216	AAA	JCR-VIS
	159,107		

**21.3 The analysis below summarizes the credit quality of the Fund's credit exposure:**

Rating by rating category	2019	2018
	----- (Percentage) -----	
AAA	8.76	1.05
AA	0.04	0.01
A+	90.69	0.25
A	0.52	98.69



### 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.

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

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

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

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

	----- As at June 30, 2019 -----			Total
	Upto three months	Over three months and upto one year	Over one year	
	----- Rupees in '000 -----			
<b>Financial liabilities</b>				
Payable to the Management Company	856	-	-	856
Payable to the Trustee	58	-	-	58
Accrued expenses and other liabilities	1,624	195	-	1,819
	<u>2,537</u>	<u>195</u>	<u>-</u>	<u>2,732</u>

----- As at June 30, 2018 -----				
Upto three months	Over three months and upto one year	Over one year	Total	
----- Rupees in '000 -----				
Financial liabilities				
Payable to the Management Company	5,022	-	-	5,022
Payable to the Trustee	442	-	-	442
Payable against redemption of units	5	-	-	5
Accrued expenses and other liabilities	4,145	228	-	4,373
	<u>9,614</u>	<u>228</u>	<u>-</u>	<u>9,842</u>

## 22 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.

## 23 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 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 :

		June 30, 2019						
		Carrying amount			Fair Value			
Note		Fair value through profit or loss - Held for trading	Amortized cost	Total	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----								
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value through profit or loss</b>								
	Listed equity securities	241,786	-	241,786	241,786	-	-	241,786
		241,786	-	241,786	241,786	-	-	241,786
	<b>Financial assets not measured at fair value</b>							
23.2	Bank balances	-	24,030	24,030				
	Dividend and profit receivable	-	1,640	1,640				
	Receivable against sale of investments	-	5,002	5,002				
	Deposits	-	2,600	2,600				
		-	33,272	33,272				
	<b>Financial liabilities not measured at fair value</b>							
23.2	Payable to the Management Company	-	856	856				
	Payable to the Trustee	-	58	58				
	Accrued expenses and other liabilities	-	1,819	1,819				
		-	2,732	2,732				

		June 30, 2018							
		Carrying amount				Fair Value			
		Available -for-sale	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value through profit or loss</b>									
	Investments								
	Listed equity securities	1,168,226	-	-	1,168,226	1,168,226	-	-	1,168,226
		1,168,226	-	-	1,168,226	1,168,226	-	-	1,168,226
	<b>Financial assets not measured at fair value</b>								
23.2	Bank balances	-	159,107	-	159,107				
	Dividend and profit receivable	-	3,035	-	3,035				
	Receivable against sale of investments	-	2,152	-	2,152				
	Deposits	-	2,600	-	2,600				
		-	166,894	-	166,894				
	<b>Financial liabilities not measured at fair value</b>								
23.2	Payable to the Management Company	-	-	5,022	5,022				
	Payable to the Trustee	-	-	442	442				
	Payable against redemption of units	-	-	5	5				
	Accrued expenses and other liabilities	-	-	4,373	4,373				
		-	-	9,842	9,842				

**23.1 Valuation techniques**

For level 1 investments at fair value through profit or loss investment in respect of equity securities, Fund uses daily quotation shares which are taken from Pakistan Stock Exchange Limited at reporting date.

**23.2** 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.

**23.3 Transfers during the year**

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

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

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

AKD Securities Limited.  
Arif Habib Limited.  
BMA Capital Management Limited.  
DJM Securities (Private) Limited.  
EFG Hermes Pakistan Limited.  
Intermarket Securities Limited.  
JS Global Capital Limited.  
Next Capital Limited.  
Optimus Capital Management (Private.) Limited.  
Topline Securities (Private) Limited.

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

Intermarket Securities Limited.  
BMA Capital Management Limited.  
Al Falah Securities (Private) Limited.  
BIPL Securities Limited.  
Insight Securities (Private) Limited.  
AKD Securities Limited.  
Elixir Securities Pakistan (Private) Limited.  
EFG Hermes Pakistan Limited.  
Topline Securities (Private) Limited.  
DJM Securities (Private) Limited.

**25 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 follow:

<b>Name</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience in years</b>
Farid Ahmed Khan	Chief Executive Officer	MBA , CFA	26+ years
Muhammad Imran	Chief Investment Officer	MBA - Finance	19+ years
Jawad Naeem	Head of Equities	MBA - Finance	11+ years
Adeel Abdul Wahab	Specialist - Equity	ACCA	11+ years
Sateesh Balani	Head of Research	MBA, CFA	8+ years
Noman Ameer *	Manager - Risk	MBA - Finance	12+ years

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

**26 PATTERN OF UNITHOLDING**

Pattern of unit holding at June 30, 2019 is as follows:

Category	2019			
	No. of unit holders	Number of Units held	Investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	141	564,088	43,314	6.08%
Associated Company	1	483,649	37,137	6.42%
Trust	2	343,215	26,354	76.73%
Banks and DFIs	1	916,259	70,355	6.43%
Others	3	1,150,011	88,304	4.34%
	<u>148</u>	<u>3,457,222</u>	<u>265,464</u>	<u>100%</u>

Pattern of unit holding at June 30, 2018 is as follows:

Category	2018			
	No. of unit holders	Number of Units held	Investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	161	867,081	80,190	6.08%
Associated Company	1	914,962	84,619	6.42%
Insurance Companies	3	10,934,588	1,011,267	76.73%
Banks and DFIs	1	916,259	84,739	6.43%
Others	2	617,233	57,084	4.34%
	<u>168</u>	<u>14,250,123</u>	<u>1,317,899</u>	<u>100%</u>

**27 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 granted	
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.				

**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 3.27% (2018: 3.47%) which includes 0.43% (2018: 0.39%) representing 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 unless otherwise stated.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**





# **HBL** Islamic Financial Planning Fund

HBL AML Financial annual report 2018-19



<b>NAME OF FUND</b>	<b>HBL ISLAMIC FINANCIAL PLANNING FUND</b>
<b>NAME OF TRUSTEE</b>	<b>MCB Financial Services Limited</b>
<b>NAME OF AUDITORS</b>	<b>BDO Ebrahim &amp; Co. Chartered Accountants.</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Dubai Islamic Bank Limited Bank Islami Pakistan Limited</b>

**Category of Fund**

Open end Shariah Compliant Fund of Funds Scheme

**Investment Objective**

The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the Investor.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark for Conservative Allocation Plan, Active Allocation Plan and Strategic Allocation plan is as follows:

**Conservative Allocation Plan**

- a. 20% KMI 30 index
- b. Six(6) months average deposit rates of three(3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- c. Three(3) months average deposit rates of three(3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

B and c will be based on actual proportion of investment in Islamic Income and Islamic Money Market Funds / Cash and near cash instruments.

**Active Allocation Plan & Strategic Allocation Plan**

- a. KMI 30 index
- b. Six(6) months average deposit rates of three(3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- c. Three(3) months average deposit rates of three(3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

Based on actual proportion in Equity Fund and Income / Money Market Funds and/or in cash And/or near cash instruments in each allocation plan.

**Islamic Capital Preservation Plan**

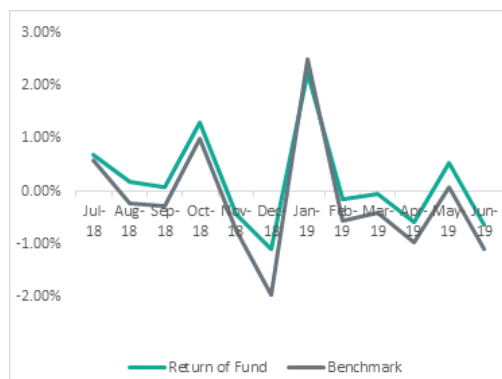
- d. KMI 30 index
- e. Six (6) months average deposit rates of three (3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- f. Three (3) months average deposit rates of three (3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

Based on actual proportion of investment in Islamic Dedicated Equity Fund, Shariah compliant saving accounts and term deposits and Islamic Money Market Funds / cash and near cash instruments.

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

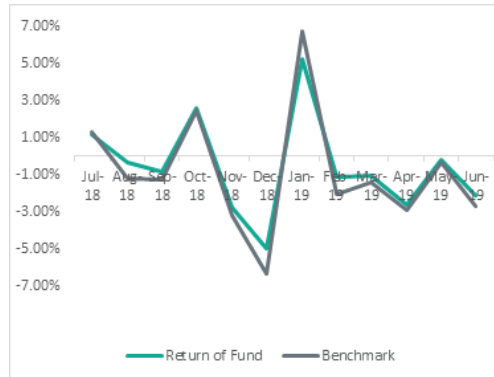
**Conservative Allocation Plan**

Month	Return of Fund	Benchmark
Jun-19	-0.63%	-1.08%
May-19	0.53%	0.09%
Apr-19	-0.58%	-0.96%
Mar-19	-0.05%	-0.40%
Feb-19	-0.15%	-0.56%
Jan-19	2.23%	2.50%
Dec-18	-1.10%	-1.95%
Nov-18	-0.43%	-0.74%
Oct-18	1.31%	1.00%
Sep-18	0.08%	-0.27%
Aug-18	0.19%	-0.23%
Jul-18	0.70%	0.59%



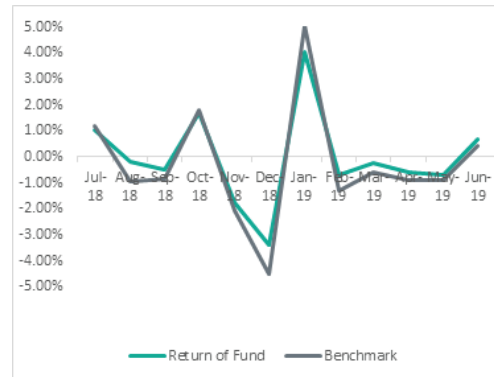
### Active Allocation Plan

Month	Return of Fund	Benchmark
Jun-19	-2.10%	-2.65%
May-19	-0.17%	-0.32%
Apr-19	-2.58%	-2.88%
Mar-19	-1.06%	-1.40%
Feb-19	-1.14%	-2.06%
Jan-19	5.24%	6.72%
Dec-18	-4.98%	-6.29%
Nov-18	-2.76%	-3.14%
Oct-18	2.58%	2.47%
Sep-18	-0.84%	-1.23%
Aug-18	-0.29%	-1.19%
Jul-18	1.18%	1.33%



### Strategic Allocation Plan

Month	Return of Fund	Benchmark
Jun-19	0.66%	0.42%
May-19	-0.69%	-0.91%
Apr-19	-0.58%	-0.89%
Mar-19	-0.24%	-0.60%
Feb-19	-0.69%	-1.31%
Jan-19	4.06%	5.04%
Dec-18	-3.41%	-4.51%
Nov-18	-1.74%	-2.07%
Oct-18	1.70%	1.81%
Sep-18	-0.50%	-0.82%
Aug-18	-0.16%	-0.92%
Jul-18	1.06%	1.17%

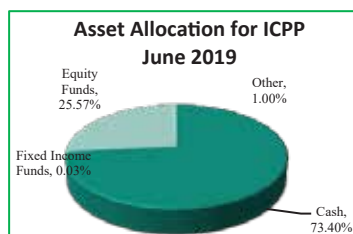
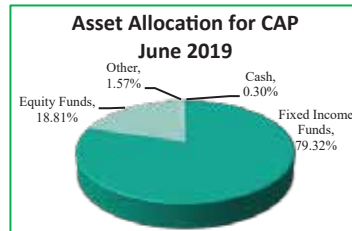
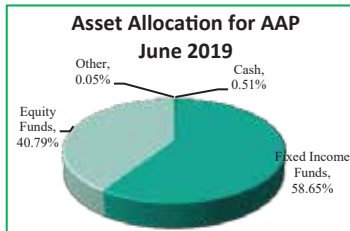


### Islamic Capital Preservation Plan

Month	Return of Fund	Benchmark
Jun-19	-1.06%	-1.57%
May-19	0.20%	0.06%
Apr-19	-1.18%	-1.50%
Mar-19	-0.23%	-0.65%
Feb-19	-0.50%	-0.98%
Jan-19	3.04%	3.43%
Dec-18	-2.48%	-3.07%
Nov-18	-1.32%	-1.52%
Oct-18	3.15%	4.28%



### Asset Allocation



## Fund Performance

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

The Fund as a whole incurred a total and net loss of Rs. 28.38 million and Rs. 49.07 million respectively during the year under review. The fund size of the fund stood at Rs. 2.76 billion. 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. 12.30 million and Rs. 13.01 million respectively. The net assets of the Active allocation plan stood at Rs. 145 million representing Net Asset Value (NAV) of Rs. 93.3275 per unit as at June 30, 2019 as compared to Rs. 100.4143 as at June 30, 2018. The plan earned a negative return of 7.06% for the year under review against the benchmark return of negative 10.66%. The plan is invested to the extent of 41% in equity funds & 59% in fixed income funds.

### Conservative Allocation Plan

During the year under review, the Conservative allocation plan earned total and net income of Rs. 0.77 million and Rs. 0.64 million respectively. The net assets of the Conservative allocation plan stood at Rs. 18 million representing Net Asset Value (NAV) of Rs. 101.4641 per unit as at June 30, 2019 as compared to Rs. 100.4151 as at June 30, 2018, after incorporating dividend of Rs. 2.05 for the year ended June 30, 2019. The plan earned a return of 2.07% for the year under review against the benchmark return of negative 2.06%. The plan is invested to the extent of 19% in equity funds & 79% in fixed income funds.

### Strategic Allocation Plan

During the year under review, the Strategic allocation plan incurred a total and net loss of Rs. 19.04 million and Rs. 34.19 million respectively. The net assets of the Strategic allocation plan stood at Rs. 2.15 billion representing Net Asset Value (NAV) of Rs. 100.7694 per unit as at June 30, 2019 as compared to Rs. 101.4938 per unit as at June 30, 2018. The plan earned a negative return of 0.71% for the year under review against the benchmark return of negative 3.81%. The plan is invested to the extent of 0% in equity funds & 100% in fixed income funds.

### Islamic Capital Preservation Plan

The Islamic Capital Preservation Plan commence its operations from October 02, 2018.

During the period under review, the Islamic Capital Preservation Plan earned and incurred a total income and net loss of Rs. 2.20 million and Rs. 2.51 million respectively. The net assets of the Islamic Capital Preservation Plan stood at Rs. 0.45 billion representing Net Asset Value (NAV) of Rs. 99.4840 per unit as at June 30, 2019. The plan earned a negative return of 0.52% for the period under review against the benchmark return of negative 1.74%. The plan is invested to the extent of 26% in equity funds & others in cash.

## Money Market Review

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

As per latest data available, Islamic Banking industry assets posted 19.5% growth and stood at PKR 2,790 billion by Mar-19. Similarly, deposits of Islamic banks also witnessed a sharp growth of 14.8% YoY and reached PKR 2,199 billion by Mar-19. Despite the massive growth in assets and deposits, SBP did not issue any fixed or floating rate GOP Ijarah Sukuk in FY18 and in FY19. During FY19, PKR 314bn of GoP Ijara matured while government conducted "Bai-Muajjal" transaction of PKR 237bn carried out with the banks so that banks could park their excess liquidity. The "Bai-Muajjal" was SLR Eligible which ensured that the Islamic banks continue to meet the SLR requirement.

The government has issued Energy Sukuk-I of PKR 200bn to partially retire the circular debt. This was a long term instrument and SLR Eligible fetching increased investment flows from Islamic banks. Moreover, Government is planning another Energy Sukuk-II of PKR 200bn in 1QFY20 to settle outstanding circular debt with similar pricing and characteristics.

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 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 KMI30 index recorded 16,942 points decline (-24%) during FY19 to close at 54,119 level. Index heavy weights & cyclical sector led the decline in the index. Major decline in the index was contributed by Oil & Gas Exploration (-23%), Cement (-33%) and Oil Marketing sector (-42%) due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive return 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 (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, Active Allocation plan and Islamic Capital Preservation Plan, and have decided to distribute cash dividend up-to Rs. 2.05 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		Islamic Capital Preservation Plan	
	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held
1 – 100	-	-	1	63	1	49	6	535
101 – 500	7	1,212	1	492	6	1,746	8	2,744
501 – 1,000	2	1,739	1	997	2	1,005	4	2,997
1,001 – 10,000	37	186,547	5	21,257	6	14,482	48	229,475
10,001 – 100,000	26	1,003,587	6	150,331	14	566,575	27	976,015
1,000,001 – 5,000,000	3	356,691	-	-	3	654,236	5	847,245
500,001 – 1,000,000	-	-	-	-	-	-	2	1,495,711
1,000,001 – 5,000,000	-	-	-	-	-	-	1	1,002,788
5,000,001 and above	-	-	-	-	1	20,055,600	-	-
<b>Total</b>	<b>75</b>	<b>1,549,776</b>	<b>14</b>	<b>173,140</b>	<b>33</b>	<b>21,293,633</b>	<b>101</b>	<b>4,557,510</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE - HBL ISLAMIC FINANCIAL PLANNING FUND

	2019				2018			2017		
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan
Net assets at the period end (Rs'000)					246,911	36,546	4,282,358	194,204	58,338	4,225,557
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>										
Redemption	93.3275	101.4641	100.7694	98.4892	99.9677	101.2452	100.6616	100.0133	100.0178	100.0143
Offer	95.4367	103.7572	N/A	N/A	102.2270	103.5333	N/A	103.0137	103.0183	N/A
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>										
Highest offer price per unit	95.4382	105.8694	N/A	N/A	102.8033	103.7338	N/A	103.0671	103.3839	N/A
Lowest offer price per unit	95.4382	105.8694	N/A	N/A	102.6833	103.7047	N/A	100.0000	100.0000	N/A
Highest redemption price per unit	93.3290	103.5296	100.7727	98.4428	100.5313	101.4412	101.0817	100.0651	100.3727	100.2155
Lowest redemption price per unit	93.3290	103.5296	100.7694	98.4891	100.4139	101.4128	100.9855	100.0000	100.0000	100.0000
<b>RETURN ( % )</b>										
Total return	-7.06%	2.07%	-0.71%	-0.52%	0.40%	1.40%	1.36%	0.17%	0.34%	0.51%
Income distribution	0.00%	2.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.32%	0.37%
Capital growth	-7.06%	0.02%	-0.71%	-0.52%	0.40%	1.40%	1.36%	0.01%	0.02%	0.14%
<b>DISTRIBUTION</b>										
First Interin dividend distribution										
Second Interin dividend distribution										
Third Interin dividend distribution										
Final dividend distribution- Rs	-	2.05	-	-	-	-	-	0.16	0.32	0.37
Date of Income Distribution	-	28-Jun-19	-	-	-	-	-	29-Jun-17	29-Jun-17	29-Jun-17
Total dividend distribution for the year (Rs)	-	2.05	-	-	-	-	-	0.16	0.32	0.37
<b>AVERAGE RETURNS ( % )</b>										
Average annual return 1 year	-7.06%	2.07%	-0.71%	-0.52%	0.40%	1.40%	1.36%	0.17%	0.34%	0.51%
Average annual return 2 year	-3.40%	1.73%	0.32%	N/A	0.29%	0.87%	0.93%	N/A	N/A	N/A
Average annual return 3 year	-2.22%	1.27%	0.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>PORTFOLIO COMPOSITION - (%)</b>										
Percentage of Total Assets as at 30 June:										
Bank Balances	0.51%	0.30%	0.11%	73.40%	0.71%	0.54%	0.02%	11.03%	7.76%	0.05%
Equity Funds	40.79%	18.81%	0.00%	25.57%	59.85%	19.90%	49.38%	8.13%	16.78%	5.04%
Income Funds	58.65%	79.32%	99.89%	0.03%	39.40%	79.45%	50.53%	66.69%	58.46%	91.18%
Others	0.05%	1.57%	0.00%	1.00%	0.04%	0.11%	0.07%	14.16%	17.00%	3.74%

**Note:**

The Launch date of the Active, Conservative & Strategic Allocation Plan is June 19, 2017 whereas the launch date of Islamic Capital Preservation Plan is October 02, 2018.

**Disclaimer:**

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



# MCB FINANCIAL SERVICES LIMITED

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### HBL ISLAMIC FINANCIAL PLANNING FUND

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

HBL Islamic Financial Planning Fund, an open-end Scheme established under a Trust Deed dated March 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund commenced its operations from June 17, 2017.

1. HBL Asset Management Company Limited, the Management Company of HBL Islamic Financial Planning Fund has, in all material respects, managed HBL Islamic Financial Planning Fund during the year ended 30<sup>th</sup> June 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





ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٽيڊ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Financial Planning Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shariah Advisor of the Fund.

**Farid Ahmed Khan**

Chief Executive Officer

Dated: August 29, 2019

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

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 30, 2019

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2019 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Financial Planning Fund (HBL IFPF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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

  
Mufti Irshad Ahmad Aijaz  
Member Shariah Council

  
Faraz Younus Bandukda, CFA  
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited



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

### Scope of our Work

We have performed an independent assurance engagement of HBL Islamic Financial Planning Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2019. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### Applicable Criteria

The criteria for the assurance engagement against which the underlying statement (the subject matter) is assessed comprises of compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). Therefore, the underlying subject matter may not be suitable for another purpose. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### Management Company's responsibility

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

### Our Independence and Quality Control

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. The firms apply International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, And Other Assurance and Related Services Engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Responsibility of independent assurance providers

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



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

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2019 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

#### Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2019.

KARACHI

DATED: AUGUST 30, 2019

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS





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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 Islamic 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  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: <ul style="list-style-type: none"> <li>• 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;</li> <li>• Reviewed 'Investment Classification Model' of the management for analysis of 'Business Model' assessment and 'Contractual Cash Flow Characteristics' test for classification of financial assets;</li> </ul>

S.No.	Key audit matter(s)	How the matter was addressed in our audit
	<p>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.</p> <p>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.</p> <p>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 &amp; measurement and disclosure perspective.</p> <p>Refer to note 4.2, which explains the impact of the adoption of the new accounting standard.</p>	<ul style="list-style-type: none"> <li>Reviewed management's assessment of the impact of new accounting standard on the Fund's financial statements;</li> <li>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;</li> <li>Evaluated the adequacy and appropriateness of disclosures made in the financial statements in relation to adoption of the new accounting standard.</li> </ul>
2.	<p><b>Existence and valuation of investments</b></p> <p>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 88% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>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.</li> </ul>



S.No.	Key audit matter(s)	How the matter was addressed in our audit
	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>
3.	<p><b>Recognition, measurement and presentation of 'Element of Income'</b></p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p> <p>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'.</p> <p>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.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>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".</li> <li>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.</li> <li>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.</li> </ul>



S.No.	Key audit matter(s)	How the matter was addressed in our audit
	<p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> <li>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.</li> </ul>

**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

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Assets and Liabilities

As at June 30, 2019

	Note	2019					2018				
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
		----- (Rupees in '000) -----					----- (Rupees in '000) -----				
<b>ASSETS</b>											
Bank balances	5	737	53	2,440	334,719	337,949	1,721	199	1,046	2,966	
Investments	6	144,173	17,570	2,150,707	116,720	2,429,170	245,764	36,381	4,285,015	4,567,160	
Profit receivable		3	4	11	3,406	3,424	12	11	10	33	
Preliminary expenses and flotation costs	7	51	13	-	1,152	1,216	68	18	2,248	2,334	
Receivable against sale of investments		-	245	-	-	245	-	-	-	-	
Other receivables	8	26	18	-	-	44	22	12	660	694	
<b>TOTAL ASSETS</b>		<b>144,990</b>	<b>17,903</b>	<b>2,153,158</b>	<b>455,997</b>	<b>2,772,048</b>	<b>247,587</b>	<b>36,621</b>	<b>4,288,979</b>	<b>4,573,187</b>	
<b>LIABILITIES</b>											
Payable to the Management Company	9	13	2	413	2,216	2,644	311	4	356	671	
Payable to the Trustee	10	13	2	211	38	264	21	3	278	302	
Payable to Securities and Exchange Commission of Pakistan	11	191	23	3,910	334	4,458	242	45	4,055	4,342	
Accrued expenses and other liabilities	12	136	65	2,871	10	3,082	102	23	1,932	2,057	
Payable against redemption of units		-	244	-	-	244	-	-	-	-	
<b>TOTAL LIABILITIES</b>		<b>353</b>	<b>336</b>	<b>7,405</b>	<b>2,598</b>	<b>10,692</b>	<b>676</b>	<b>75</b>	<b>6,621</b>	<b>7,372</b>	
<b>NET ASSETS</b>		<b>144,637</b>	<b>17,567</b>	<b>2,145,753</b>	<b>453,399</b>	<b>2,761,356</b>	<b>246,911</b>	<b>36,546</b>	<b>4,282,358</b>	<b>4,565,815</b>	
<b>UNIT HOLDER'S FUND (AS PER STATEMENT ATTACHED)</b>		<b>144,637</b>	<b>17,567</b>	<b>2,145,753</b>	<b>453,399</b>	<b>2,761,356</b>	<b>246,911</b>	<b>36,546</b>	<b>4,282,358</b>	<b>4,565,815</b>	
<b>CONTINGENCIES AND COMMITMENTS</b>	13	----- (Unit) -----									
Number of units in issue	14	1,549,776	173,139	21,293,693	4,557,510		2,458,924	360,360	42,193,314		
		----- (Rupees) -----									
Net assets value per unit		93.3275	101.4641	100.7694	99.4840		100.4143	101.4151	101.4938		

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 ISLAMIC FINANCIAL PLANNING FUND

## Income Statement

For the year ended June 30, 2019

Income	Note	For the period from October 2, 2018 to June 30, 2019					2018			
		2019		2018			2018		2018	
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
		----- (Rupees in '000) -----					----- (Rupees in '000) -----			
Profit on bank deposits		62	12	126	25,458	25,658	705	153	5,840	6,698
Capital (loss) / gain on sale of investment - net		(4,545)	364	(130,866)	466	(134,581)	7,656	1,088	125,455	134,199
Dividend income		3,901	1,007	69,591	-	74,499	-	-	-	-
Back end load		-	-	1,600	173	1,773	-	-	41	41
		(582)	1,383	(59,549)	26,097	(32,651)	8,361	1,241	131,336	140,938
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net		(11,722)	(612)	40,505	(23,896)	4,275	(3,671)	(320)	(51,117)	(55,108)
		(12,304)	771	(19,044)	2,201	(28,376)	4,690	921	80,219	85,830
<b>Expenses</b>										
Remuneration of the Management Company	9.1	12	2	151	2,545	2,710	105	25	1,171	1,301
Sindh Sales Tax on remuneration of the Management Company	9.2	1	-	19	331	351	14	3	152	169
Remuneration of the Trustee	10.1	204	25	3,305	358	3,892	259	48	3,424	3,731
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	191	23	3,910	334	4,458	242	45	4,055	4,342
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	201	24	4,115	352	4,692	255	46	4,268	4,569
Amortisation of preliminary expenses and flotation costs	7	47	35	2,278	708	3,068	17	5	2,563	2,585
Auditors' remuneration	15	15	2	261	16	294	16	2	279	297
Printing charges		2	5	-	4	11	8	1	136	145
Bank charges		24	18	19	44	105	52	28	24	104
Fees and subscription		3	-	65	4	72	31	9	638	678
Shariah advisory fee		9	1	171	14	195	9	2	149	160
Tax on bank profit		-	-	848	-	848	-	-	-	-
		709	135	15,142	4,710	20,696	1,008	214	16,859	18,081
<b>Net (loss) / income from operating activities</b>		(13,013)	636	(34,186)	(2,509)	(49,072)	3,682	707	63,360	67,749
Reversal of selling and marketing expense		-	-	-	-	-	24	7	555	586
Provision for Sindh Workers' Welfare Fund		-	-	-	-	-	(74)	(14)	(1,279)	(1,367)
<b>Net (loss) / income for the year / period before taxation</b>		(13,013)	636	(34,186)	(2,509)	(49,072)	3,632	700	62,636	66,968
Taxation	16	-	-	-	-	-	-	-	-	-
<b>Net (loss) / income for the year / period after taxation</b>		(13,013)	636	(34,186)	(2,509)	(49,072)	3,632	700	62,636	66,968
<b>Allocation of income for the year</b>										
Income already paid on redemption of units			297				1,942	121	212	2,257
Accounting income available for distribution										
Relating to capital gains			-				1,708	579	62,424	64,711
Excluding capital gains			339				-	-	-	-
			933				5,574	821	62,848	69,225
			636				3,632	700	62,636	66,968
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

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Comprehensive Income

For the year ended June 30, 2019

	For the period from October 2, 2018 to June 30, 2019					2018			
	2019								Total
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation 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	(13,013)	636	(34,186)	(2,509)	(49,072)	3,632	700	62,636	66,968
Other comprehensive income									
Item that may be reclassified subsequently to income statement	-	-	-	-	-	-	-	-	-
Item that will not be reclassified subsequently to income statement	-	-	-	-	-	-	-	-	-
Total comprehensive (loss) / income for the year / period	<u>(13,013)</u>	<u>636</u>	<u>(34,186)</u>	<u>(2,509)</u>	<u>(49,072)</u>	<u>3,632</u>	<u>700</u>	<u>62,636</u>	<u>66,968</u>

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 ISLAMIC FINANCIAL PLANNING FUND

## Cash Flow Statement

For the year ended June 30, 2019

Note	For the period from October 2, 2018 to June 30, 2019					2018				
	2019		Islamic Capital Preservation Plan			2018		Strategic Allocation Plan		Total
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan		
	(Rupees in '000)					(Rupees in '000)				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>										
Net (loss) / income for the year / period before taxation	(13,013)	636	(34,186)	(2,509)	(49,072)	3,632	700	62,636	66,968	
Adjustments for:										
Profit on bank deposits	(62)	(12)	(126)	(25,458)	(25,658)	(705)	(153)	(5,840)	(6,698)	
Capital loss/ (gain) on sale of investment - net	4,545	(364)	130,866	(466)	134,581	(7,656)	(1,088)	(125,455)	(134,199)	
Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	11,722	612	(40,505)	23,896	(4,275)	3,671	320	51,117	55,108	
Amortisation of preliminary expenses and flotation costs	47	35	2,278	708	3,068	17	5	2,563	2,585	
<b>Cash generated from / (used in) operations before working capital changes</b>	<b>3,239</b>	<b>907</b>	<b>58,327</b>	<b>(3,829)</b>	<b>58,644</b>	<b>(1,041)</b>	<b>(216)</b>	<b>(14,979)</b>	<b>(16,236)</b>	
<b>Decrease / (increase) in assets</b>										
Investments -net	85,324	18,563	2,043,947	(140,150)	2,007,684	(70,286)	14,455	(6,376)	(62,207)	
Preliminary expenses and flotation costs	(30)	(30)	(30)	(1,860)	(1,950)	-	-	-	-	
Other receivables	(4)	(6)	660	-	650	(22)	(12)	(660)	(694)	
Receivable against sale of investments	-	(245)	-	-	(245)	-	-	-	-	
	85,290	18,282	2,044,577	(142,010)	2,006,139	(70,308)	14,443	(7,036)	(62,901)	
<b>(Decrease) / increase in liabilities</b>										
Payable to the Management Company	(298)	(2)	57	2,216	1,973	32	(40)	(12,277)	(12,285)	
Payable to the Trustee	(8)	(2)	(67)	38	(38)	15	1	186	202	
Payable to Securities and Exchange Commission of Pakistan	(51)	(22)	(145)	334	116	236	43	3,923	4,202	
Accrued expenses and other liabilities	34	42	939	10	1,025	52	(5)	(1,695)	(1,648)	
	(323)	16	784	2,598	3,076	335	(1)	(9,863)	(9,529)	
	88,206	19,205	2,103,688	(143,241)	2,067,859	(71,014)	14,226	(31,878)	(88,666)	
Profit received on bank deposits	71	20	125	22,052	22,268	842	189	9,459	10,490	
<b>Net cash generated from / (used in) operating activities</b>	<b>88,277</b>	<b>19,225</b>	<b>2,103,813</b>	<b>(121,189)</b>	<b>2,090,127</b>	<b>(70,172)</b>	<b>14,415</b>	<b>(22,419)</b>	<b>(78,176)</b>	
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>										
Receipts from issue of units	4,550	3,923	1,525,677	473,162	2,007,312	251,658	75,756	28,361	355,775	
Payment against redemption of units	(93,811)	(22,945)	(3,628,096)	(17,254)	(3,762,106)	(205,051)	(95,137)	(6,914)	(307,103)	
Dividend paid	-	(349)	-	-	(349)	-	-	-	-	
Net cash (used in) / generated from financing activities	(89,261)	(19,371)	(2,102,419)	455,908	(1,755,143)	46,607	(19,381)	21,447	48,672	
Net (decrease) / increase in cash and cash equivalents	(984)	(146)	1,394	334,719	334,984	(23,565)	(4,966)	(972)	(29,504)	
Cash and cash equivalents at the beginning of the year / period	1,721	199	1,046	-	2,966	25,286	5,166	2,018	32,470	
Cash and cash equivalents at the end of the year / period	5 737	53	2,440	334,719	337,949	1,721	199	1,046	2,966	

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 ISLAMIC FINANCIAL PLANNING FUND

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2019

	2019			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	245,177	1,734	246,911	194,178	26	194,204
<b>Issuance of 46,072 units (2018: 2,198,956 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	4,626	-	4,626	219,925	-	219,925
Element of loss	(76)	-	(76)	(484)	-	(484)
<b>Total proceeds on issuance of units</b>	4,550	-	4,550	219,441	-	219,441
<b>Redemption of 955,220 units (2018: 1,681,816 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	(95,918)	-	(95,918)	(168,204)	-	(168,204)
Element of income / (loss)	2,106	-	2,106	(238)	(1,924)	(2,162)
<b>Total payments on redemption of units</b>	(93,811)	-	(93,811)	(168,442)	(1,924)	(170,366)
Total comprehensive loss for the year	-	(13,013)	(13,013)	-	3,632	3,632
<b>Net assets at end of the year</b>	<b>155,916</b>	<b>(11,279)</b>	<b>144,637</b>	<b>245,177</b>	<b>1,734</b>	<b>246,911</b>
Undistributed income brought forward						
Realised income / (loss)		5,405			(1,720)	
Unrealised loss		(3,671)			(178)	
		1,734			(1,898)	
Net (loss) / income for the year		(13,013)			3,632	
<b>Accumulated loss carried forward</b>		<b>(11,279)</b>			<b>1,734</b>	
<b>Accumulated loss carried forward</b>						
Realised income		443			5,405	
Unrealised loss		(11,722)			(3,671)	
		<b>(11,279)</b>			<b>1,734</b>	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			<u>100.4143</u>			<u>100.0133</u>
Net assets value per unit at end of the year			<u>93.3275</u>			<u>100.4143</u>

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 ISLAMIC FINANCIAL PLANNING FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2019

	2019			2018		
	Conservative Allocation Plan			Conservative Allocation Plan		
	------(Rupees in '000)-----			------(Rupees in '000)-----		
Capital value	Undistributed income	Total	Capital value	Undistributed income	Total	
<b>Net assets at beginning of the year</b>	35,957	589	36,546	58,328	10	58,338
<b>Issuance of 37,774 units (2018: 652,816 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	3,830	-	3,830	65,293	-	65,293
Element of income / (loss)	93	-	93	(777)	-	(777)
<b>Total proceeds on issuance of units</b>	3,923	-	3,923	64,516	-	64,516
<b>Redemption of 224,994 units (2018: 875,738 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	(22,818)	-	(22,818)	(87,589)	-	(87,589)
Income already paid on redemption of units	-	(297)	(297)	-	-	-
Element of (loss) / income	(74)	-	(74)	702	(121)	581
<b>Total payments on redemption of units</b>	(22,892)	(297)	(23,189)	(86,887)	(121)	(87,008)
Total comprehensive income for the year	-	636	636	-	700	700
<b>Interim distributions</b>						
Rs. 2.05 per unit declared on June 28, 2019 as cash dividend						
Refund of capital	(13)	-	(13)	-	-	-
Distribution during the year	-	(335)	(335)	-	-	-
Total comprehensive income for the year less distribution	(13)	301	287	-	700	700
<b>Net assets at end of the year</b>	16,975	593	17,567	35,957	589	36,546
Undistributed income brought forward						
Realised income / (loss)		909			(39)	
Unrealised (loss) / income		(320)			49	
		589			10	
Accounting income available for distribution						
Relating to capital gain		-			-	
Excluding capital gain		339			579	
		339			579	
Distribution during the period		(335)			-	
<b>Undistributed income carried forward</b>		593			589	
<b>Undistributed income carried forward</b>						
Realised income		1,205			909	
Unrealised income / (loss)		(612)			(320)	
		593			589	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			101.4151			100.0178
<b>Net assets value per unit at end of the year</b>			101.4641			101.4151

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 ISLAMIC FINANCIAL PLANNING FUND**  
**Statement of Movement in Unit Holders' Fund**  
 For the year ended June 30, 2019

	2019			2018		
	Strategic Allocation Plan			Strategic Allocation Plan		
	------(Rupees in '000)-----			------(Rupees in '000)-----		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Net assets at beginning of the year	4,219,284	63,074	4,282,358	4,224,907	650	4,225,557
<b>Issuance of 15,187,894 units (2018: 10,837 units)</b>						
- Capital value (at net asset value per unit at the beginning of the year)	1,541,477	-	1,541,477	1,084	-	1,084
- Element of loss	(15,800)	-	(15,800)	(5)	-	(5)
<b>Total proceeds on issuance of units</b>	1,525,677	-	1,525,677	1,079	-	1,079
<b>Redemption of 36,087,514 units (2018: 67,040 units)</b>						
- Capital value (at net asset value per unit at the beginning of the year)	(3,662,658)	-	(3,662,658)	(6,705)	-	(6,705)
- Element of income / (loss)	34,562	-	34,562	3	(212)	(209)
<b>Total payments on redemption of units</b>	(3,628,096)	-	(3,628,096)	(6,702)	(212)	(6,914)
Total comprehensive (loss) / income for the year	-	(34,186)	(34,186)	-	62,639	62,639
<b>Net assets at end of the year</b>	<b>2,116,865</b>	<b>28,888</b>	<b>2,145,753</b>	<b>4,219,284</b>	<b>63,074</b>	<b>4,282,358</b>
<b>Undistributed income brought forward</b>						
Realised income / (loss)		114,191			(834)	
Unrealised loss / income		(51,117)			1,484	
		<u>63,074</u>			<u>650</u>	
Net (loss) / income for the year		(34,186)			62,424	
<b>Undistributed income carried forward</b>		<u>28,888</u>			<u>63,074</u>	
<b>Undistributed income carried forward</b>						
Realised (loss) / income		(11,617)			114,191	
Unrealised income / (loss)		40,505			(51,117)	
		<u>28,888</u>			<u>63,074</u>	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			<u>101.4938</u>			<u>100.0143</u>
Net assets value per unit at end of the year			<u>100.7694</u>			<u>101.4938</u>

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 ISLAMIC FINANCIAL PLANNING FUND**  
**Statement of Movement in Unit Holders' Fund**  
 For the year ended June 30, 2019

For the period from October 2, 2018 to June 30, 2019			
Islamic Capital Preservation Plan			
----- (Rupees in '000) -----			
	Capital value	Undistributed income	Total
Net assets at beginning of the period	-	-	-
<b>Issuance of 4,731,619 units</b>			
- Capital value (at net asset value per unit at the beginning of the period)	473,162	-	473,162
- Element of loss	-	-	-
<b>Total proceeds on issuance of units</b>	473,162	-	473,162
<b>Redemption of 174,109 units</b>			
- Capital value (at net asset value per unit at the beginning of the period)	(17,411)	-	(17,411)
- Element of income	157	-	157
<b>Total payments on redemption of units</b>	(17,254)	-	(17,254)
Total comprehensive loss for the period	-	(2,509)	(2,509)
<b>Net assets at end of the period</b>	455,908	(2,509)	453,399
<b>Undistributed income brought forward</b>			
Realised		-	
Unrealised		-	
Net loss for the period		(2,509)	
<b>Accumulated loss carried forward</b>		(2,509)	
<b>Accumulated loss carried forward</b>			
Realised income		21,387	
Unrealised loss		(23,896)	
		(2,509)	
			(Rupees)
Net assets value per unit at beginning of the year			-
Net assets value per unit at end of the year			99.4840

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 Islamic Financial Planning Fund (the "Fund"), was established under the Trust Deed executed between HBL Asset Management Limited as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Trust Deed was executed on March 22, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 4, 2017 in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton. The Fund commenced its operations from June 17, 2017.

The Fund is an open ended shariah compliant fund of fund scheme and is listed on Pakistan Stock Exchange Limited. The Fund has four different plans namely Conservative Allocation Plan, Active Allocation Plan, Strategic Allocation Plan and Islamic Capital Preservation Plan (collectively referred as 'Plans'). The units of Conservative Allocation and Active Allocation Plan were initially offered to public (IPO) on June 16, 2016 whereas units of Strategic Allocation Plan were offered from June 15, 2016 to June 16, 2016 and units of Capital Preservation Plan were offered from July 01, 2018 to October 01, 2018. The units are transferable and can be redeemed by surrendering them to the Fund at the option of unit holder. The duration of the Fund is perpetual however the allocation plans may have a set time frame. Each Allocation Plan announce separate NAVs which 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 objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the investor. The investment policy for each of the Plan including the newly launched Fund "Islamic Capital Preservation Plan" (launched on October 2, 2018) are as follows;

- The "Conservative Allocation Plan" is an Allocation Plan under the Fund and primarily aims to provide stable returns with some capital appreciation through a pre-determined mix of shariah compliant investments in equity, income and money market funds. This Allocation Plan is suitable for investors who have moderate risk tolerance and have a short to medium term investment horizon. The plan will exist till perpetuity.
- The "Active Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active asset allocation between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market scheme(s) based on the Fund Manager's outlook on the asset classes. The plan will exist till perpetuity.
- The "Strategic Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active allocation of funds between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market scheme(s) based on fundamental analysis of economic indicators, underlying asset values and a strategy of risk aversion to market volatility. Fund Manager take a medium term strategic view of the portfolio assets to deliver competitive returns to investors. The duration of the Strategic Allocation Plan ('the Plan') was twenty-four months starting from the first day of subscription period i.e June 17, 2017. However, during the year through Fourth Supplemental Offering Document dated May 13, 2019 the duration of the Plan has been changed to thirty-six months starting from the first day of subscription period and the Plan would automatically dissolve at the end of stipulated period, unless the Management Company decides otherwise.
- The "Islamic Capital Preservation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through dynamic asset allocation between Shariah Compliant Equities and Shariah Compliant Money Market based Collective Investment Schemes, Shariah compliant saving accounts and term deposits while aiming to provide capital preservation on the initial amount excluding front end load upon maturity of the allocation plan. The duration of this plan is 24 months (Two Years).



JCR-VIS Credit Rating Company has assigned a management quality rating of 'AM2+' (AM Two Plus) to the Management Company.

Title to the assets of the Fund are held in the name of MCB Financial Services Limited as trustee of the Fund.

- 1.1** No comparative figures / information in statement of asset and liabilities, income statement, statement of comprehensive income, statement of movement in unitholders' fund and cash flow statement have been disclosed in these financial statements for Islamic Capital Preservation Plan as the Plan commenced its operations on October 02, 2018 and these are the first financial statements of the Plan since inception.

## **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:

	<b>Effective date (annual periods beginning on or after)</b>
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:

	<b>Effective date (annual periods beginning on or after)</b>
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.	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 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	Held by Active Allocation Plan			
		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	(b)	Loans and receivables	Amortised cost	1,721	1,721
Investment in units of Mutual Funds	(a)	Held for trading	FVTPL	245,764	245,764
Profit receivable	(b)	Loans and receivables	Amortised cost	12	12
				<u>247,497</u>	<u>247,497</u>



		Held by Conservative Allocation Plan			
	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	(b)	Loans and receivables	Amortised cost	199	199
Investment in units of Mutual Funds	(a)	Held for trading	FVTPL	36,381	36,381
Profit receivable	(b)	Loans and receivables	Amortised cost	11	11
				<u>36,591</u>	<u>36,591</u>
		Held by Strategic Allocation Plan			
	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	(b)	Loans and receivables	Amortised cost	1,046	1,046
Investment in units of Mutual Funds	(a)	Held for trading	FVTPL	4,285,015	4,285,015
Profit receivable	(b)	Loans and receivables	Amortised cost	10	10
				<u>4,286,071</u>	<u>4,286,071</u>

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

#### 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				
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
		----- (Rupees in '000) -----				----- (Rupees in '000) -----				
Savings accounts	5.1	737	53	2,440	334,719	337,949	1,721	199	1,046	2,966

5.1 Profit rate on these saving account range between 6% to 13.5% (2018:3.6% to 5.6%) per annum. This includes an amount of Rs. 0.6397 million (2018: Rs. 1.5165 million), Rs. 0.0036 million (2018: Rs. 0.029 million), Rs. -0.1890 million (2018: Rs. 0.3393 million) and Rs. 2.1967 million held by Active allocation plan, Conservative allocation plan, Strategic allocation plan and Islamic Capital Preservation Plan, respectively, in Habib Bank Limited (related party).

### 6. INVESTMENTS

	Note	2019				2018				
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
		----- (Rupees in '000) -----				----- (Rupees in '000) -----				
Investments by category										
At fair value through profit or loss										
Units of mutual funds	6.1	144,173	17,570	2,150,707	116,720	2,429,170	245,764	36,381	4,285,015	4,567,160

## 6.1 Units of mutual funds

Name of Investee Funds	As at July 1, 2018	Purchases during the year / period	Redemptions 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 Investment
	----- Number of Units -----				----- (Rupees in '000') -----			----- % -----	
<b>Active Allocation Plan</b>									
HBL Islamic Income Fund	917,910	613,241	692,711	838,440	84,479	85,043	564	58.80	58.99
HBL Islamic Equity Fund	437,975	-	135,383	302,592	27,885	23,237	(4,649)	16.07	16.12
HBL Islamic Stock Fund	963,012	53,665	623,587	393,090	43,530	35,893	(7,637)	24.82	24.90
HBL Islamic Dedicated Equity Fund	-	203,779	203,779	-	-	-	-	-	-
	<u>2,318,897</u>	<u>870,685</u>	<u>1,655,460</u>	<u>1,534,122</u>	<u>155,895</u>	<u>144,173</u>	<u>(11,722)</u>	<u>99.68</u>	<u>100.00</u>
<b>Conservative Allocation Plan</b>									
HBL Islamic Income Fund	273,740	30,112	163,826	140,026	14,179	14,203	23	80.85	80.84
HBL Islamic Equity Fund	71,636	8,735	39,749	40,622	3,730	3,119	(611)	17.76	17.75
HBL Islamic Stock Fund	5,913	6,245	9,437	2,721	273	248	(25)	1.41	1.41
	<u>351,289</u>	<u>45,092</u>	<u>213,012</u>	<u>183,369</u>	<u>18,183</u>	<u>17,570</u>	<u>(612)</u>	<u>100.02</u>	<u>100.00</u>
<b>Strategic Allocation Plan</b>									
HBL Islamic Income Fund	20,391,293	25,663,051	24,850,350	21,203,994	2,110,202	2,150,707	40,505	100.23	100.00
HBL Islamic Equity Fund	10,424,976	-	10,424,976	-	-	-	-	-	-
HBL Islamic Stock Fund	10,314,998	865,348	11,180,346	-	-	-	-	-	-
HBL Islamic Dedicated Equity Fund	-	4,996,014	4,996,014	-	-	-	-	-	-
	<u>41,131,267</u>	<u>31,524,413</u>	<u>51,451,686</u>	<u>21,203,994</u>	<u>2,110,202</u>	<u>2,150,707</u>	<u>40,505</u>	<u>100.23</u>	<u>100.00</u>
<b>Islamic Capital Preservation Plan</b>									
HBL Islamic Dedicated Equity Fund	-	2,334,335	943,697	1,390,638	140,467	116,578	(23,889)	25.71	99.88
HBL Islamic Money Market Fund	-	1,409	-	1,409	150	142	(8)	0.03	0.12
	-	<u>2,335,744</u>	<u>943,697</u>	<u>1,392,047</u>	<u>140,617</u>	<u>116,720</u>	<u>(23,896)</u>	<u>25.74</u>	<u>100.00</u>
<b>Total as at June 30, 2019</b>	<u>43,801,453</u>	<u>34,775,934</u>	<u>54,263,855</u>	<u>24,313,532</u>	<u>2,424,896</u>	<u>2,429,170</u>	<u>4,275</u>		
<b>Total as at June 30, 2018</b>	<u>42,392,336</u>	<u>53,701,479</u>	<u>52,292,362</u>	<u>43,801,453</u>	<u>4,622,268</u>	<u>4,567,160</u>	<u>(55,108)</u>		

## 7. PRELIMINARY EXPENSES AND FLOTATION COSTS

	2019					2018				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
	----- (Rupees in '000) -----					----- (Rupees in '000) -----				
Opening balance	68	18	2,248	-	2,334	85	23	4,811	4,919	
Cost incurred during the year / period	30	30	30	1,860	1,950	-	-	-	-	
Less: amortised during the year / period	(47)	(35)	(2,278)	(708)	(3,068)	(17)	(5)	(2,563)	(2,585)	
Closing balance	<u>51</u>	<u>13</u>	<u>-</u>	<u>1,152</u>	<u>1,216</u>	<u>68</u>	<u>18</u>	<u>2,248</u>	<u>2,334</u>	

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortized over a period of two years for Strategic Allocation Plan and five years for Active Allocation Plan and Conservative Allocation Plan and two years for Islamic Capital Preservation Plan commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and the NBFC Rules.

## 8. OTHER RECEIVABLES

		2019					2018				
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
		----- (Rupees in '000) -----					----- (Rupees in '000) -----				
Advance tax	8.1	26	18	-	-	44	22	12	660	694	

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 Income Tax Ordinance, 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				Total	2018			Total
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	
		----- (Rupees in '000) -----					----- (Rupees in '000) -----			
Formation cost		-	-	-	1,860	1,860	-	-	-	-
Remuneration payable to the Management Company	9.1	1	-	132	276	409	-	-	-	-
Sindh Sales Tax payable on Management Company's remuneration	9.2	-	-	17	36	53	-	-	-	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	12	2	264	37	316	-	-	-	-
Sales load payable		-	-	-	7	7	21	4	356	381
		-	-	-	7	7	290	-	-	290
		<u>13</u>	<u>2</u>	<u>413</u>	<u>2,216</u>	<u>2,644</u>	<u>311</u>	<u>4</u>	<u>356</u>	<u>671</u>

**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 Scheme. However, no Management Fee is charged on that part of the net assets which have been invested in mutual funds managed by the Management Company. The fee is payable monthly in arrears.

**9.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2018: 13%) on the services provided by the Management Company as required by 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 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 period / 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				Total	2018			Total
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	
		----- (Rupees in '000) -----					----- (Rupees in '000) -----			
Remuneration payable to the Trustee	10.1	<u>13</u>	<u>2</u>	<u>211</u>	<u>38</u>	<u>264</u>	<u>21</u>	<u>3</u>	<u>278</u>	<u>302</u>

**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. The remuneration is paid to the trustee, monthly in arrears.

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

Net assets	Tariff per annum
Up to Rs. 1 billion	0.09% per annum of the daily average net assets
Over Rs. 1 billion	Rs 0.9 million plus 0.065% per annum of the daily average net assets exceeding one billion

**10.3** The Provisional 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	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
		----- (Rupees in '000) -----					----- (Rupees in '000) -----				
Annual fee payable	11.1	191	23	3,910	334	4,458	242	45	4,055	4,342	

**11.1** Under the provisions of the NBFC Regulations a collective investment scheme categorised as a fund of fund scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

**12. ACCRUED EXPENSES AND OTHER LIABILITIES**

	Note	2019					2018				
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
		----- (Rupees in '000) -----					----- (Rupees in '000) -----				
Withholding tax payable		2	43	-	-	45	2	2	3	7	
Provision for Sindh Workers' Welfare Fund	12.1	81	18	1,607	-	1,706	81	18	1,609	1,708	
Shariah advisory fee		1	-	11	1	13	1	-	17	18	
Printing charges		1	-	79	-	80	6	1	93	100	
Auditors' remuneration		11	1	200	9	221	12	2	210	224	
Others		40	3	974	-	1,017	-	-	-	-	
		136	65	2,871	10	3,082	102	23	1,932	2,057	

**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.

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

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 Rs.0.081 million (2018: 0.081 million), Rs. 0.018 million (2018: 0.018 million) and Rs. 1.607 million (2018: 1.609 million) has been held in Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan, respectively. Had the provision not been made, the net asset value per unit would have been higher by Rs. 0.052 (2018: Rs. 0.033) per unit, Rs. 0.104 (2018: Rs. 0.051) per unit and Rs. 0.076 (2018: Rs. 0.038) 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 year / period ended June 30, 2019 (2018: Nil).

**14. NUMBER OF UNITS IN ISSUE**

Note	2019					2018			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----					----- (Rupees in '000) -----			
Total units in issue at the beginning of the year / period	2,458,924	360,360	42,193,314	-	45,012,598	1,941,784	583,282	42,249,517	44,774,583
Add: units issued	46,072	37,774	15,187,894	4,731,619	20,003,359	2,198,956	652,816	10,837	2,862,609
Less: units redeemed	(955,220)	(224,994)	(36,087,514)	(174,109)	(37,441,838)	(1,681,816)	(875,738)	(67,040)	(2,624,594)
Total units in issue at the end of the year / period	<u>1,549,776</u>	<u>173,139</u>	<u>21,293,693</u>	<u>4,557,510</u>	<u>27,574,119</u>	<u>2,458,924</u>	<u>360,360</u>	<u>42,193,314</u>	<u>45,012,598</u>

**15. AUDITOR'S REMUNERATION**

Note	2019					2018			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----					----- (Rupees in '000) -----			
Annual audit fee	10	1	160	7	178	10	2	171	182
Fee for half yearly review	3	-	61	7	71	4	-	66	70
Other certifications and out of pocket	2	1	40	2	45	2	1	42	45
	<u>15</u>	<u>2</u>	<u>261</u>	<u>16</u>	<u>294</u>	<u>16</u>	<u>3</u>	<u>279</u>	<u>297</u>

**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 (EPU)**

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												
	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation Plan			Islamic Capital Preservation Plan			Total
	At fair value through profit or loss	Amortized cost	Sub Total	At fair value through profit or loss	Amortized cost	Sub Total	At fair value through profit or loss	Amortized cost	Sub Total	At fair value through profit or loss	Amortized cost	Sub Total	
Financial assets	----- (Rupees in '000) -----												
Bank balances	-	737	737	-	53	53	-	2,440	2,440	-	334,719	334,719	337,949
Investments - net	144,173	-	144,173	17,570	-	17,570	2,150,707	-	2,150,707	116,720	-	116,720	2,428,170
Profit receivable	-	3	3	-	4	4	-	11	11	-	3,406	3,406	3,424
Receivable against sale of investments	-	-	-	-	245	245	-	-	-	-	-	-	245
	<u>144,173</u>	<u>740</u>	<u>144,913</u>	<u>17,570</u>	<u>302</u>	<u>17,872</u>	<u>2,150,707</u>	<u>2,451</u>	<u>2,153,158</u>	<u>116,720</u>	<u>338,125</u>	<u>454,845</u>	<u>2,770,788</u>
	----- (Rupees in '000) -----												
Financial liabilities	----- (Rupees in '000) -----												
Payable to the Management Company	-	13	13	-	2	2	-	396	396	-	2,180	2,180	2,591
Payable to the Trustee	-	11	11	-	1	1	-	187	187	-	34	34	233
Accrued expenses and other liabilities	-	53	53	-	4	4	-	1,264	1,264	-	10	10	1,331
Payable against redemption of units	-	-	-	-	244	244	-	-	-	-	-	-	244
	<u>-</u>	<u>78</u>	<u>78</u>	<u>-</u>	<u>252</u>	<u>252</u>	<u>-</u>	<u>1,847</u>	<u>1,847</u>	<u>-</u>	<u>2,224</u>	<u>2,224</u>	<u>4,399</u>
	----- (Rupees in '000) -----												
	----- (Rupees in '000) -----												
Financial assets	----- (Rupees in '000) -----												
Bank balances	-	1,721	1,721	-	199	199	-	1,046	1,046	-	2,966	2,966	3,966
Investments - net	245,764	-	245,764	36,381	-	36,381	4,285,015	-	4,285,015	4,567,160	-	4,567,160	9,173,540
Profit receivable	-	12	12	-	11	11	-	10	10	-	33	33	33
	<u>245,764</u>	<u>1,733</u>	<u>247,497</u>	<u>36,381</u>	<u>210</u>	<u>36,591</u>	<u>4,285,015</u>	<u>1,056</u>	<u>4,286,071</u>	<u>4,567,160</u>	<u>33</u>	<u>4,567,193</u>	<u>9,173,573</u>

	2018									Total
	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation Plan			
	Fair value through profit or loss	Other financial liabilities	Sub Total	Fair value through profit or loss	Other financial liabilities	Sub Total	Fair value through profit or loss	Other financial liabilities	Sub Total	
(Rupees in '000')										
Company	-	311	311	-	4	4	-	356	356	671
Liabilities	-	21	21	-	3	3	-	278	278	302
	-	19	19	-	3	3	-	320	320	342
	-	351	351	-	10	10	-	954	954	1,315

## 19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the 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 / period

	2019					For the period from October 2, 2018 to June 30, 2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
(Rupees in '000')										
<b>HBL Asset Management Limited - Management Company</b>										
Remuneration of the Management Company	12	2	151	2,545	2,710	105	25	1,171	1,301	
Sindh Sales Tax on remuneration of the Management Company	1	-	19	331	351	14	3	152	169	
Allocation of expenses related to registrar services, accounting, operation and valuation services	201	24	4,115	352	4,692	255	46	4,268	4,569	
<b>Habib Bank Limited - Sponsor</b>										
Profit on deposits with bank	46	8	67	672	793	299	72	58	429	
<b>MCB Financial Services Limited - Trustee</b>										
Remuneration of the Trustee	204	25	3,305	358	3,892	259	48	3,424	3,731	
<b>HBL Asset Management Limited - Employees Provident Fund</b>										
Issue of nil (2018: 11,575) units	-	-	-	-	-	1,204	-	-	1,204	
<b>Archroma Pakistan Limited - Employees Gratuity Fund</b>										
Connected Person due to Common Directorship										
Redemption of 634,327 (2018: Nil) units	-	-	63,787	-	63,787	-	-	-	-	
<b>Barrett Hodgson Pakistan (Private) Limited</b>										
Connected Person due to 10% holding										
Issue of 1,002,789 (2018: Nil) units	-	-	-	100,279	100,279	-	-	-	-	
<b>Habib Bank Staff Behbood Fund</b>										
Connected Person due to 10% holding										
Issue of 684,657 (2018: Nil) units	-	-	-	70,013	70,013	-	-	-	-	
<b>New Jubilee Insurance Company Limited Staff Provident Fund</b>										
Connected Person due to 10% holding										
Issued of 50,009 (2018: Nil) units	-	-	-	5,001	5,001	-	-	-	-	
<b>Pakistan Society for the Welfare of Mentally Retarded Children</b>										
Connected Person due to 10% holding										
Issue of 811,054 (2018: Nil) units	-	-	-	81,105	81,105	-	-	-	-	
<b>HBL Islamic Income Fund</b>										
Purchase of 613,241 (2018: 2,478,881) units	57,563	-	-	-	57,563	257,259	-	-	257,259	
Purchase of 30,112 (2018: 864,289) units	-	1,687	-	-	1,687	-	89,477	-	89,477	
Purchase of 25,663,051 (2018: 26,235,908) units	-	-	2,500,637	-	2,500,637	-	-	2,780,608	2,780,608	
Redemption of 692,711 (2018: 3,073,449) units	72,687	-	-	-	72,687	320,274	-	-	320,274	
Redemption of 163,826 (2018: 975,448) units	-	17,024	-	-	17,024	-	101,029	-	101,029	
Redemption of 24,850,350 (2018: 43,251,224) units	-	-	2,654,035	-	2,654,035	-	-	4,527,507	4,527,507	
Dividend Income	3,901	-	-	-	3,901	-	-	-	-	
Dividend Income	-	1,007	-	-	1,007	-	-	-	-	
Dividend Income	-	-	69,591	-	69,591	-	-	-	-	

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Notes to the financial statements

For the year ended June 30, 2019

	2019					For the period from October 2, 2018 to June 30, 2019				2018			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	(Rupees in '000')												
<b>HBL Islamic Equity Fund</b>													
Purchase of Nil (2018: 566,975) units	-	-	-	-	-	54,000	-	-	-	54,000	-	-	54,000
Purchase of 8,735 (2018: 108,943) units	-	776	-	-	776	-	9,937	-	-	-	-	-	9,937
Purchase of Nil (2018: 8,433,819) units	-	-	-	-	-	-	-	-	-	-	800,000	-	800,000
Redemption of 135,383 (2018: 305,613) units	12,575	-	-	-	12,575	30,000	-	-	-	-	-	-	30,000
Redemption of 39,749 (2018: 143,171) units	-	3,682	-	-	3,682	-	13,565	-	-	-	-	-	13,565
Redemption of 10,424,976 (2018: 29,644) units	-	-	890,118	-	890,118	-	-	2,800	-	-	-	-	2,800
<b>HBL Islamic Money Market Fund</b>													
Purchase of 1,409 (2018: 974,853) units	-	-	-	150	150	-	-	-	-	-	100,000	-	100,000
Redemption of Nil (2018: 1,759,925) units	-	-	-	-	-	-	-	-	-	-	179,425	-	179,425
<b>HBL Islamic Stock Fund</b>													
Purchase of 53,665 (2018: 963,012) units	5,400	-	-	-	5,400	109,300	-	-	-	-	-	-	109,300
Purchase of 6,245 (2018: 16,260) units	-	633	-	-	633	-	1,900	-	-	-	-	-	1,900
Purchase of 865,348 (2018: 13,058,539) units	-	-	100,000	-	100,000	-	-	1,467,000	-	-	-	-	1,467,000
Redemption of 623,587 (2018: Nil) units	65,214	-	-	-	65,214	-	-	-	-	-	-	-	-
Redemption of 9,057 (2018: 10,347) units	-	952	-	-	952	-	1,175	-	-	-	-	-	1,175
Redemption of 11,180,346 (2018: 2,743,541) units	-	-	1,166,961	-	1,166,961	-	-	300,000	-	-	-	-	300,000
<b>HBL Islamic Dedicated Fund</b>													
Purchase of 203,779 (2018: Nil) units	22,000	-	-	-	22,000	-	-	-	-	-	-	-	-
Purchase of 4,996,014 (2018: Nil) units	-	-	517,000	-	517,000	-	-	-	-	-	-	-	-
Purchase of 2,334,335 (2018: Nil) units	-	-	-	235,000	235,000	-	-	-	-	-	-	-	-
Redemption of 203,779 (2018: Nil) units	19,811	-	-	-	19,811	-	-	-	-	-	-	-	-
Redemption of 4,996,014 (2018: Nil) units	-	-	450,469	-	450,469	-	-	-	-	-	-	-	-
Redemption of 943,697 (2018: Nil) units	-	-	-	95,000	95,000	-	-	-	-	-	-	-	-
<b>Mohsin Safdar - Connected Person due to 10% holding</b>													
Issue of 1,056 (2018: Nil) units	-	107	-	-	107	-	-	-	-	-	-	-	-
Dividend	-	122	-	-	122	-	-	-	-	-	-	-	-
<b>Falak Naz - Connected Person due to 10% holding</b>													
Issue of 602 (2018: Nil) units	-	61	-	-	61	-	-	-	-	-	-	-	-
Dividend	-	70	-	-	70	-	-	-	-	-	-	-	-
<b>Patient Welfare Association - Connected Person due to 10% holding</b>													
Issue of 400,000 (2018: Nil) units	-	40,000	-	-	40,000	-	-	-	-	-	-	-	-
	(Rupees in '000')												
<b>Balances outstanding as at year / period end</b>													
<b>HBL Asset Management Limited - Management Company</b>													
Remuneration payable to the Management Company	1	-	132	276	409	-	-	-	-	-	-	-	-
Sindh Sales Tax payable on remuneration of the Management Company	-	-	17	36	53	-	-	-	-	-	-	-	-
Sales load payable	-	-	-	7	7	290	-	-	-	-	-	-	290
Allocation of expenses related to registrar services, accounting, operation and valuation services	12	2	264	37	316	21	4	356	-	-	-	-	381
Formation Cost payable	-	-	-	1,860	1,860	-	-	-	-	-	-	-	-
<b>MCB Financial Services Limited - Trustee</b>													
Remuneration payable to the Trustee	13	2	211	38	264	21	3	278	-	-	-	-	302
<b>Imperial Developers &amp; Builders (Pvt) Limited - Connected Person due to 10% holding</b>													
Units held 20,055,600 (2018: 20,057,175)	-	-	2,020,991	-	2,020,991	-	-	2,035,679	-	-	-	-	2,035,679
<b>Habib Bank Staff Behbood Fund - Connected Person due to 10% holding</b>													
Units held 684,657 (2018: Nil)	-	-	-	68,112	68,112	-	-	-	-	-	-	-	-
<b>New Jubilee Insurance Company Limited Staff Provident Fund Connected Person due to 10% holding</b>													
Units held 50,009 (2018: Nil)	-	-	-	4,975	4,975	-	-	-	-	-	-	-	-
<b>Pakistan Society for the Welfare of Mentally Retarded Children Connected Person due to 10% holding</b>													
Units held 811,054 (2018: Nil)	-	-	-	80,687	80,687	-	-	-	-	-	-	-	-
<b>Barrett Hodgson Pakistan (Private) Limited Connected Person due to 10% holding</b>													
Units held 1,002,789 (2018: Nil)	-	-	-	99,761	99,761	-	-	-	-	-	-	-	-
<b>Mohsin Safdar - Connected Person due to 10% holding</b>													
Units held 60,805 (2018: 59,748)	-	6,169	-	-	6,169	-	6,059	-	-	-	-	-	6,059
<b>HBL Asset Management Limited - Employees Provident Fund</b>													
Units held 11,575 (2018: 11,575)	1,080	-	-	-	1,080	1,162	-	-	-	-	-	-	1,162
<b>Falak Naz - Connected Person due to 10% holding</b>													
Units held 34,638 (2018: 34,036)	-	356,595	-	-	356,595	-	51,880	-	-	-	-	-	51,880
<b>HBL Islamic Income Fund</b>													
Units held 838,440 (2018: 917,910)	85,043	-	-	-	85,043	97,559	-	-	-	-	-	-	97,559
Units held 140,026 (2018: 273,740)	-	14,203	-	-	14,203	-	29,094	-	-	-	-	-	29,094
Units held 21,203,994 (2018: 20,391,293)	-	-	2,150,706	-	2,150,706	-	-	2,167,258	-	-	-	-	2,167,258

	2019				2018				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	(Rupees in '000)								
<b>HBL Islamic Equity Fund</b>									
Units held 302,592 (2018: 437,975)	23,237	-	-	-	23,237	40,508	-	-	40,508
Units held 40,622 (2018: 71,636)	-	3,119	-	-	3,119	-	6,626	-	6,626
Units held Nil (2018: 10,424,976)	-	-	-	-	-	-	-	964,196	964,196
<b>HBL Islamic Stock Fund</b>									
Units held 393,090 (2018: 963,012)	35,893	-	-	-	35,893	107,697	-	-	107,697
Units held 2,721 (2018: 5,913)	-	248	-	-	248	-	661	-	661
Units held Nil (2018: 10,314,998)	-	-	-	-	-	-	-	1,153,561	1,153,561
<b>HBL Islamic Dedicated Equity Fund</b>									
Units held 1,390,638 (2018: Nil)	-	-	-	116,578	116,578	-	-	-	-
<b>HBL Islamic Money Market Fund</b>									
Units held 1,409 (2018: Nil)	-	-	-	142	142	-	-	-	-

## 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 account, the interest rates on which range between 6.00% 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. 0.0073 million, Rs. 0.0005 million, Rs. 0.0214 million and Rs. 3.3471 million of Active Allocation Plan, Conservative Allocation plan, Strategic Allocation Plan and of Islamic Capital Preservation Plan (2018: Rs. 0.0172 million, Rs. 0.0019 million and Rs. 0.0104 million) respectively.

**b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are measured at Fair value, therefore, it is not exposed to fair value interest rate risk.

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

Active Allocation Plan													
Particulars	Effective yield / interest rate	2019					Total	Effective yield / interest rate	2018				
		Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total			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					Upto three months	More than three months and upto one year	More than one year		
		%							%				
		(Rupees in '000)							(Rupees in '000)				
<b>On-balance sheet financial instruments</b>													
<b>Financial assets</b>													
Bank balances	6 - 13.5	737	-	-	-	737	3.6 - 5.6	1,721	-	-	-	1,721	
Investments		-	-	-	144,173	144,173		-	-	-	245,764	245,764	
Profit receivable		-	-	-	3	3		-	-	-	12	12	
<b>Sub total</b>		<b>737</b>	<b>-</b>	<b>-</b>	<b>144,176</b>	<b>144,913</b>		<b>1,721</b>	<b>-</b>	<b>-</b>	<b>245,776</b>	<b>247,497</b>	
<b>Financial liabilities</b>													
Payable to the Management Company		-	-	-	13	13		-	-	-	311	311	
Payable to the Trustee		-	-	-	11	11		-	-	-	21	21	
Accrued expenses and other liabilities		-	-	-	53	53		-	-	-	19	19	
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>78</b>	<b>78</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>351</b>	<b>351</b>	
<b>On-balance sheet gap (a)</b>		<b>737</b>	<b>-</b>	<b>-</b>	<b>144,098</b>	<b>144,835</b>		<b>1,721</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>737</b>	<b>-</b>	<b>-</b>	<b>144,098</b>	<b>144,835</b>		<b>1,721</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,721</b>	
<b>Cumulative interest rate sensitivity gap</b>		<b>737</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>1,721</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Conservative Allocation Plan													
Particulars	Effective yield / interest rate	2019					Total	Effective yield / interest rate	2018				
		Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total			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					Upto three months	More than three months and upto one year	More than one year		
		%							%				
		(Rupees in '000)							(Rupees in '000)				
<b>On-balance sheet financial instruments</b>													
<b>Financial assets</b>													
Bank balances	6 - 13.5	53	-	-	-	53	3.6 - 5.6	199	-	-	-	199	
Investments		-	-	-	17,570	17,570		-	-	-	36,381	36,381	
Profit receivable		-	-	-	4	4		-	-	-	11	11	
Receivable against sale of investment		-	-	-	245	245		-	-	-	-	-	
<b>Sub total</b>		<b>53</b>	<b>-</b>	<b>-</b>	<b>17,819</b>	<b>17,872</b>		<b>199</b>	<b>-</b>	<b>-</b>	<b>36,392</b>	<b>36,591</b>	
<b>Financial liabilities</b>													
Payable to the Management Company		-	-	-	2	2		-	-	-	4	4	
Payable to the Trustee		-	-	-	1	1		-	-	-	3	3	
Accrued expenses and other liabilities		-	-	-	4	4		-	-	-	3	3	
Payable against redemption of units		-	-	-	244	244		-	-	-	-	-	
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>252</b>	<b>252</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>10</b>	
<b>On-balance sheet gap (a)</b>		<b>53</b>	<b>-</b>	<b>-</b>	<b>17,567</b>	<b>17,620</b>		<b>199</b>	<b>-</b>	<b>-</b>	<b>36,382</b>	<b>36,581</b>	
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>53</b>	<b>-</b>	<b>-</b>	<b>17,567</b>	<b>17,620</b>		<b>199</b>	<b>-</b>	<b>-</b>	<b>36,382</b>	<b>36,581</b>	
<b>Cumulative interest rate sensitivity gap</b>		<b>53</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Strategic Allocation Plan													
Particulars	Effective yield / interest rate	2019					Total	Effective yield / interest rate	2018				
		Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total			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					Upto three months	More than three months and upto one year	More than one year		
		%							%				
		(Rupees in '000)							(Rupees in '000)				
<b>On-balance sheet financial instruments</b>													
<b>Financial assets</b>													
Bank balances	6 - 13.5	2,440	-	-	-	2,440	3.6 - 5.6	1,046	-	-	-	1,046	
Investments		-	-	-	2,150,707	2,150,707		-	-	-	4,285,015	4,285,015	
Profit receivable		-	-	-	11	11		-	-	-	10	10	
<b>Sub total</b>		<b>2,440</b>	<b>-</b>	<b>-</b>	<b>2,150,718</b>	<b>2,153,158</b>		<b>1,046</b>	<b>-</b>	<b>-</b>	<b>4,285,025</b>	<b>4,286,071</b>	
<b>Financial liabilities</b>													
Payable to the Management Company		-	-	-	396	396		-	-	-	356	356	
Payable to the Trustee		-	-	-	187	187		-	-	-	278	278	
Accrued expenses and other liabilities		-	-	-	1,264	1,264		-	-	-	320	320	
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,847</b>	<b>1,847</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>954</b>	<b>954</b>	
<b>On-balance sheet gap (a)</b>		<b>2,440</b>	<b>-</b>	<b>-</b>	<b>2,148,871</b>	<b>2,151,311</b>		<b>1,046</b>	<b>-</b>	<b>-</b>	<b>4,284,071</b>	<b>4,285,117</b>	
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>2,440</b>	<b>-</b>	<b>-</b>	<b>2,148,871</b>	<b>2,151,311</b>		<b>1,046</b>	<b>-</b>	<b>-</b>	<b>4,284,071</b>	<b>4,285,117</b>	
<b>Cumulative interest rate sensitivity gap</b>		<b>2,440</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>1,046</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

Islamic Capital Preservation Plan						
2019						
Particulars	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						
Bank balances	6 - 13.5	334,719	-	-	-	334,719
Investments		-	-	-	116,720	116,720
Profit receivable		-	-	-	3,406	3,406
<b>Sub total</b>		<b>334,719</b>	<b>-</b>	<b>-</b>	<b>120,126</b>	<b>454,845</b>
Financial liabilities						
Payable to the Management Company		-	-	-	2,180	2,180
Payable to the Trustee		-	-	-	34	34
Accrued expenses and other liabilities		-	-	-	10	10
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,224</b>	<b>2,224</b>
<b>On-balance sheet gap (a)</b>		<b>334,719</b>	<b>-</b>	<b>-</b>	<b>117,902</b>	<b>452,621</b>
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>334,719</b>	<b>-</b>	<b>-</b>	<b>117,902</b>	<b>452,621</b>
Cumulative interest rate sensitivity gap		334,719	-	-	-	-

### 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. 7.2086 million, Rs. 107.5353 million and Rs. 5.8360 of Active Allocation Plan, Strategic Allocation Plan and Islamic Capital Preservation Plan (2018: Rs. 12.2880 million and 15.8360 million) respectively, and net income for the year would increase / decrease by Rs. 0.8785 million of Conservative Allocation Plan (2018: Rs. 1.8190 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 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	June 30, 2019				Latest available published rating as at June 30, 2019	Rating agency
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan		
----- (Rupees in '000)-----						
Savings accounts						
Dubai Islamic Bank Limited	72	29	2,585	332,253	AA-	JCR-VIS
Habib Bank Limited	640	4	(189)	2,197	AAA	JCR-VIS
Bank Islami Pakistan Limited	25	21	45	-	AA+	PACRA
Bank Al-Habib Limited	-	-	-	127	AA+	PACRA
Allied Bank Limited	-	-	-	143	AAA	PACRA
	<u>737</u>	<u>53</u>	<u>2,440</u>	<u>334,719</u>		

Name of the bank	June 30, 2018				Latest available published rating as at June 30, 2019	Rating agency
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan		
----- (Rupees in '000)-----						
Savings accounts						
Dubai Islamic Bank Limited		181	32	769	A+	JCR-VIS
Habib Bank Limited		1,517	29	339	AAA	JCR-VIS
Bank Islami Pakistan Limited		23	138	(62)	A+	JCR-VIS
		<u>1,721</u>	<u>199</u>	<u>1,046</u>		

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

**20.2.2** The analysis below summarizes the credit quality of the Fund's credit exposure:

Rating by rating category	June 30, 2019				Total
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	
----- (Percentage)-----					
AAA	86.8%	6.9%	-7.7%	0.7%	86.7%
AA+	3.4%	38.8%	1.8%	0.0%	44.1%
AA	0.0%	0.0%	0.0%	0.0%	0.0%
AA-	9.8%	54.3%	105.9%	99.3%	269.2%
A-	0.0%	0.0%	0.0%	0.0%	0.0%

Rating by rating category	June 30, 2018			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan
----- (Percentage)-----				
AAA	88.1%	14.6%	32.4%	135.1%
AA+	0.0%	0.0%	0.0%	0.0%
AA	0.0%	0.0%	0.0%	0.0%
AA-	0.0%	0.0%	0.0%	0.0%
A+	11.9%	85.4%	67.6%	164.9%
A-	0.0%	0.0%	0.0%	0.0%

### Concentration of credit risk

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

The Fund's bank balances is held with 5 (2018: 3) banks. Management believes that such 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:

	2019																Total
	Active Allocation Plan				Conservative Allocation Plan				Strategic Allocation Plan				Islamic Capital Preservation Plan				
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
(Rupees in '000')																	
<b>Financial liabilities</b>																	
Payable to the Management Company	13	-	-	13	2	-	-	2	396	-	-	396	2,180	-	-	2,180	2,592
Payable to the Trustee	11	-	-	11	1	-	1	187	-	-	187	34	-	-	34	233	
Accrued expenses and other liabilities	53	-	-	53	4	-	4	1,264	-	-	1,264	10	-	-	10	1,331	
Payable against redemption of units	-	-	-	-	244	-	244	-	-	-	-	-	-	-	-	-	
	78	-	-	78	252	-	252	1,847	-	-	1,847	2,224	-	-	2,224	4,156	

	2018													Total	
	Active Allocation Plan				Conservative Allocation Plan				Strategic Allocation Plan						
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total			
(Rupees in '000')															
<b>Financial liabilities</b>															
Payable to the Management Company	311	-	-	311	4	-	4	356	-	-	356	671	-	-	671
Payable to the Trustee	21	-	-	21	3	-	3	278	-	-	278	302	-	-	302
Accrued expenses and other liabilities	19	-	-	19	3	-	3	320	-	-	320	342	-	-	342
	351	-	-	351	10	-	10	954	-	-	954	1,315	-	-	1,315

## **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 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 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.

		Active Allocation Plan 2019							
		Carrying amount			Fair Value				
		Fair value through profit and loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total	
<b>Note</b>		----- (Rupees in '000') -----							
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>	22.1								
Investments		144,173	-	144,173	144,173	-	-	144,173	
		<u>144,173</u>	<u>-</u>	<u>144,173</u>	<u>144,173</u>	<u>-</u>	<u>-</u>	<u>144,173</u>	
<b>Financial assets not measured at fair value</b>	22.2								
Bank balances		-	737	737					
Profit receivable		-	3	3					
		<u>-</u>	<u>740</u>	<u>740</u>					
<b>Financial liabilities not measured at fair value</b>	22.2								
Payable to the Management Company		-	13	13					
Payable to the Trustee		-	11	11					
Accrued expenses and other liabilities		-	53	53					
		<u>-</u>	<u>78</u>	<u>78</u>					
		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
<b>Note</b>		----- (Rupees in '000') -----							
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>	22.1								
Investments		245,764	-	-	245,764	245,764	-	-	245,764
		<u>245,764</u>	<u>-</u>	<u>-</u>	<u>245,764</u>	<u>245,764</u>	<u>-</u>	<u>-</u>	<u>245,764</u>
<b>Financial assets not measured at fair value</b>	22.2								
Bank balances		-	1,721	-	1,721				
Profit receivable		-	12	-	12				
		<u>-</u>	<u>1,733</u>	<u>-</u>	<u>1,733</u>				
<b>Financial liabilities not measured at fair value</b>	22.2								
Payable to the Management Company		-	-	311	311				
Payable to the Trustee		-	-	6	6				
Accrued expenses and other liabilities		-	-	18	18				
		<u>-</u>	<u>-</u>	<u>335</u>	<u>335</u>				
		Conservative Allocation Plan 2019							
		Carrying amount			Fair Value				
		Fair value through profit and loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total	
<b>Note</b>		----- (Rupees in '000') -----							
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>	22.1								
Investments		17,570	-	17,570	17,570	-	-	35,140	
		<u>17,570</u>	<u>-</u>	<u>17,570</u>	<u>17,570</u>	<u>-</u>	<u>-</u>	<u>35,140</u>	
<b>Financial assets not measured at fair value</b>	22.2								
Bank balances		-	53	53					
Profit receivable		-	4	4					
Receivable against sale of equity		-	245	245					
		<u>-</u>	<u>302</u>	<u>302</u>					
<b>Financial liabilities not measured at fair value</b>	22.2								
Payable to the Management Company		-	2	2					
Payable to the Trustee		-	1	1					
Accrued expenses and other liabilities		-	4	4					
Payable against redemption of units		-	244	244					
		<u>-</u>	<u>252</u>	<u>252</u>					
		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
<b>Note</b>		----- (Rupees in '000') -----							
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>	22.1								
Investments		36,381	-	-	36,381	36,381	-	-	36,381
		<u>36,381</u>	<u>-</u>	<u>-</u>	<u>36,381</u>	<u>36,381</u>	<u>-</u>	<u>-</u>	<u>36,381</u>
<b>Financial assets not measured at fair value</b>	22.2								
Bank balances		-	199	-	199				
Profit receivable		-	11	-	11				
		<u>-</u>	<u>210</u>	<u>-</u>	<u>210</u>				
<b>Financial liabilities not measured at fair value</b>	22.2								
Payable to the Management Company		-	-	4	4				
Payable to the Trustee		-	-	3	3				
Accrued expenses and other liabilities		-	-	3	3				
		<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>				

		Strategic Allocation Plan 2019							
		Carrying amount			Fair Value				
		Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total	
	Note	----- (Rupees in '000) -----							
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>	22.1								
Investments		2,150,707	-	2,150,707	2,150,707	-	-	4,301,414	
		<u>2,150,707</u>	<u>-</u>	<u>2,150,707</u>	<u>2,150,707</u>	<u>-</u>	<u>-</u>	<u>4,301,414</u>	
<b>Financial assets not measured at fair value</b>	22.2								
Bank balances		-	2,440	2,440					
Profit receivable		-	11	11					
		<u>-</u>	<u>2,451</u>	<u>2,451</u>					
<b>Financial liabilities not measured at fair value</b>	22.2								
Payable to the Management Company		-	396	396					
Payable to the Trustee		-	187	187					
Accrued expenses and other liabilities		-	1,264	1,264					
		<u>-</u>	<u>1,847</u>	<u>1,847</u>					
		-----							
		Carrying amount			Fair Value				
		Fair value	Loans and	Other financial	Total	Level 1	Level 2	Level 3	Total
		through profit or	receivables	liabilities					
		loss - held for							
		trading							
	Note	----- (Rupees in '000) -----							
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>	22.1								
Investments		4,285,015	-	-	4,285,015	4,285,015	-	-	4,285,015
		<u>4,285,015</u>	<u>-</u>	<u>-</u>	<u>4,285,015</u>	<u>4,285,015</u>	<u>-</u>	<u>-</u>	<u>4,285,015</u>
<b>Financial assets not measured at fair value</b>	22.2								
Bank balances		-	1,046	-	1,046				
Profit receivable		-	10	-	10				
		<u>-</u>	<u>1,056</u>	<u>-</u>	<u>1,056</u>				
<b>Financial liabilities not measured at fair value</b>	22.2								
Payable to the Management Company		-	-	356	356				
Payable to the Trustee		-	-	278	278				
Accrued expenses and other liabilities		-	-	320	320				
		<u>-</u>	<u>-</u>	<u>954</u>	<u>954</u>				
		-----							
		Carrying amount			Fair Value				
		Fair value	Amortized cost	Total	Level 1	Level 2	Level 3	Total	
		through profit							
		and loss							
	Note	----- (Rupees in '000') -----							
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>	22.1								
Investments		116,720	-	116,720	116,720	-	-	116,720	
		<u>116,720</u>	<u>-</u>	<u>116,720</u>	<u>116,720</u>	<u>-</u>	<u>-</u>	<u>116,720</u>	
<b>Financial assets not measured at fair value</b>	22.2								
Bank balances		-	334,719	334,719					
Profit receivable		-	3,406	3,406					
		<u>-</u>	<u>338,125</u>	<u>338,125</u>					
<b>Financial liabilities not measured at fair value</b>	22.2								
Payable to the Management Company		-	2,180	2,180					
Payable to the Trustee		-	34	34					
Accrued expenses and other liabilities		-	10	10					
		<u>-</u>	<u>2,224</u>	<u>2,224</u>					

## 22.1 Valuation techniques

For level 1 investments at fair value through profit or loss - held for trading investment in respect of units of mutual funds, Fund uses daily NAVs which are taken from MUFAP at reporting date.

**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 / period

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

**23. LIST OF TOP TEN BROKERS/DEALERS OF 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	26+
2	Muhammad Imran	Chief Investment Officer	MBA (Finance)	19+
3	Jawad Naeem	Specialist - Equity	MBA, CFA Level 1	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	MBA, CFA	8+

**25. PATTERN OF UNIT HOLDING**

2019

Category	No of unit holders	Number of units held	Investment amounts	Percentage
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**Active Allocation Plan**

Retirement funds	4	46,871	4,375	3%
Individuals	71	1,502,905	140,262	97%
	75	1,549,776	144,637	100%

**Conservative Allocation Plan**

Individuals	14	173,139	17,567	100%
	14	173,139	17,567	100%

Category	No of unit holders	Number of units held	Investment amounts	Percentage
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**Strategic Allocation Plan**

Trustee	1	50,253	5,064	0%
Insurance companies	1	200,839	20,238	1%
Retirement funds	5	439,517	44,289	2%
Other corporate	3	20,156,376	2,031,146	95%
Individuals	23	446,709	45,015	2%
	33	21,293,693	2,145,752	100%

**Islamic Capital Preservation Plan**

Trustee	3	1,159,788	115,380	25%
Associated company	2	734,666	73,088	16%
NBFCs	1	49,761	4,950	1%
Retirement funds	3	80,968	8,055	2%
Other corporate	2	1,112,018	110,628	24%
Individuals	90	1,420,309	141,298	31%
	101	4,557,510	453,399	100%

2018

Category	No of unit holders	Number of units held	Investment amounts	Percentage
<b>Active Allocation Plan</b>				
Associated company	1	11,575	1,162	0%
Retirement funds	3	15,957	1,603	1%
Individuals	98	2,431,392	244,146	99%
	102	2,458,924	246,911	100%
<b>Conservative Allocation Plan</b>				
Individuals	20	360,360	36,540	100%
	20	360,360	36,540	100%

## 26. ATTENDANCE AT MEETINGS OF THE 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			Meetings not attended
		Held	Attended	Leave granted	
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 for the year ended June 30, 2019 is 0.25%, 0.45%, 0.26% and 0.85% (2018: 0.4%, 0.57% and 0.38%) which includes 0.11%, 0.11%, 0.10% and 0.02% (2018: 0.15%, 0.18% and 0.14%) representing Government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan, Strategic Allocation Plan and Islamic Capital Preservation 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)**

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



# **HBL** Islamic Dedicated Equity Fund

HBL AML Financial annual report 2018-19

<b>NAME OF FUND</b>	<b>HBL ISLAMIC DEDICATED EQUITY FUND</b>
<b>NAME OF TRUSTEE</b>	<b>MCB Financial Services limited</b>
<b>NAME OF AUDITORS</b>	<b>Deloitte Yousuf Adil Chartered Accountants</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Bank Islami Pakistan Limited</b> <b>Allied Bank Limited</b> <b>Dubai Islamic Bank Limited</b>

**Type and Category of Fund**

Open end Equity Fund

**Investment Objective and Accomplishment of Objective**

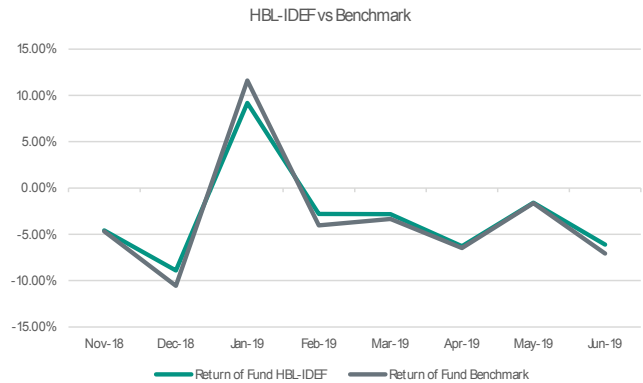
The objective of the Fund is to provide maximum total return to the unit holders from investment in shariah compliant equity investments for the given level of risk.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KMI 30 Index.

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

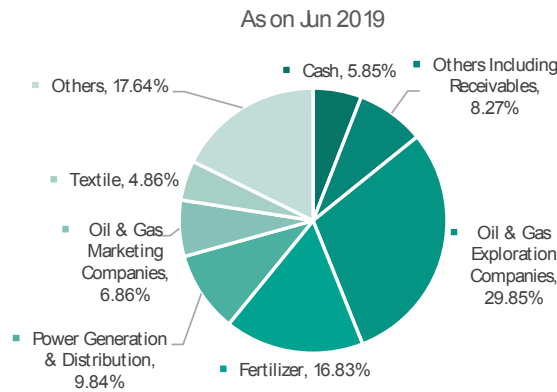
Month	Return of Fund	
	HBL-IDEF	Benchmark
Jun-19	-6.11%	-7.07%
May-19	-1.59%	-1.65%
Apr-19	-6.28%	-6.48%
Mar-19	-2.83%	-3.35%
Feb-19	-2.79%	-4.04%
Jan-19	9.19%	11.60%
Dec-18	-8.90%	-10.55%
Nov-18	-4.58%	-4.67%



**Strategies and Policies employed during the Year**

During the year under review, the Fund exposure in equity was 86% of total assets as on June 30, 2019. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

Following table shows sector wise allocation of equity investments of Fund as on June 30, 2019

Sector Name	As on Jun 2019
Cash	5.85%
Others Including Receivables	8.27%
Oil & Gas Exploration Companies	29.85%
Fertilizer	16.83%
Power Generation & Distribution	9.84%
Oil & Gas Marketing Companies	6.86%
Textile	4.86%
Others	17.64%
<b>Total</b>	<b>100.00%</b>

## Fund Performance

The HBL Islamic Dedicated Equity Fund commence its operations from October 01, 2018.

During the period under review, the Islamic Dedicated Equity Fund incurred a total and net loss of Rs. 79.22 million and Rs. 92.14 million respectively. The net assets of the Islamic Dedicated Equity Fund stood at Rs. 116.58 million representing Net Asset Value (NAV) of Rs. 83.8322 per unit as at June 30, 2019. The Fund earned a negative return of 16.17% for the period under review against the benchmark return of negative 15.47%.

## 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 KMI30 index recorded 16,942 points decline (-24%) during FY19 to close at 54,119 level. Index heavy weights & cyclical sector led the decline in the index. Major decline in the index was contributed by Oil & Gas Exploration (-23%), Cement (-33%) and Oil Marketing sector (-42%) due to overall bearish sentiment. Tobacco was the only sector which defied trend and posted positive return 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 (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 (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	-	-
101 – 500	-	-
501 – 1,000	-	-
100,1 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – 500,000	-	-
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	1	1,390,638
5,000,001 and above	-	-
<b>Total</b>	<b>1</b>	<b>1,390,638</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE - HBL ISLAMIC DEDICATED EQUITY FUND

	For the period ended June 30,2019
Net assets at the period end(Rs'000)	116,580
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>	
Redemption	83.8322
Offer	83.8322
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>	
Highest offer price per unit	108.5677
Lowest offer price per unit	80.6086
Highest redemption price per unit	108.5677
Lowest redemption price per unit	80.6086
<b>RETURN ( % )</b>	
Total return	-16.17%
Income distribution	0.00%
Capital growth	-16.17%
<b>DISTRIBUTION</b>	
Final dividend distribution- Rs	-
Date of Income Distribution	-
Total dividend distribution for the year/ period	-
<b>AVERAGE RETURNS ( % )</b>	
Average annual return 1 year	-16.17%
Average annual return 2 year	0.00%
Average annual return 3 year	0.00%
<b>PORTFOLIO COMPOSITION - (%)</b>	
Percentage of Total Assets as at 30 June:	
Bank Balances	5.85%
GoP Ijarah Sukuks	-
Placement with Banks and DFIs	-
Corporate Sukuks	-
Stock / Equities	85.88%
Others	8.27%

**Note:**

The Launch date of the Fund is October 01, 2018

**Disclaimer:**

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



# PROXY VOTING DISCLOSURE

As at June 30, 2019

Summary of Actual Proxy voted by CIS

HBL Islamic Dedicated Equity Fund	Meetings	Resolutions	For	Against
Number	1	3	3	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Amreli Steels Limited	23/10/2018	
AGP Limited	17/4/2019	
Dawood Hercules Corporation	(5/12/2018)(27/4/2019)(20/5/2019)	
DG Khan Cement Ltd	27/10/2018	
Engro Corporation Ltd	(3/12/2018)(24/4/2019)(13/5/2019)	(28/5/2019)
Engro Fertilizer Ltd	(26/11/2018)(28/3/2019)	27/5/2019
Engro Polymer & Chemicals Ltd	(1/4/2019)	
Fauji Fertilizer Co Ltd	(19/12/2018)(26/3/2019)(23/6/2019)	
Hascol Petroleum	(19/11/2018)(29/4/2019)	
International Industries Ltd	(22/3/2019)	
International Steels Limited	(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	(27/10/2018)	
Lotte Chemical Pakistan Ltd	(18/4/2019)	
Maple Leaf Cement Factory	27/10/2018	
Mari Petroleum Company Ltd	18/10/2018)(20/3/2019)	
Meezan Bank Ltd	(28/3/2019)(20/5/2019	17/11/2018
Nishat Mills Ltd	27/10/2018)(17/4/2019)	
Oil & Gas Development Co Ltd	(25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019)	
Pakgen Power Ltd	30/4/2019	
Pakistan Petroleum Ltd	26/10/2018	
Pakistan Oilfields Ltd	(20/3/2019)	
Pakistan State Oil Company Ltd	(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	



# MCB FINANCIAL SERVICES LIMITED

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### HBL ISLAMIC DEDICATED EQUITY FUND

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

HBL Islamic Dedicated Equity Fund, an open-end Scheme established under a Trust Deed dated June 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund was authorized by Securities & Exchange Commission of Pakistan as a unit trust scheme on 4<sup>th</sup> July 2018.

1. HBL Asset Management Company Limited, the Management Company of HBL Islamic Dedicated Equity Fund has, in all material respects, managed HBL Islamic Dedicated Equity Fund during the year ended 30<sup>th</sup> 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



ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٽيڊ

### STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Dedicated Equity Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shariah Advisor of the Fund.

**Farid Ahmed Khan**

Chief Executive Officer

Dated: August 29, 2019

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

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

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 30, 2019

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2019 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Dedicated Equity Fund (HBL-IDEF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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

Mufti Irfad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited

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

We have performed an independent assurance engagement of **HBL Islamic Dedicated Equity Fund** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2019. Our engagement was carried out as under Trust Deed and Shariah Principles of the Fund.

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

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

### **Responsibility of an independent assurance provider**

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

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

The procedures performed included:

- Checking compliance of specified guideline issued by the Shariah Advisor relating to charity, maintaining of bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2019 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

 YIA



## Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with Shairah Principles in the Trust Deed and the guideline issued by the Shariah Advisor for the year ended June 30, 2019.

*Deloitte Yousuf Adil*  
Chartered Accountants

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

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

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **HBL Islamic Dedicated 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 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	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 102 million as at June 30, 2019.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and their valuation and existence is a significant area during our audit. There is a risk that appropriate quoted prices may not be used to determine fair value.</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>independent testing of valuations by 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</li> </ul>



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.	<p>Depository Company (CDC) statement;</p> <ul style="list-style-type: none"> <li>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding the weightage average cost of the securities; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further and reported, if required.</li> </ul>
2	<p><b>IFRS 9 "Financial Instruments".</b></p> <p>As disclosed in note 4.2 of the financial statements, IFRS 9 "Financial Instruments" which supersedes the requirements of IAS 39 "Financial Instruments - Recognition and Measurement"</p> <p>IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces a new impairment model for financial assets.</p> <p>Management has determined that the most significant impact of the new standard on the Fund's financial statements relates to classification of investment according to the business model of the Fund. The requirements relating to impairment model have been deferred by SECP letter SCD/AMCW/RS/MUFAP/2017-148.</p> <p>Management also assessed the additional disclosure required to be made by the new accounting standard in the financial statement.</p> <p>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.</p>	<p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>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;</li> <li>Reviewed the classification of investment by management and ensured that it is in accordance with the business model;</li> <li>Evaluate and tested the adjustment, if any, recorded in financial statement in accordance with the change; and</li> </ul> <p>Evaluated the adequacy and appropriateness of disclosure made in the financial statements.</p>

### 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.

*BA*

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

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

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

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

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

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

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

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

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

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

auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to 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

**HBL Islamic Dedicated Equity Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2019*

For the period  
from October 01,  
2018 to June 30,  
2019

<b>Assets</b>	Note	--(Rupees in '000)--
Bank balances	5	6,975
Investments	6	102,392
Dividend and profit receivable	7	1,590
Preliminary expenses and floatation costs	8	935
Advances and deposits	9	4,202
Receivable against sale of investment		3,116
<b>Total assets</b>		<b>119,210</b>
<b>Liabilities</b>		
Payable to the Management Company	10	475
Payable to the Trustee	11	10
Payable to Securities and Exchange Commission of Pakistan	12	282
Payable against Formation cost		1,100
Other liabilities	13	763
		2,630
<b>Net assets</b>		<b>116,580</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>116,580</b>
<b>Contingencies and commitments</b>	15	<b>Number of units</b>
<b>Number of units in issue</b>	16	<b>1,390,638</b>
		<b>----- Rupees -----</b>
<b>Net assets value per unit</b>		<b>83.8322</b>

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**



# HBL Islamic Dedicated Equity Fund

## Income Statement

For the year ended June 30, 2019

		For the period from October 01, 2018 to June 30, 2019
<b>Income</b>	Note	--(Rupees in '000)--
Mark-up on deposit with banks	14	1,963
Dividend income		10,325
Other Income		7
Capital loss on sale of investments - net		(72,372)
Unrealised diminution on remeasurement of investments classified as financial asset at fair value through profit or loss - net		(19,147)
<b>Total loss</b>		(79,224)
<b>Expenses</b>		
Remuneration of the Management Company	10.1&10.2	6,707
Remuneration of the Trustee	11.1	302
Annual fee to Securities and Exchange Commission of Pakistan	12.1	282
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	297
Selling and marketing expenses	10.4	1,187
Amortisation of preliminary expenses and floatation costs		165
Auditors' remuneration	17	250
Fees and subscription		148
Securities transaction costs		2,993
Settlement and bank charges		114
Charity expense		471
		12,916
<b>Net loss from operating activities</b>		(92,140)
Provision for Sindh Workers' Welfare Fund		-
<b>Net loss for the period before taxation</b>		(92,140)
Taxation	18	-
<b>Net loss for the period after taxation</b>		(92,140)
<b>Allocation of net income for the period</b>		-
Income already paid on redemption of units		-
Accounting income available for distribution:		
- Relating to capital gains		-
- Excluding capital gains		-
<b>Net loss for the period</b>		-
<b>Earnings per unit</b>	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

For the period  
 from October 01,  
 2018 to June 30,  
 2019

Note --(Rupees in '000)--

<b>Net loss for the period after taxation</b>	(92,140)
Other comprehensive income for the period	-
<b>Total comprehensive loss for the period</b>	<u><u>(92,140)</u></u>

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**

**HBL Islamic Dedicated Equity Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2019

For the period from October 01, 2018 to June 30, 2019

	Capital value	Undistributed income / (Accumulated loss)	Total
	(Rupees in '000)		
<b>Net assets at beginning of the period</b>	-	-	-
Issuance of units 7,534,126			
- Capital value (at net asset value per unit at the beginning of the period)	753,413	-	753,413
- Element of income	20,587	-	20,587
Total proceeds on issuance of units	774,000	-	774,000
Redemption of 6,143,488 units			
- Capital value (at net asset value per unit at the beginning of the period)	(614,349)	-	(614,349)
- Element of income	49,069	-	49,069
Total payments on redemption of units	(565,280)	-	(565,280)
Total comprehensive loss for the period	-	(92,140)	(92,140)
Distribution during the period	-	-	-
<b>Net assets at end of the period</b>	<b>208,720</b>	<b>(92,140)</b>	<b>116,580</b>
<b>Undistributed income brought forward</b>		-	
- Realised		-	
- Unrealised		(92,140)	
Accounting loss available for distribution		-	
<b>Accumulated loss carried forward</b>		<b>(92,140)</b>	
<b>Accumulated loss carried forward</b>		(72,993)	
- Realised		(19,147)	
- Unrealised		(92,140)	
			Rupees
<b>Net assets value per unit at end of the period</b>			<b>83.8322</b>

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**



# HBL Islamic Dedicated Equity Fund

## Cash Flow Statement

For the year ended June 30, 2019

For the period  
from October 01,  
2018 to June 30,  
2019

	Note	--(Rupees in '000)--
<b>Cash flows from operating activities</b>		
Net loss for the period before taxation		(92,140)
<b>Adjustments</b>		
Capital loss during the period		72,372
Dividend Income		(1,963)
Profit on bank deposits		(10,325)
Unrealised diminution on remeasurement of investments classified as financial asset at fair value through profit or loss - net		19,147
		<u>(12,909)</u>
<b>Increase in assets</b>		
Investments - net		(197,028)
Advances and deposits		(4,202)
Preliminary expenses and floatation costs		(935)
		<u>(202,165)</u>
<b>Increase in liabilities</b>		
Payable to the Management Company		475
Payable to the Trustee		10
Payable to Securities and Exchange Commission of Pakistan		282
Payable against Formation cost		1,100
Other liabilities		763
		<u>2,630</u>
<b>Net cash used in operations</b>		<u>(212,444)</u>
Bank profit received		1,922
Dividend income received		8,776
<b>Net cash used in operating activities</b>		<u>(201,745)</u>
<b>Cash flows from financing activities</b>		
Amount received on issue of units		774,000
Payment against redemption of units		(565,280)
<b>Net cash generated from financing activities</b>		<u>208,720</u>
<b>Net increase in cash and cash equivalents</b>		6,975
Cash and cash equivalents at beginning of the period		-
<b>Cash and cash equivalents at end of the period</b>	5	<u><u>6,975</u></u>

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 Islamic Dedicated Equity Fund (the Fund) was established under a Trust Deed, dated June 22, 2017, executed between HBL Asset Management Limited as the Management Company and MCB Financial Services limited (MCBFSL) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan as a unit trust scheme on July 04, 2018.
- 1.2** The Management Company of the Fund has been registered as Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is situated at 7th Floor, Emereld Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi, Pakistan.
- 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.
- 1.4** The principal activity of the Fund is to provide capital appreciation to investors schemes by investing in Shariah Compliant equity securities.
- 1.5** JCR-VIS Credit Rating Company has assigned a management quality rating of AM2+ positive outlook (AM Two Plus) to the Management Company.
- 1.6** Title to the assets of the Fund are held in the name of MCB Financial Services Limited as trustee of the Fund.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of Compliance**

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

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

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 has 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 is 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 amendments 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.

	<b>Effective from accounting period beginning on or after:</b>
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.

	<b>Effective from accounting period beginning on or after:</b>
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 as follows:

##### **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**

Impact of initial application of IFRS 9 Financial Instruments

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.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures for the period 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.

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:

- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, 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.

#### **(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.

### **4.3 Provisions**

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

### **4.4 Taxation**

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

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

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

**4.5 Proposed distributions**

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

**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 Net assets value per unit**

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

**4.8 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.

**4.9 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.

		For the period from October 01, 2018 to June 30, 2019
<b>5</b>	<b>BANK BALANCES</b>	Note --(Rupees in '000)--
	Savings accounts	5.1 <u>6,975</u>
		<u>6,975</u>

**5.1** The balance in savings accounts carry expected profit which ranges from 8.00% to 13.5% per annum.



		For the period from October 01, 2018 to June 30, 2019					
<b>6. INVESTMENTS</b>		Note	--(Rupees in '000)--				
	At fair value through profit or loss						
	- Listed equity securities	6.1	<table border="0" style="margin-left: auto;"> <tr> <td style="text-align: right;">102,392</td> <td style="border-bottom: 1px solid black;"></td> </tr> <tr> <td style="text-align: right;">102,392</td> <td style="border-bottom: 3px double black;"></td> </tr> </table>	102,392		102,392	
102,392							
102,392							

**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 Funds	As at July 1, 2018	P d yea
<b>Active Allocation Plan</b>		
HBL Islamic Income Fund	917,910	
HBL Islamic Equity Fund	437,975	
HBL Islamic Stock Fund	963,012	
HBL Islamic Dedicated Equity Fund	-	
	2,318,897	
<b>Conservative Allocation Plan</b>		
HBL Islamic Income Fund	273,740	
HBL Islamic Equity Fund	71,636	
HBL Islamic Stock Fund	5,913	
	351,289	
<b>Strategic Allocation Plan</b>		
HBL Islamic Income Fund	20,391,293	2
HBL Islamic Equity Fund	10,424,976	
HBL Islamic Stock Fund	10,314,998	
HBL Islamic Dedicated Equity Fund	-	
	41,131,267	3
<b>Islamic Capital Preservation Plan</b>		
HBL Islamic Dedicated Equity Fund	-	

Name of Investee Funds	As at July 1, 2018	P du vea
HBL Islamic Money Market Fund	-	
<b>Total as at June 30, 2019</b>	<b>43,801,453</b>	
<b>Total as at June 30, 2018</b>	<b>42,392,336</b>	

**6.1.1** Investments include shares having market value aggregating to Rs.44.09 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP.

	For the period from October 01, 2018 to June 30, 2019 --(Rupees in '000)--
<b>7. DIVIDEND AND PROFIT RECEIVABLE</b>	
Dividend receivable	1,549
Mark-up accrued on deposits with banks	41
	<u>1,590</u>

		For the period from October 01, 2018 to June 30, 2019
<b>8.</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COSTS</b>	--(Rupees in '000)--
	Opening balance	1,100
	Less: amortised during the period	(165)
	Closing balance	<u>935</u>
<b>8.1</b>	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.	
<b>9.</b>	<b>ADVANCES AND DEPOSITS</b>	For the period from October 01, 2018 to June 30, 2019 --(Rupees in '000)--
	Security deposit with National Clearing Company of Pakistan Limited	2,500
	Security deposit with Central Depository Company of Pakistan Limited	100
	Advance Tax	1,602
		<u>4,202</u>
<b>10.</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>	For the period from October 01, 2018 to June 30, 2019 --(Rupees in '000)--
		Note
	Management fee	10.1 196
	Sindh Sales Tax	10.2 26
	Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3 & 16 10
	Charging of selling and marketing expenses	10.4 <u>243</u>
		<u>475</u>
<b>10.1</b>	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 periods of the Fund, of an amount not exceeding 3% per annum of the Daily Average 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 period.	
<b>10.2</b>	The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 % on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.	

- 10.3** As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1% of the average annual net assets or the actual cost whichever is lower. Further, the shariah advisory fee can also be charged to the Fund. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the period.
- 10.4** SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a period of three years (from January 01, 2017 till December 31, 2019) being chargeable to open end equity, asset allocation and index funds. Maximum cap on the expenses has been set at 0.4% per annum of net assets of fund or actual expenses, whichever being lower. The Fund has started accruing expense on this account at 0.4% per annum of net assets of the Fund effective from March 21, 2017.

	Note	For the period from October 01, 2018 to June 30, 2019
<b>11. PAYABLE TO THE TRUSTEE</b>		--(Rupees in '000)--
Trustee's remuneration	11.1	9
Sindh Sales Tax		1
		<u>10</u>

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

Tariff Structure :

The trustee Remuneration shall consist of reimbursement of actual custodial expenses/ charges plus the following tariff:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Up to Rs. 1,000 million	Rs. 0.09% per annum of the Daily Average Net Assets
On an amount exceeding Rs. 1,000 million Up to Rs. 10,000 million	Rs. 0.09% per annum Plus 0.065% exceeding One Billion

	Note	For the period from October 01, 2018 to June 30, 2019
<b>12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		--(Rupees in '000)--
Annual fee	12.1	<u>282</u>

**12.1** 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 0.095% of the average annual net assets of the scheme. The Fund has been categorised as a balanced scheme by the Management Company.

		For the period from October 01, 2018 to June 30, 2019
<b>13.</b>	<b>OTHER LIABILITIES</b>	Note --(Rupees in '000)--
	Auditors' remuneration	191
	Charity payable	13.1 471
	Payable to brokers	84
	Payable to shariah advisor	17
		<hr/>
		763
		<hr/> <hr/>

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

**14. MARK-UP ON DEPOSITS WITH BANKS**

Mark-up on savings accounts	<hr/> <hr/> 1,963
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**15. CONTINGENCIES AND COMMITMENTS**

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

**16. NUMBER OF UNITS IN ISSUE**

Total units in issue at the beginning of the period	-
Units issued	7,534,126
Units redeemed	(6,143,488)
Total units in issue at the end of the period	<hr/> <hr/> 1,390,638

**17. AUDITORS' REMUNERATION**

Audit fee for the period from october 01, 2018 to June 30, 2019	175
Fee for review for the period from october 01, 2018 to December 31, 2018	50
Shariah compliance audit fee	5
Other certifications and out of pocket expenses	20
	<hr/> <hr/> 250

**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 recognized 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 at June 30, 2019 -----			
	Fair value through profit or loss	Other financial assets	Other financial liabilities	Total
	----- Rupees in '000 -----			
<b>Assets</b>				
Bank balances	-	6,975	-	6,975
Investments	102,392	-	-	102,392
Dividend and profit receivable	-	1,590	-	1,590
Receivable against sale of investment	-	3,116	-	3,116
Deposits	-	2,600	-	2,600
	<u>102,392</u>	<u>14,281</u>	<u>-</u>	<u>116,673</u>
	----- As at June 30, 2018 -----			
	Fair value through profit or loss	Other financial assets	Other financial liabilities	Total
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company	-	-	475	475
Payable to the Trustee	-	-	10	10
Payable against Formation cost	-	-	1,100	1,100
Accrued expenses and other liabilities	-	-	763	763
	<u>-</u>	<u>-</u>	<u>2,348</u>	<u>2,348</u>

**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:

	For the period from October 01, 2018 to June 30, 2019
<b>21.1 Transactions during the period</b>	--(Rupees in '000)--
<b>HBL Asset Management Limited - Management Company</b>	
Remuneration of the Management Company	6,707
Allocation of expenses related to registrar services, accounting, operation and valuation services	297
Selling and marketing cost	1,187
<b>MCB Financial Services Limited - Trustee</b>	
Remuneration	302
<b>MCBFSL Trustee HBL IFPF Islamic Capital Preservation Plan</b>	
Issue of units 2,334,334 units	235,000
Redemption of units 943,696 units	95,000
<b>MCBFSL Trustee HBL IFPF Active Allocation Plan</b>	
Issue of units 203,779 units	22,000
Redemption of units 203,779 units	19,811
<b>MCBFSL Trustee HBL IFPF Strategic Allocation Plan</b>	
Issue of units 4,996,012 units	517,000
Redemption of units 4,996,012 units	450,469
<b>HBL Growth Fund - Class B</b>	
Sale of 5,000 shares of Sitara Chemical Industries Ltd	1,287
Sale of 6,000 shares of The Searle Company Ltd	806
<b>HBL Investment Fund - Class B</b>	
Sale of 83,500 shares of Kohinoor Textile Mills Ltd	2,408
Sale of 6,000 shares of The Searle Company Ltd	806
<b>21.2 Amounts outstanding as at period / year end</b>	
<b>HBL Asset Management Limited - Management Company</b>	
Management fee payable	222
Allocation of expenses related to registrar services, accounting, operation and valuation services	10
Selling and marketing cost	243
<b>MCB Financial Services Limited - Trustee</b>	
Remuneration payable	10



For the period  
 from October 01,  
 2018 to June 30,  
 2019  
 --(Rupees in '000)--

**MCBFSL Trustee HBL IFPF Islamic Capital Preservation Plan**

Investment held in the Fund: 1,390,638 units

116,580

**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	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

**23. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

Top ten brokers during the period ended June 30, 2019

- 1 Foundation Securities (Private) Limited
- 2 Intermarket Securities Limited
- 3 Optimus Capital Management (Private) Limited
- 4 AL Falah Securities (Private) Limited
- 5 Taurus Securities Limited
- 6 JS Global Capital Limited
- 7 Arif Habib Limited
- 8 DJM Securities (Private) Limited
- 9 Topline Securities (Private) Limited
- 10 BMA Capital Management Limited

**24. PATTERN OF UNIT HOLDING**

	Number of units holder	Number of units held	Unit holding or investment amount	Percentage of Investment
	----- Rupees in '000 -----			
Trust	1	1,390,638	116,580	100%
	1	1,390,638	116,580	100%

## 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:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Agha Sher Shah <sup>1-2</sup>	6	5	1	November 14,2018
2	Mr. Farid Ahmed Khan <sup>3</sup>	6	6	-	-
3	Ms. Ava A. Cowasjee <sup>1</sup>	6	6	-	-
4	Mr. Rayomond H. Kotwal <sup>1</sup>	6	5	1	February 08,2019
5	Mr. Rizwan Haider <sup>1</sup>	6	5	1	November 14,2018
6	Mr. Shabbir Hussain Hashmi <sup>1</sup>	6	6	-	-
7	Mr. Shahid Ghaffar <sup>1</sup>	6	6	-	-
8	Mr. Aamir Hasan Irshad <sup>4</sup>	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. The net income for the year would have increased / (decreased) by Rs. 0.07 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 - 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.

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 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.

	2019				
	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 -----					
<b>Financial assets</b>					
Bank balances	6,975	6,975	-	-	-
Investments	102,392	-	-	-	102,392
Dividend and profit receivable	1,590	-	-	-	1,590
Receivable against sale of investment	3,116	-	-	-	3,116
Preliminary expenses and floatation costs	935	-	-	-	935
Advances and deposits	4,202	-	-	-	4,202
	<u>119,210</u>	<u>6,975</u>	<u>-</u>	<u>-</u>	<u>112,235</u>
<b>Financial liabilities</b>					
Payable to the Management Company	475	-	-	-	475
Payable to the Trustee	10	-	-	-	10
Accrued expenses and other liabilities	763	-	-	-	763
Payable against Formation cost	1,100	-	-	-	1,100
Unit holders' fund	116,580	-	-	-	116,580
	<u>118,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,928</u>

#### **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. 5.12 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'.

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

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

The maximum exposure to credit risk before considering any collateral as at June 30, 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:

<b>Bank balances by rating category</b>	Note	For the period from October 01, 2018 to June 30, 2019
		--(Rupees in '000)--
A+ (PACRA)		6,947,439
A-1+ (JCR-VIS)		10,000
AAA (PACRA)		10,000
		<u>6,967,439</u>

#### 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 ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

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

	----- As on 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	475	475	-	-
Payable to the Trustee	10	10	-	-
Accrued expenses and other liabilities	763	763	-	-
	<u>1,248</u>	<u>1,248</u>	<u>-</u>	<u>-</u>
Unit holder's fund	<u>116,580</u>	<u>116,580</u>	<u>-</u>	<u>-</u>

## **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		
Note	Fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
Financial assets measured at fair value							
Investments							
- Listed equity securities	102,392	-	102,392	102,392	-	-	102,392
	<u>102,392</u>	<u>-</u>	<u>102,392</u>	<u>102,392</u>	<u>-</u>	<u>-</u>	<u>102,392</u>
Financial assets not measured at fair value							
28.1							
Bank balances		6,975	6,975				
Dividend and profit receivable		1,590	1,590				
Preliminary expenses and floatation costs		935	935				
Receivable against sale of investment		3,116	3,116				
Advances and deposits		4,202	4,202				
		<u>16,818</u>	<u>16,818</u>				
Financial liabilities not measured at fair value							
28.1							
Payable to the Management Company		475	475				
Payable to the Trustee		10	10				
Accrued expenses and other liabilities		763	763				
Payable against Formation cost		1,100	1,100				
Unit holders' fund		<u>116,580</u>	<u>116,580</u>				
		<u>118,928</u>	<u>118,928</u>				

**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. 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 No. 13 of 2017 prescribed criteria for Asset Management Companies while making investment in listed equity securities on behalf of Collective Investment Scheme. As at June 30, 2019 the Fund is compliant with the requirement of said circular except for following:

Name of Non-Complaint Investment	Type of Investment	Market Value of Investment	% of Net Assets	Limit
----- (Rupees in '000) -----				
Circular No. 13 of 2017	Equity	85,690	14.30%	10%

**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 period ended June 30, 2019 is 3.16% which includes 0.27% 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 period.

**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**



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# HBL

## ASSET MANAGEMENT LTD.

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