

**HBL**

ASSET MANAGEMENT LTD.

ایسٹٹ منیجمنٹ لمیٹڈ



**HBL Islamic Pension Fund &  
HBL Pension Fund  
Annual Report  
2019-20**

MOVING TOWARDS  
**EXCELLENCE**



## TABLE OF CONTENTS

<i>Vision / Mission</i>	3
<i>Corporate Values</i>	4
<i>Corporate Information</i>	5
<i>Report of the Directors of Management Company</i>	6

### **HBL ISLAMIC PENSION FUND**

<i>Fund Information</i>	9
<i>Trustee Report to the unit holders</i>	10
<i>Statement of Compliance with Shariah Principles</i>	11
<i>Review Report of Shariah Advisor</i>	12
<i>Independent Assurance Report to the Unit Holders on the Statement of Compliance with Shariah Principles</i>	13
<i>Independent Audit Report to the Unit Holders (Audit Report)</i>	15
<i>Statement of Assets &amp; Liabilities</i>	17
<i>Statement of Comprehensive Income</i>	18
<i>Statement of Movement in Unit Holders' Fund</i>	19
<i>Cash Flow Statement</i>	20
<i>Note to the Financial Statements</i>	21

### **HBL PENSION FUND**

<i>Fund Information</i>	51
<i>Trustee Report to the unit holders</i>	52
<i>Independent Audit Report to the Unit Holders (Audit Report)</i>	53
<i>Statement of Assets &amp; Liabilities</i>	55
<i>Statement of Comprehensive Income</i>	56
<i>Statement of Movement in Unit Holders' Fund</i>	57
<i>Cash Flow Statement</i>	58
<i>Note to the Financial Statements</i>	59

# 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.

## 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.

## 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.

## 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.

## 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.

## 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.

## 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.

## Board of Directors (Composition as of August 27, 2020)

Chairman	Mr. Shahid Ghaffar	(Independent Director)
Directors	Mr. Mir Adil Rashid Ms. Shabbir Hussain Hashmi Ms. Ava Ardeshir Cowasjee Mr. Rizwan Haider Mr. Rayomond H. Kotwal Mr. Muhammad Afaq Khan Mr. Abrar Ahmed Mir	(Chief Executive Officer) (Independent Director) (Independent Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director)

## Audit Committee

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

## Human Resource Committee

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

## Risk Management Committee

Chairman	Mr. Shahid Ghaffar	(Independent Director)
Members	Mr. Rizwan Haider Mr. Muhammad Afaq Khan	(Non-Executive Director) (Non-Executive Director)

## Technology Committee

Chairman	Mr. Abrar Ahmed Mir	(Non-Executive Director)
Members	Mr. Shabbir Hussain Hashmi Mr. Muhammad Afaq Khan	(Independent Director) (Non-Executive Director)

## Company Secretary & Chief Financial Officer

Mr. Noman Qurban

## AMC Rating

AM2+ (Positive Outlook)

## Legal Advisors

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

## Website

[www.hblasset.com](http://www.hblasset.com)

## Head Office & Registered Office

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

The Board of Directors of HBL Asset Management Limited is pleased to present its report along with Financial Statements Report of HBL Pension Fund and HBL Islamic Pension Fund (the Funds) for the year ended June 30, 2020.

### **Economic Review – FY20**

Policy steps taken over the last two years led to improvement in the macros as the economy showed signs of recovery in the shape of decline in Current Account deficit, better FX reserves position and stable exchange rate. These were at the cost of GDP growth which witnessed a slowdown. However the recent COVID-19 epidemic has disrupted short term growth outlook and necessitated large fiscal concessions by the government to support the economy. It also led to outflow of money from the country which was mitigated by inflows from IMF and others multilateral and bilateral creditors.

The PKR depreciated by around 5.4% during FY20 taking Real Effective Exchange Rate to 93 indicating that the currency is trading below fair value. After the COVID-19 outbreak Central bank has decreased the SBP policy rate by a cumulative 625 bps from 13.25% to 7.0% to support the economy. On the external front export declined by 7.2% compared to decline in import by 18.2%, dragging FY20 trade deficit by 27.9% to USD 20.0bn. Remittances also showed encouraging trend as it witnessed an uptick of 6.3% in FY20 clocking at USD 23.1bn. These factors led the Current Account Deficit (CAD) for FY20 to decrease by 77.9% YoY to USD 3.0bn (1.1% of GDP) compared to USD 13.4bn (4.8% of GDP) during same period last year. Slowdown in CAD was a welcome effect but it was coupled with overall slowdown in domestic economy which is reflected in 10.2% decline in LSM in FY20. The overall Foreign exchange reserves increased to USD 17.9bn compared to USD 14.5bn at the end of FY19.

Average headline CPI inflation was 10.8% in FY20, much higher than the 6.3% recorded during same period last year due to electricity and gas tariff hike coupled with second round impact of currency depreciation. However we expect inflation to taper down due to high base effect. On the fiscal side, fiscal Deficit for FY20 clocked at 8.1% of GDP compared to 9.1% in FY19. This was due to low tax collection due to lockdown and economic slowdown post spread of Covid-19.

Moving ahead, we believe the in the near term GDP is likely to remain subdued in line with the rest of the world in view of the COVID-19 pandemic. The focus would remain on recovery post resolution of the crisis which would require sustained policy actions by the government.

### **Money Market Review**

FY20 was a tale of two half for the money market. SBP continued its monetary tightening stance in the first half of FY20 to control the rising current account deficit and anchor increasing inflationary pressures. However post the Covid-19 pandemic SBP turned dovish and decreased the interest rate by a cumulative 625bps to revive the economy.

Yields across all the tenors decreased by 415-641 bps during FY20 due to cumulative decrease of 525 bps in SBP policy rate in FY20. Secondary market yields of 3, 5 and 10-year PIBs decreased by 632, 577 and 503 bps respectively while yields of 3, 6 and 12 month T-Bills decreased in tandem by 566, 580 and 608 bps respectively during FY20. Latest cut-off yields stood at 7.97%, 8.44%, 8.99%, 9.90% and 10.51% for the 3-year, 5-year, 10-year, 15-year and 20-year PIBs, respectively.

As per latest data available, Islamic Banking industry assets posted 20.4% growth and stood at PKR 3,360 billion by Mar-20. Similarly, deposits of Islamic banks also witnessed a sharp growth of 22.4% YoY and reached PKR 2,692 billion by Mar-20. The government has issued Energy Sukuk-II of PKR 200bn to partially retire the circular debt. This was a long term instrument and SLR Eligible which helped the Islamic banks to park their excess liquidity. During the year the SBP conducted three “Variable Rental Rate” Ijara Auctions. The total offered amount was PKR 420bn, out of which PKR 198bn was accepted.

During the FY20, Government largely managed its borrowing requirements through domestic sources, and largely from commercial banks. Government borrowed PKR 2,302bn from scheduled banks compared to retirement of PKR 875bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 135bn during the period against borrowing of PKR 3,078bn during same period last year. This shift in borrowing took place as IMF has restricted borrowing from the central bank to avoid inflationary pressure. Going forward the government will continue to meet additional borrowing requirements from the commercial banks.

In the monetary policy held in June-20, SBP decreased the policy rate by a further 100bps to 7.0%. Going forward, we feel that the bulk of monetary easing has taken place and we are close to the bottom of the interest rate cycle. However, SBP has indicated its monetary policy would remain data driven and we may witness another 50-100bps reduction in interest rate in the calendar year.

## Stock Market Review

The market remained volatile during FY20 as a result of the macroeconomic adjustment undertaken under the IMF program and the subsequent Covid-19 pandemic. After a brief spell of bearish performance at the start of the year, the market depicted a sustained rally on the back of macroeconomic stability after entry into the IMF program. However the recovery was cut short by the Covid-19 pandemic. This led the market to decline in line with the global markets. The market rebounded in the last quarter on the back of 1) Aggressive monetary easing, 2) Receipt of loans from multilateral and bilateral sources and 3) announcement of construction package by the government.

The benchmark KSE-100 index recorded 425 points increase (+1.25%) during FY20 to close at 34,422 points while KMI-30 index recorded 771 points increase (+1.42%) during FY20 to close at 54,995 points. During the year cyclical sectors and construction linked industries (Cement, Steel, and Glass) rallied on the back of the monetary easing done by the SBP. Technology sector also remained in limelight due to increasing focus on technology post Covid-19 pandemic. On the other hand, banking sector remained laggard due to decrease in earnings post multiple interest rate cuts. On the flows side, foreigners were the net sellers during the FY20 and sold shares of worth USD284mn, compared to net selling of USD356mn during FY19. However, it is important to note that foreign selling was skewed towards 2HFY20 post covid-19 as foreigners were net buyers in 1HFY20.

Pakistan equities are likely to be rebound due to cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases. Market participants would closely follow trend of coronavirus cases and the ensuring macro numbers. Cyclical sectors (Cement, Steel, OMCs) would perform due to decline in interest rates. Textile will also garner investor's attention due to huge export potential. Technology sector will also remain in favor due to increased digitalization post covid-19 pandemic. We will maintain our strategic focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

## Fund's Performance

### HBL Pension Fund

The Fund comprises of three sub funds namely Equity sub-fund, Debt sub-fund and Money Market sub-fund.

The Fund as a whole earned a total and net income of Rs. 64.71 million and Rs. 52.88 million respectively during the year under review. The fund size increased from Rs. 461.63 million as on June 30, 2019 to Rs. 545.71million as at June 30, 2020 thereby showing an increase of 18% during the year under review. Performance review for each sub Fund is given below:

### Equity Sub-Fund

During the year under review, the Equity sub-fund earned a total and net income of Rs. 12.93 million and Rs. 8.00million respectively. The net assets of the Equity sub-fund was Rs. 198.31million representing Net Asset Value (NAV) of Rs. 324.3643 per unit as at June 30, 2020. The Sub Fund earned a return of 2.89% for the year under review. The Fund is invested to the extent of 96% in equities.

### Debt Sub-Fund

During the year under review, the Debt sub-fund earned total and net income of Rs. 35.47 million and Rs. 31.33million respectively. The net assets of the Debt sub-fund was Rs. 209.25 million representing Net Asset Value (NAV) of Rs. 205.9216 per unit as at June 30, 2020. The Fund yielded annualized return of 19.69% for the year under review.



### **Money Market Sub-Fund**

During the year under review, the Money Market sub-fund earned total and net income of Rs. 16.30 million and Rs. 13.55 million respectively. The net assets of the Money Market sub-fund was Rs. 138.15 million representing Net Asset Value (NAV) of Rs. 177.6024 per unit as at June 30, 2020. An annualized return of 11.86% was earned by the Fund for the year under review.

### **HBL Islamic Pension Fund**

The Fund comprises of three sub funds namely Equity sub-fund, Debt sub-fund and Money Market sub-fund.

The Fund as a whole earned a total and net income of Rs. 27.54 million and Rs. 21.19 million respectively during the year under review. The fund size slightly decreased from Rs. 247.73 million as at June 30, 2019 to Rs. 247.30 million as at June 30, 2020 showing decline of 0.17%. Performance review for each sub Fund is given below:

#### **Equity Sub-Fund**

During the year under review, the Equity sub-fund earned a total and net income of Rs. 15.97 million and Rs. 12.33 million respectively. The net assets of the Equity sub-fund was Rs. 1230.32 million representing Net Asset Value (NAV) of Rs. 343.4056 per unit as at June 30, 2020. The Fund yielded a return of 6.05% for the year. The Sub Fund is invested to the extent of 93% in equities.

#### **Debt Sub-Fund**

During the year under review, the Debt sub-fund earned total and net income of Rs. 6.50 million and Rs. 4.94 million respectively. The net assets of the Debt sub-fund was Rs. 71.85 million representing Net Asset Value (NAV) of Rs. 163.5160 per unit as at June 30, 2020. The Fund yielded annualized return of 7.38% for the year under review.

### **Money Market Sub-Fund**

During the year under review, the Money Market sub-fund earned total and net income of Rs. 5.07 million and Rs. 3.92 million respectively. The net assets of the Money Market sub-fund was Rs. 52.13 million representing Net Asset Value (NAV) of Rs. 160.7700 per unit as at June 30, 2020. An annualized return of 8.06% was earned by the Fund for the year under review.

### **Auditors**

The existing auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retired as auditor of HBL Pension Fund and HBL Islamic Pension Fund. The Board of Directors, on the recommendation of the Audit Committee, has appointed M/s Deloitte Yousaf Adil & Co., Chartered Accountants as Auditors of the Funds for the next term.

### **Acknowledgement**

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

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

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

**Chief Executive Officer**

## FUND INFORMATION

### NAME OF FUND

**HBL** Islamic Pension Fund

### NAME OF AUDITOR

KPMG Taseer Hadi & Co.

### NAME OF TRUSTEE

Central Depository Company of Pakistan

### NAME OF BANKERS

Habib Bank Limited  
Faysal Bank Limited  
Bank Islami Paksitan Limited  
Soneri Bank  
Bank Al Habib Limited  
Meezan Bank  
Dubai Islamic Bank  
Summit Bank  
Allied Bank  
Habib Metropolitan Bank

**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  
URL: [www.cdcPakistan.com](http://www.cdcPakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE PARTICIPANTS**

**HBL ISLAMIC PENSION FUND**

**Report of the Trustee pursuant to Rule 31(h) of the Voluntary Pension System Rules, 2005**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Pension Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

**Abdul Samad**  
Chief Operating Officer  
Central Depository Company of Pakistan Limited

Karachi, September 29, 2020



## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Pension 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, 2020. This has been duly confirmed by the Shariah Advisor of the Fund.



**Mir Adil Rashid**

**Chief Executive Officer**

**Dated: August 27, 2020**



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

September 23, 2020

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, 2020 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Pension Fund (HBL-IPF) 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



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

### **Independent Reasonable Assurance Report to the Participant's Holders on the Statement of Compliance with the Shariah Principles**

We were engaged by the Board of Directors of HBL Asset Management Limited, Pension Fund Manager of HBL Islamic Pension Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Pension Fund Manager for the year ended June 30, 2020, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Fund's compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

#### **Applicable Criteria**

The criteria against which the subject matter information (the Statement) is assessed comprise of Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended June 30, 2020.

#### **Responsibilities of the Pension Fund Manager**

The Pension Fund Manager is responsible for preparation of the annexed statement that is free from material misstatement and for the information contained therein.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of the annexed statement that is free from material misstatement, whether due to fraud or error. The Pension Fund Manager is also responsible to ensure that the financial arrangements and transactions having Shariah implications entered into by the Fund are in substance and in their legal form are in compliance with the Shariah principles specified in the Trust Deed and guidelines issued by the Shariah Advisor.

#### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



KPMG Taseer Hadi & Co.

procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

#### **Our responsibilities**

Our responsibility is to examine the annexed statement and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement 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, in all material respects.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with Shariah principles and guidelines whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to financial arrangements and transactions having Shariah implications, in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control. Reasonable assurance is less than absolute assurance.

The procedures performed included performing tests of controls for making investments, maintaining bank accounts and transferring impure income to charity in accordance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.


#### **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, for the year ended June 30, 2020, 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, in all material respects.

**Date: 24 September 2020**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

### **Independent Auditors' Report to the Participants**

We have audited the annexed financial statements comprising:

- i. Statement of Assets and Liabilities;
- ii. Income Statement and Statement of Comprehensive Income;
- iii. Statement of Movement in Participants' Funds; and
- iv. Cash Flow Statement,

of **HBL Islamic Pension Fund** ("the Fund") as at June 30, 2020 and for the year then ended together with the notes forming part thereof.

#### **Pension Fund Manager's responsibility for the financial statements**

The Pension Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting and Reporting Standards as applicable in Pakistan, and for such internal control as the Pension Fund Manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.





KPMG Taseer Hadi & Co.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


### **Opinion**

In our opinion:

- a) the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines there under;
- b) a true and fair view is given of the disposition of the Fund as at June 30, 2020 and of the transactions of the Fund for the year ended June 30, 2020 in accordance with the Accounting and Reporting Standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d) the cost and expenses debited to the pension fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the pension fund;
- e) proper books and records have been kept by the Pension Fund Manager and the financial statements prepared are in agreement with the pension fund's books and records;
- f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

**Date: 24 September 2020**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**  
**Zeeshan Rashid**

**HBL ISLAMIC PENSION FUND**  
**Statement of Assets and Liabilities**  
*As at June 30, 2020*

	Note	2020				2019			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>Assets</b>									
Bank balances	4	9,271	57,147	50,483	116,901	12,902	47,175	49,444	109,521
Investments	5	120,809	14,685	1,953	137,447	111,997	25,333	3,975	141,305
Dividend and profit receivable	6	66	620	390	1,076	169	943	653	1,765
Advances, deposits, prepayments and other receivables	7	193	549	133	875	595	160	133	888
<b>Total assets</b>		<b>130,339</b>	<b>73,001</b>	<b>52,959</b>	<b>256,299</b>	<b>125,663</b>	<b>73,611</b>	<b>54,205</b>	<b>253,479</b>
<b>Liabilities</b>									
Payable to Pension Fund Manager	8	204	106	68	378	207	116	90	413
Payable to Central Depository Company of Pakistan Limited - Trustee	9	17	11	7	35	17	10	8	35
Payable to Securities and Exchange Commission of Pakistan	10	38	20	15	73	60	31	25	116
Accrued expenses and other liabilities	11	6,761	1,011	742	8,514	3,490	855	838	5,183
<b>Total liabilities</b>		<b>7,020</b>	<b>1,148</b>	<b>832</b>	<b>9,000</b>	<b>3,774</b>	<b>1,012</b>	<b>961</b>	<b>5,747</b>
<b>Net assets</b>		<b>123,319</b>	<b>71,853</b>	<b>52,127</b>	<b>247,299</b>	<b>121,889</b>	<b>72,599</b>	<b>53,244</b>	<b>247,732</b>
<b>Participants' sub funds (as per statement attached)</b>		<b>123,319</b>	<b>71,853</b>	<b>52,127</b>	<b>247,299</b>	<b>121,889</b>	<b>72,599</b>	<b>53,244</b>	<b>247,732</b>
<b>Number of units in issue</b>	13	<b>359,107</b>	<b>439,427</b>	<b>324,233</b>	<b>1,122,767</b>	<b>376,403</b>	<b>476,820</b>	<b>357,964</b>	<b>1,211,187</b>
<b>Net assets value per unit</b>	Rupees	<b>343.4056</b>	<b>163.5160</b>	<b>160.7700</b>		<b>323.8249</b>	<b>152.2556</b>	<b>148.7409</b>	

The annexed notes 1 to 27 form an integral part of these financial statements.

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

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

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

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

# HBL ISLAMIC PENSION FUND

## Income Statement and Statement of Comprehensive Income

For the year ended June 30, 2020

Note	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>Income</b>								
Dividend income	5,625	-	-	5,625	7,808	-	-	7,808
Profit on bank deposits using the effective yield method	735	4,954	4,789	10,478	1,043	5,364	5,765	12,172
Mark-up / return on investments using the effective yield method	-	2,630	279	2,909	-	3,135	1,087	4,222
Realised gain / (loss) on sale of investments	6,569	(1,136)	-	5,433	(14,024)	(105)	(2)	(14,131)
Unrealised appreciation / (diminution) on re-measurement of investments at fair value through profit or loss	3,044	53	-	3,097	(21,010)	(57)	-	(21,067)
	<u>15,973</u>	<u>6,501</u>	<u>5,068</u>	<u>27,542</u>	<u>(26,183)</u>	<u>8,337</u>	<u>6,850</u>	<u>(10,996)</u>
<b>Expenses</b>								
Remuneration of HBL Asset Management Limited - Pension Fund Manager	2,176	1,176	850	4,202	3,031	1,593	1,280	5,904
Remuneration of Central Depository Company of Pakistan Limited - Trustee	218	118	85	421	303	159	128	590
Annual fee to Securities and Exchange Commission of Pakistan	37	20	15	72	60	31	25	116
Auditors' remuneration	196	106	78	380	184	98	78	360
Settlement and bank charges	51	38	37	126	522	40	33	595
Other expenses	722	3	-	725	442	22	22	486
	<u>3,400</u>	<u>1,461</u>	<u>1,065</u>	<u>5,926</u>	<u>4,542</u>	<u>1,943</u>	<u>1,566</u>	<u>8,051</u>
	<u>12,573</u>	<u>5,040</u>	<u>4,003</u>	<u>21,616</u>	<u>(30,725)</u>	<u>6,394</u>	<u>5,284</u>	<u>(19,047)</u>
(Provision) / Reversal for Sindh Workers' Welfare Fund (SWWF)	(247)	(100)	(80)	(427)	-	67	50	117
<b>Net income / (loss) before taxation</b>	<u>12,326</u>	<u>4,940</u>	<u>3,923</u>	<u>21,189</u>	<u>(30,725)</u>	<u>6,461</u>	<u>5,334</u>	<u>(18,930)</u>
Taxation	-	-	-	-	-	-	-	-
<b>Net income / (loss) for the year</b>	<u>12,326</u>	<u>4,940</u>	<u>3,923</u>	<u>21,189</u>	<u>(30,725)</u>	<u>6,461</u>	<u>5,334</u>	<u>(18,930)</u>
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	-
<b>Total comprehensive income / (loss) for the year</b>	<u>12,326</u>	<u>4,940</u>	<u>3,923</u>	<u>21,189</u>	<u>(30,725)</u>	<u>6,461</u>	<u>5,334</u>	<u>(18,930)</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

**HBL ISLAMIC PENSION FUND**  
**Statement of Movement in Participants' Funds**  
For the year ended June 30, 2020

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>Net assets at beginning of the year</b>	<b>121,889</b>	<b>72,599</b>	<b>53,244</b>	<b>247,732</b>	171,901	101,731	83,431	357,063
Issuance of units	12 30,078	38,501	17,336	85,915	81,294	51,200	46,520	179,014
Redemption of units	(49,338)	(37,941)	(20,258)	(107,537)	(103,768)	(84,350)	(81,297)	(269,415)
Reallocation among funds	8,364 (10,896)	(6,246) (5,686)	(2,118) (5,040)	- (21,622)	3,187 (19,287)	(2,443) (35,593)	(744) (35,521)	- (90,401)
Net income / (loss) for the year	12,326	4,940	3,923	21,189	(30,725)	6,461	5,334	(18,930)
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b>12,326</b>	<b>4,940</b>	<b>3,923</b>	<b>21,189</b>	(30,725)	6,461	5,334	(18,930)
<b>Net assets at end of the year</b>	<b>123,319</b>	<b>71,853</b>	<b>52,127</b>	<b>247,299</b>	121,889	72,599	53,244	247,732
Net assets value per unit at beginning of the year	323.8249	152.2556	148.7409		388.2683	141.8178	139.3646	
Net assets value per unit at end of the year	343.4056	163.5160	160.7700		323.8249	152.2556	148.7409	

The annexed notes 1 to 27 form an integral part of these financial statements.

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

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

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

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

# HBL ISLAMIC PENSION FUND

## Cash Flow Statement

For the year ended June 30, 2020

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
<b>Note</b>	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
Net income / (loss) for the year	12,326	4,940	3,923	21,189	(30,725)	6,461	5,334	(18,930)
<b>Adjustments</b>								
Unrealised diminution / (appreciation) in the market value of investments classified as fair value through profit or loss -	(3,044)	(53)	-	(3,097)	21,010	57	-	21,067
	9,282	4,887	3,923	18,092	(9,715)	6,518	5,334	2,137
<b>(Increase) / Decrease in assets</b>								
Investments - net	(5,768)	10,701	2,022	6,955	20,798	11,569	(3,975)	28,392
Dividend and profit receivable	103	323	263	689	193	(165)	(310)	(282)
Advances, deposits, prepayments and other receivables	402	(389)	-	13	(495)	(30)	(21)	(546)
	(5,263)	10,635	2,285	7,657	20,496	11,374	(4,306)	27,564
<b>Increase / (decrease) in liabilities</b>								
Payable to HBL Asset Management Limited - Pension Fund Manager	(3)	(10)	(22)	(35)	(32)	(22)	(22)	(76)
Payable to Central Depository Company of Pakistan Limited - Trustee	-	1	(1)	-	(7)	(4)	(3)	(14)
Payable to Securities and Exchange Commission of Pakistan	(22)	(11)	(10)	(43)	3	(1)	-	2
Accrued expenses and other liabilities	3,271	156	(96)	3,331	(662)	(74)	(30)	(766)
	3,246	136	(129)	3,253	(698)	(101)	(55)	(854)
<b>Net cash generated from operating activities</b>	7,265	15,658	6,079	29,002	10,083	17,791	973	28,847
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>								
Amount received on issue of units	30,078	38,501	17,336	85,915	81,294	51,200	46,520	179,014
Amount paid on redemption of units	(49,338)	(37,941)	(20,258)	(107,537)	(103,768)	(84,350)	(81,297)	(269,415)
Reallocation among funds	8,364	(6,246)	(2,118)	-	3,187	(2,443)	(744)	-
<b>Net cash used in financing activities</b>	(10,896)	(5,686)	(5,040)	(21,622)	(19,287)	(35,593)	(35,521)	(90,401)
<b>Net decrease in cash and cash equivalents</b>	(3,631)	9,972	1,039	7,380	(9,204)	(17,802)	(34,548)	(61,554)
Cash and cash equivalents at beginning of the year	12,902	47,175	49,444	109,521	22,106	64,977	83,992	171,075
<b>Cash and cash equivalents at end of the year</b>	9,271	57,147	50,483	116,901	12,902	47,175	49,444	109,521

The annexed notes 1 to 27 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 Pension Fund ("the Fund") was established under a Trust Deed, dated August 17, 2011, between HBL Asset Management Limited as the Pension Fund Manager (the Pension Fund Manager) 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 pension fund on October 05, 2011.

The Pension Fund Manager has been licensed to act as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 (VPS Rules) through a certificate of registration issued by the SECP. The registered office of the Pension Fund Manager is situated at 7th floor, Emerald Tower, G-19, block 5, Main Clifton Road, Karachi, Pakistan.

The Fund is an unlisted pension scheme and offers units for public subscription on a continuous basis. The units are non-transferable except in the circumstances mentioned in VPS Rules and can be redeemed by surrendering to the Fund. Further, as per the offering document, no distribution of income or dividend is allowed from any of the sub-funds.

The Fund has been formed to enable the participants to contribute in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Pension Fund Manager has appointed Al-Hilal Shariah Advisors (Pvt.) Limited as Shariah Advisor to the Pension Fund to ensure that the activities of the Fund are in compliance with the principles of Shariah.

The Fund consists of three sub-funds namely, HBL Islamic Pension Fund - Equity Sub-Fund, HBL Islamic Pension Fund - Debt Sub-Fund and HBL Islamic Pension Fund - Money Market Sub-Fund (collectively the "Sub-Funds"). The investment policy for each of the sub-funds is as follows:

- The Equity Sub-Fund consists of a minimum 90% of net assets invested in Shariah compliant listed equity securities. Investment in a single company is restricted to lower of 10% of Net Asset Value (NAV) or paid-up capital of the investee company. Investment in a single stock exchange sector is restricted to the higher of 30% of NAV or index weight, subject to a maximum of 35% of NAV. Remaining assets of the Equity Sub-Fund may be invested in any government security having less than one year time to maturity, or be deposited with Islamic Commercial banks or Islamic window of a commercial bank having at least 'A' rating. Composition of the remaining portion of the investments shall be as defined in the offering document.
- The Debt Sub-Fund consist of tradable debt securities with weighted average duration of the investment portfolio of the sub-fund not exceeding five years. At least twenty five percent (25%) of the assets in the sub-fund shall be invested in debt securities issued by the Federal Government. Up to twenty five percent (25%) may be deposited with banks having not less than 'AA+' rating. In case the Shariah compliant securities issued by Federal Government are not available to comply with above, the assets of a Shariah compliant debt sub-fund may be deposited in Islamic commercial banks, having not less than "A PLUS" rating or Islamic windows of commercial banks, having not less than "AA" rating, or may be invested in Islamic bonds or Sukuks issued by entities wholly-owned by the Federal Government or in such Islamic securities which are fully guaranteed by the Federal Government.
- The Money Market Sub-Fund consists of Shariah compliant short-term money market securities with weighted average time to maturity not exceeding one year. There is no restriction on the amount of investment in securities issued by Federal Government and Islamic windows of commercial banks having 'A+' rating provided that deposits with one bank shall not exceed 20% of net assets of Money Market Sub-Fund. Investments in securities issued by Provincial Government, City Government, Government corporation with 'A' or higher rating or a corporate entity with 'A+' or higher rating shall be in proportion as defined in offering document.

The Fund offers five types of allocation schemes, as prescribed by the SECP under VPS Rules, to the contributors of the Fund namely High Volatility, Medium Volatility, Low Volatility, Lower Volatility and Life Cycle Allocation. The participants of the Fund voluntarily determine the contribution amount, subject to the minimum limit fixed by the Pension Fund Manager. The allocation to the Sub-Funds has to be done at the date of opening of contributor's pension account and on an anniversary date thereafter. The contribution amount may be paid by the contributor on a periodic basis such as annual, semi annual, quarterly or monthly basis.

VIS Credit Rating Company Limited has assigned management quality rating of 'AM2+ (positive)' (2019: 'AM2+') to the Pension Fund Manager while the Fund is currently not rated.

Title to the assets of the Fund are held in the name of CDC as the trustee of the Fund.

## **1.1 Impact of COVID-19**

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

The Management Company of the Fund expects that going forward these uncertainties would reduce as the impact of Covid19 on overall economy subsides and have concluded that there is no impact on current financial statements of the Fund.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of Compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of the Voluntary Pension System Rules, 2005 (the VPS Rules); and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of the VPS Rules or provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the requirements of the VPS Rules or provisions of and directives issued under the Companies Act, 2017 have been followed.

## **2.2 Standards, interpretations and amendments to accounting and reporting standards, that are not yet effective:**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- 'Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate 'benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.



- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent 'concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's 'previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease 'modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects 'of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has 'provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent 'concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are 'eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. 'These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect 'of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement 'of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends 'IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining 'whether a contract is onerous. An entity is required to apply the '-amendments to contracts for which it has not yet fulfilled all its obligations at the 'beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information 'is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to 'the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January '2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition 'necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognised in profit or loss in accordance 'with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2. The standard also removes 'the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of 'property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by 'management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. 'The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or 'other component of equity, as appropriate) at the beginning of that earliest period presented.

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:
  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees 'paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold 'improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a 'biological asset using a present value technique.

The above amendments are effective from annual periods beginning on or after 01 July 2020 and are not likely to have an impact on Fund's financial statements.

### **2.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In the process of applying the Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

- (a) classification of financial assets (Note 3.2)
- (b) impairment of financial assets (Note 3.2)
- (c) provisions (Note 3.5)

### **2.4 Basis of Measurement**

These financial statements have been prepared under the historical cost convention except for the investments which are stated at fair value.

### **2.5 Functional and presentation currency**

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

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below.

### **3.1 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.

## 3.2 Financial assets

### i. Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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.

#### Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

## ii. Subsequent measurement

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 profit / markup or dividend income, are recognised in income statement.

### **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. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

### **Debt investments at FVOCI**

These assets are subsequently measured at fair value. Profit / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.

#### **Equity investments at FVOCI**

These assets are subsequently measured at fair value. Dividends are recognised as income in income statement 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 income statement.

The fair value of financial assets are determined as follows:

##### **a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its 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.

##### **b) Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

##### **c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

##### **iii. Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

##### **iv. Impairment of financial assets**

##### **Financial assets at amortised cost**

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Pension Fund Manager.

### **3.3 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They 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 expires.

### **3.4 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 exchange and other expenses. These costs are amortised over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and the VPS Rules.

### **3.5 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.

### **3.6 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 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 marking to market 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.

### **3.7 Taxation**

The income of the Fund is exempt from income tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A(i) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

### **3.8 Issue and redemption of units**

Contribution received in the individual pension account after deduction of applicable front end fee is used to purchase the units of sub-funds of the pension fund according to the Allocation Scheme selected by the participant. The units are allotted at the net asset value notified by the Pension Fund Manager at the close of the business day for each sub-fund on the date on which funds are actually realised against application. The front end fee is payable to the distributors and the Pension Fund Manager.

The Pension Fund Manager makes reallocation of the sub-fund units between the sub-funds at least once a year to ensure that the allocation of the sub-fund units of all the participants are according to the Allocation Schemes selected by the participants. In case of withdrawal before retirement, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day on which such request is received by the distributor before the cut off time. Redemption of units is recorded on acceptance of application for redemption.

In case of retirement of the participant, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day on which retirement age is reached.

In case of change of Pension Fund Manager, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day corresponding to the participant.

### 3.9 Net Asset Value per unit

The Net Asset Value (NAV) per unit, as disclosed in statement of assets and liabilities, is calculated by dividing the net assets of each of the sub-fund by the number of units in circulation of that sub-fund at the year end.

### 3.10 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

### 3.11 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

### 3.12 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.

### 3.13 Offsetting of financial assets and financial liabilities

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

### 3.14 Earnings per unit (EPU)

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

## 4. BANK BALANCES

Note	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)							
Savings accounts	9,271	57,147	50,483	116,901	12,902	47,175	39,344	99,421
Term deposit receipts	-	-	-	-	-	-	10,100	10,100
	<u>9,271</u>	<u>57,147</u>	<u>50,483</u>	<u>116,901</u>	<u>12,902</u>	<u>47,175</u>	<u>49,444</u>	<u>109,521</u>

4.1 This represents bank accounts held with various banks. Profit rates on these accounts range between 6.00% to 14.50% per annum (2019: 3.00% to 13.60% per annum).

## 5. INVESTMENTS

Note	2020				2019				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	
<b>Investments by category</b>									
----- (Rupees in '000) -----									
<b>At fair value through profit or loss</b>									
Listed equity securities	5.1	120,809	-	-	120,809	111,997	-	-	111,997
GoP ijarah sukus		-	-	-	-	-	-	-	-
Term finance certificates and sukuk bonds	5.3	-	14,685	-	14,685	-	23,339	-	23,339
		<u>120,809</u>	<u>14,685</u>	<u>-</u>	<u>135,494</u>	<u>111,997</u>	<u>23,339</u>	<u>-</u>	<u>135,336</u>
<b>At amortised Cost</b>									
Commercial papers	5.4	-	-	1,953	1,953	-	1,994	3,975	5,969
		<u>120,809</u>	<u>14,685</u>	<u>1,953</u>	<u>137,447</u>	<u>111,997</u>	<u>25,333</u>	<u>3,975</u>	<u>141,305</u>

### 5.1 Listed equity securities - at fair value through profit or loss

#### Held by Equity Sub-Fund

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

Name of the Investee Company	As at July 1, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020	Cost of holdings as at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of total investments of the sub-fund	Market value as a percentage of net assets of sub-fund	Par value as a percentage of issued capital of the investee company
	----- Number of shares -----				----- (Rupees in '000) -----		----- % -----			
<b>Automobile Assembler</b>										
Pak Suzuki Motor Company Limited	-	14,000	-	-	14,000	2,356	2,267	1.88	1.84	0.02
Sazgar Engineering Works Limited	-	8,000	-	-	8,000	952	997	0.83	0.81	0.02
	-	<u>22,000</u>	-	-	<u>22,000</u>	<u>3,308</u>	<u>3,264</u>	<u>2.71</u>	<u>2.65</u>	<u>0.04</u>
<b>Automobile Parts &amp; Accessories</b>										
Thal Limited (Rs. 5 each)	13,050	5,000	-	7,100	10,950	3,621	3,558	2.95	2.89	0.01
	<u>13,050</u>	<u>5,000</u>	<u>-</u>	<u>7,100</u>	<u>10,950</u>	<u>3,621</u>	<u>3,558</u>	<u>2.95</u>	<u>2.89</u>	<u>0.01</u>
<b>Cement</b>										
Lucky Cement Limited	11,300	14,800	-	4,800	21,300	8,760	9,832	8.14	7.97	0.01
D.G. Khan Cement Company Limited	-	14,000	-	-	14,000	1,177	1,195	0.99	0.97	0.00
Cherat Cement Company Limited	-	22,500	-	-	22,500	1,398	1,961	1.62	1.59	0.01
Kohat Cement Company Limited	23,600	9,500	-	9,000	24,100	1,542	3,313	2.74	2.69	0.01
Maple Leaf Cement Factory Limited	-	139,000	-	55,000	84,000	2,014	2,182	1.81	1.77	0.00
	<u>34,900</u>	<u>199,800</u>	<u>-</u>	<u>68,800</u>	<u>165,900</u>	<u>14,891</u>	<u>18,483</u>	<u>15.30</u>	<u>14.99</u>	<u>0.03</u>
<b>Chemical</b>										
Engro Polymer & Chemicals Limited	138,885	66,000	-	99,500	105,385	2,844	2,633	2.18	2.14	0.01
I.C.I Pakistan Limited	-	3,500	-	500	3,000	1,715	2,084	1.73	1.69	0.00
Sitara Chemical Industries Limited	5,700	400	-	1,000	5,100	1,539	1,413	1.17	1.15	0.02
Sitara Peroxide Limited	-	54,000	-	-	54,000	1,230	1,102	0.91	0.89	0.10
Lotte Chemical Pakistan Limited	-	77,000	-	77,000	-	-	-	-	-	-
	<u>144,585</u>	<u>200,900</u>	<u>-</u>	<u>178,000</u>	<u>167,485</u>	<u>7,328</u>	<u>7,232</u>	<u>5.99</u>	<u>5.87</u>	<u>0.13</u>
<b>Commercial Banks</b>										
Bank Islami Pakistan Limited	-	280,000	-	280,000	-	-	-	-	-	-
Meezan Bank Limited	57,505	29,500	-	29,000	58,005	4,849	3,994	3.31	3.24	0.00
	<u>57,505</u>	<u>309,500</u>	<u>-</u>	<u>309,000</u>	<u>58,005</u>	<u>4,849</u>	<u>3,994</u>	<u>3.31</u>	<u>3.24</u>	<u>0.00</u>
<b>Engineering</b>										
International Industries Limited	-	9,700	-	3,500	6,200	672	569	0.47	0.46	0.00
International Steels Limited	-	51,000	-	39,500	11,500	673	594	0.49	0.48	0.00
Mughal Iron and Steel Industries Limited	-	46,000	-	-	46,000	1,884	1,834	1.52	1.49	0.02
	<u>-</u>	<u>106,700</u>	<u>-</u>	<u>43,000</u>	<u>63,700</u>	<u>3,229</u>	<u>2,997</u>	<u>2.48</u>	<u>2.43</u>	<u>0.02</u>
<b>Fertilizer</b>										
Engro Corporation Limited	30,890	13,100	-	7,900	36,090	9,560	10,571	8.75	8.57	0.01
Engro Fertilizer Limited	95,700	23,500	-	89,000	30,200	1,953	1,820	1.51	1.48	0.00
Fauji Fertilizer Company Limited	27,500	61,000	-	56,000	32,500	3,175	3,575	2.96	2.90	0.00
	<u>154,090</u>	<u>97,600</u>	<u>-</u>	<u>152,900</u>	<u>98,790</u>	<u>14,688</u>	<u>15,966</u>	<u>13.22</u>	<u>12.95</u>	<u>0.01</u>
<b>Glass and Ceramics</b>										
Tariq Glass Industries Limited	-	19,500	-	19,500	-	-	-	-	-	-
	<u>-</u>	<u>19,500</u>	<u>-</u>	<u>19,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Investment Companies</b>										
Dawood Hercules Corporation Limited	22,300	5,000	-	22,300	5,000	727	640	0.53	0.52	0.00
	<u>22,300</u>	<u>5,000</u>	<u>-</u>	<u>22,300</u>	<u>5,000</u>	<u>727</u>	<u>640</u>	<u>0.53</u>	<u>0.52</u>	<u>0.00</u>



Name of the Investee Company	As at July 1, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020	Cost of holdings as at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of total investments of the sub-fund	Market value as a percentage of net assets of sub-fund	Par value as a percentage of issued capital of the investee company
	-----Number of shares-----				----- (Rupees in '000) -----		-----%-----			
<b>Oil and Gas Exploration Companies</b>										
Oil and Gas Development Company Limited	81,900	62,000	-	45,300	98,600	12,633	10,747	8.89	8.71	0.00
Pakistan Petroleum Limited	68,600	60,300	16,900	61,500	84,300	9,675	7,316	6.05	5.93	0.00
Mari Petroleum Company Limited	9,300	1,060	986	3,600	7,746	6,984	9,579	7.92	7.77	0.01
Pakistan Oilfields Limited	15,400	8,300	-	20,200	3,500	1,234	1,227	1.02	0.99	0.00
	<u>175,200</u>	<u>131,660</u>	<u>17,886</u>	<u>130,600</u>	<u>194,146</u>	<u>30,526</u>	<u>28,869</u>	<u>23.88</u>	<u>23.40</u>	<u>0.01</u>
<b>Oil and Gas Marketing Companies</b>										
Pakistan State Oil Company Limited ***	33,736	80,000	6,187	85,600	34,323	4,909	5,429	4.49	4.40	0.01
Sui Northern Gas Pipelines Limited	52,200	7,500	-	5,000	54,700	3,841	2,987	2.47	2.42	0.01
	<u>85,936</u>	<u>87,500</u>	<u>6,187</u>	<u>90,600</u>	<u>89,023</u>	<u>8,750</u>	<u>8,416</u>	<u>6.96</u>	<u>6.82</u>	<u>0.02</u>
<b>Paper and Board</b>										
Security Papers Limited	18,000	-	-	18,000	-	-	-	-	-	-
	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Pharmaceuticals</b>										
Abbott Laboratories (Pakistan) Limited	-	3,500	-	3,500	-	-	-	-	-	-
AGP Limited	19,375	1,500	-	10,000	10,875	756	1,193	0.99	0.97	0.00
The Searle Company Limited ***	8,011	2,500	-	3,100	7,411	1,137	1,476	1.22	1.20	0.00
GlaxoSmithKline (Pakistan) Limited	-	9,900	-	-	9,900	1,751	1,723	1.43	1.40	0.00
Highnoon Laboratories Limited ***	5,830	2,500	483	3,500	5,313	1,786	2,663	2.20	2.16	0.02
	<u>33,216</u>	<u>19,900</u>	<u>483</u>	<u>20,100</u>	<u>33,499</u>	<u>5,430</u>	<u>7,055</u>	<u>5.84</u>	<u>5.73</u>	<u>0.02</u>
<b>Power Generation and Distribution</b>										
The Hub Power Company Limited	126,731	27,700	-	53,500	100,931	7,816	7,317	6.06	5.93	0.01
K-Electric Limited (Rs. 3.5 each)	548,500	400,000	-	225,000	723,500	3,048	2,178	1.80	1.77	0.00
	<u>675,231</u>	<u>427,700</u>	<u>-</u>	<u>278,500</u>	<u>824,431</u>	<u>10,864</u>	<u>9,495</u>	<u>7.86</u>	<u>7.70</u>	<u>0.01</u>
<b>Textile Composite</b>										
Nishat Mills Limited	32,500	45,500	-	42,800	35,200	2,814	2,746	2.27	2.23	0.01
Interloop Limited	71,945	27,500	-	42,000	57,445	2,583	2,523	2.09	2.05	0.01
	<u>104,445</u>	<u>73,000</u>	<u>-</u>	<u>84,800</u>	<u>92,645</u>	<u>5,397</u>	<u>5,269</u>	<u>4.36</u>	<u>4.28</u>	<u>0.02</u>
<b>Technology &amp; Communication</b>										
Systems Limited	-	14,500	-	-	14,500	1,632	2,663	2.20	2.16	0.01
	<u>-</u>	<u>14,500</u>	<u>-</u>	<u>-</u>	<u>14,500</u>	<u>1,632</u>	<u>2,663</u>	<u>2.20</u>	<u>2.16</u>	<u>0.01</u>
<b>Leather and Tanneries</b>										
Bata (Pakistan) Limited	260	1,500	-	720	1,040	1,248	1,397	1.16	1.13	0.01
	<u>260</u>	<u>1,500</u>	<u>-</u>	<u>720</u>	<u>1,040</u>	<u>1,248</u>	<u>1,397</u>	<u>1.16</u>	<u>1.13</u>	<u>0.01</u>
<b>Transport</b>										
Pakistan National Shipping Corporation	27,000	-	-	7,000	20,000	1,277	1,511	1.25	1.23	0.02
	<u>27,000</u>	<u>-</u>	<u>-</u>	<u>7,000</u>	<u>20,000</u>	<u>1,277</u>	<u>1,511</u>	<u>1.25</u>	<u>1.23</u>	<u>0.02</u>
	<u>1,545,718</u>	<u>1,721,760</u>	<u>24,556</u>	<u>1,430,920</u>	<u>1,861,114</u>	<u>117,765</u>	<u>120,809</u>	<u>100.00</u>	<u>97.99</u>	<u>0.36</u>

\*\*\* These represent gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Pension Fund Manager of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, have 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 57(3)(viii) of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee companies have withheld the share equivalent to 5% of bonus announcement amounting Rs. 0.094 million (2019: 0.075 million) and not yet deposited with Government Treasury. Pension Fund Manager is of the view that the decision will be in its favour and accordingly has recorded the bonus shares on gross basis.

## 5.2 Investment in Government Securities - Ijarah Sukuk - At fair value through profit or loss

### 5.2.1 Held by Debt Sub-Fund

Issue Date	Tenor	Face value			As at June 30, 2020	Amortised cost as at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of	
		As at July 1, 2019	Purchases during the year	Sales / matured during the year				Total investments of sub-fund	Net assets of sub-fund
----- (Rupees in '000) -----									
June 30, 2017	3 Years	-	27,000	27,000	-	-	-	-	-
April 30, 2020	5 Years	-	27,000	27,000	-	-	-	-	-
		-	<b>54,000</b>	<b>54,000</b>	-	-	-	-	-

## 5.3 Term Finance Certificates and Sukuk bonds - At fair value through profit or loss

### 5.3.1 Held by Debt Sub-Fund

Name of the Investee Company	Face value			As at June 30, 2020	Amortised cost as at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of		
	As at July 1, 2019	Purchases during the year	Sales / matured during the year				Total investments of sub-fund	Net assets of sub-funds	
----- (Number of certificates) -----									
----- (Rupees in '000) -----									
----- (%) -----									
<b>Fertilizers</b>									
Dawood Hercules Corporation Limited Sukuk	30	-	-	30	2,093	2,121	14.44	2.95	
Engro Fertilizer Limited	900	-	900	-	-	-	-	-	
Fatima Fertilizers Company Limited	357	-	-	357	540	539	3.67	0.75	
	<b>1,287</b>	-	<b>900</b>	<b>387</b>	<b>2,633</b>	<b>2,660</b>	<b>18.11</b>	<b>3.70</b>	
<b>Mutiutilities</b>									
Water and Power Development Authority	474	-	-	474	528	510	3.47	0.71	
K-Electric	1,550	-	-	1,550	3,121	3,139	21.38	4.37	
Hub Power Company Limited	1,600	50	1,600	50	5,000	5,000	34.05	6.96	
	<b>3,624</b>	<b>50</b>	<b>1,600</b>	<b>2,074</b>	<b>8,649</b>	<b>8,649</b>	<b>58.90</b>	<b>12.04</b>	
<b>Pharmaceuticals</b>									
AGP Limited	24	-	-	24	960	961	6.54	1.34	
	<b>24</b>	-	-	<b>24</b>	<b>960</b>	<b>961</b>	<b>6.54</b>	<b>1.34</b>	
<b>Miscellaneous</b>									
International Brands Limited Sukuk	20	-	-	20	1,483	1,415	9.64	1.97	
Agha Steel Industries Limited Sukuk	2	-	1	1	1,000	1,000	6.81	1.39	
	<b>22</b>	-	<b>1</b>	<b>21</b>	<b>2,483</b>	<b>2,415</b>	<b>16.45</b>	<b>3.36</b>	
<b>Total</b>	<b>4,957</b>	<b>50</b>	<b>2,501</b>	<b>2,506</b>	<b>14,725</b>	<b>14,685</b>	<b>100.00</b>	<b>20.44</b>	

### 5.3.1.1 Significant terms and conditions of Term finance certificates and Sukuk bonds outstanding as at June 30, 2020 are as follows:

Name of security	Remaining principal (Rupees per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Dawood Hercules Corporation Limited - Sukuk	70,000	3 months KIBOR + 1%	16-Nov-17	16-Nov-22
Fatima Fertilizers Company Limited	1,500	6 months KIBOR + 1.1%	28-Nov-16	28-Nov-21
Water and Power Development Authority	1,072	6 months KIBOR + 1%	14-Oct-13	14-Oct-21
K-Electric	2,000	3 months KIBOR + 1%	17-Jun-15	17-Jun-22
Hub Power Company Limited	1,000,000	6 months KIBOR + 1.5%	19-Mar-20	19-Mar-21
AGP Limited	40,000	3 months KIBOR + 1.3%	9-Jun-17	9-Jun-22
International Brands Limited - Sukuk	75,680	12 months KIBOR + 0.5%	15-Nov-17	15-Nov-21
Agha Steel Industries Limited - Sukuk	1,000,000	3 months KIBOR + 0.8%	9-Oct-18	9-Oct-24

## 5.4 Commercial papers - at amortised cost

### 5.4.1 Held by Debt Sub-Fund

Name of Company	Note	Maturity date	As at June 30, 2019	Placements made during the year	Income accrued	Matured during the year	As at June 30, 2020	Market value as a percentage of	
								Total investments of sub-fund	Net Assets of sub-fund
----- (Rupees in '000) -----									
----- (%) -----									
Hascal Petroleum Limited		July 15, 2019	1,994	-	6	2,000	-	-	-
			<b>1,994</b>	-	<b>6</b>	<b>2,000</b>	-	-	-

#### 5.4.1 Held by Money Market Sub-Fund

Name of Company	Note	Maturity date	As at June 30, 2019	Placements made during the year	Income accrued	Matured during the year	As at June 30, 2020	Market value as a percentage of	
								Total investments of sub-fund	Net Assets of sub-fund
								(Rupees in '000)	(%)
Hascol Petroleum Limited		July 15, 2019	3,975	-	23	3,998	-	-	-
K- Electric Limited		February 28, 2020	-	2,320	181	2,501	-	-	-
K- Electric Limited	5.4.1.1	September 10, 2020	-	1,874	79	-	1,953	0.00	3.75
			<b>3,975</b>	<b>4,194</b>	<b>283</b>	<b>6,499</b>	<b>1,953</b>	<b>0.00</b>	<b>3.75</b>

5.4.1.1 This commercial paper has been placed at discount at a rate of 13.64% and is being amortised over a year of 113 days.

#### 6. DIVIDEND AND PROFIT RECEIVABLE

Note	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
(Rupees in '000)								
Dividend receivable	17	-	-	17	96	-	-	96
Profit receivable on bank deposits	49	203	390	642	73	483	438	994
Profit accrued on sukuk bonds	-	417	-	417	-	460	-	460
Profit accrued on term deposit receipts	-	-	-	-	-	-	215	215
	<b>66</b>	<b>620</b>	<b>390</b>	<b>1,076</b>	<b>169</b>	<b>943</b>	<b>653</b>	<b>1,765</b>

#### 7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
(Rupees in '000)								
Security Deposit with Central Depository Company of Pakistan Limited	100	100	100	300	100	100	100	300
Receivable against sale of investments	-	-	-	-	402	-	-	402
Other receivable	93	449	33	575	93	60	33	186
	<b>193</b>	<b>549</b>	<b>133</b>	<b>875</b>	<b>595</b>	<b>160</b>	<b>133</b>	<b>888</b>

#### 8. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - PENSION FUND MANAGER

Note	2020				2019				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	
(Rupees in '000)									
Management fee	8.1	147	85	59	291	153	90	67	310
Sindh Sales Tax	8.2	19	11	8	38	20	12	9	41
Sales load payable		38	10	1	49	34	14	14	62
		<b>204</b>	<b>106</b>	<b>68</b>	<b>378</b>	<b>207</b>	<b>116</b>	<b>90</b>	<b>413</b>

8.1 As per Rule 11 of the Voluntary Pension System Rules, 2005, the Pension Fund Manager of the Fund is allowed to charge an annual management fee of 1.5% of the average of the values of the net assets of each of the Sub-Fund calculated during the year. Accordingly, the management fee has been accrued at 1.5% per annum of the average daily net assets of the Sub-Funds.

8.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the Management Company through Sindh Sales Tax Act, 2011 effective from July 01, 2017.

#### 9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

Note	2020				2019				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	
(Rupees in '000)									
Trustee remuneration	9.1	15	10	6	31	15	9	7	31
Sindh Sales Tax on Trustee remuneration	9.2	2	1	1	4	2	1	1	4
		<b>17</b>	<b>11</b>	<b>7</b>	<b>35</b>	<b>17</b>	<b>10</b>	<b>8</b>	<b>35</b>

- 9.1** 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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2020 is as follows:

Net assets	Tariff per annum
Up to Rs. 1,000 million	Rs. 0.3 million or 0.15% p.a of NAV, whichever is higher
Exceeding Rs. 1,000 million up to Rs. 3,000 million	Rs. 1.5 million plus 0.10% p.a of NAV exceeding Rs. 1,000 million
Exceeding Rs. 3,000 million up to Rs. 6,000 million	Rs. 3.5 million plus 0.08% p.a of NAV exceeding Rs. 3,000 million
Exceeding Rs. 6,000 million	Rs. 5.9 million plus 0.06% p.a of NAV exceeding Rs. 6,000 million

- 9.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011, effective from July 1, 2016.

**10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

This represents annual fee payable to SECP in accordance with the Rule 36 of the VPS Rules whereby the Fund is required to pay SECP an amount equal to one thirtieth of 1% of average annual net asset value of the pension fund.

**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

Note	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Auditors' remuneration	119	65	46	230	142	56	38	236
Payable against purchase of investments	3,069	-	-	3,069	12	-	-	12
Federal Excise Duty	880	488	383	1,751	879	488	383	1,750
Provision for Sindh Workers' Welfare Fund	2,199	295	225	2,719	1,952	195	145	2,292
Payable against redemption of units	-	-	-	-	1	113	269	383
Other payable	494	163	88	745	504	3	3	510
	<u>6,761</u>	<u>1,011</u>	<u>742</u>	<u>8,514</u>	<u>3,490</u>	<u>855</u>	<u>838</u>	<u>5,183</u>

- 11.1** These includes charity payable amounting to Rs. 0.478 million (2019: Rs. 0.500 million):

	Note	2020 ----- (Rupees in '000) -----	2019
Opening payable		500	506
Charge for the year		385	405
Payments made during the year	11.1.1	(407)	(411)
Closing		<u>478</u>	<u>500</u>

- 11.1.1** These payments are made to Indus Hospital , Edhi Foundation , IDARIEU Welfare Association, AKU Patient Behbood Society, Layton Rehmatullah Benevolent Trust, Marzak-e-Umeed, Karwana-e-Hayat ,The Citizens Foundation and Sindh Institute of Urology and Transplantation.

- 11.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Pension Fund Manager has been applied effective June 13, 2013. The Pension Fund Manager is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

The Honorable Sindh High Court (SHC) through its order dated June 2, 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has inter alia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from July 1, 2011. However, the declaration made by the Honorable Court, as directed, will have affect in the manner prescribed in the judgment. The Sindh High Court in its decision dated July 16, 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honorable Supreme Court against the Sindh High Court's decision dated June 2, 2016. Therefore, as a matter of abundant caution, without prejudice to the above, the Pension Fund Manager has made a provision with effect from June 13, 2013, aggregating to Rs. 0.879 million, 0.488 million and 0.383 million (2019: Rs. 0.879 million, Rs. 0.488 million and Rs. 0.383 million), for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Had the provision not been made, the Net Assets Value per unit of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund as at June 30, 2020 would have been higher by Rs. 2.44, Rs. 1.11 and Rs. 1.18 (2019: Rs. 2.34 Rs. 1.02 and Rs. 1.07) per unit respectively. However after the exclusion of the mutual funds from federal statute on FED from July 1, 2016, the Fund has discontinued making the provision in this regard.

## 12. CONTRIBUTION TABLE

Contributions received during the year are as follows:

	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>From:</b>								
Individuals	85,083	30,078	243,345	38,501	111,676	17,336	440,104	85,915
	<u>85,083</u>	<u>30,078</u>	<u>243,345</u>	<u>38,501</u>	<u>111,676</u>	<u>17,336</u>	<u>440,104</u>	<u>85,915</u>
	2019							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>From:</b>								
Individuals	212,044	81,294	352,265	51,200	328,547	46,520	892,856	179,014
	<u>212,044</u>	<u>81,294</u>	<u>352,265</u>	<u>51,200</u>	<u>328,547</u>	<u>46,520</u>	<u>892,856</u>	<u>179,014</u>

## 13. NUMBER OF UNITS IN ISSUE

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Number)							
Opening units in issue	376,403	476,820	357,964	1,211,187	442,737	717,333	598,657	1,758,727
Units issued during the year	85,083	243,345	111,676	440,104	212,044	352,265	328,547	892,856
Units redeemed during the year	(131,604)	(240,319)	(131,352)	(503,275)	(287,138)	(575,625)	(563,942)	(1,426,705)
Reallocation during the year	29,225	(40,419)	(14,055)	(25,249)	8,760	(17,153)	(5,298)	(13,691)
<b>Total units in issue at the end of the year</b>	<u>359,107</u>	<u>439,427</u>	<u>324,233</u>	<u>1,122,767</u>	<u>376,403</u>	<u>476,820</u>	<u>357,964</u>	<u>1,211,187</u>

## 14. PROFIT ON BANK DEPOSITS

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)							
Profit on bank deposits	735	4,954	4,789	10,478	1,043	5,364	5,765	12,172

## 15. MARK-UP / RETURN ON INVESTMENTS

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)							
Mark-up / return on:								
Government of Pakistan -Ijarah Sukuks	-	298	-	298	-	938	568	1,506
Sukuk certificates	-	2,323	-	2,323	-	1,996	-	1,996
Commercial papers	-	9	279	288	-	201	519	720
	<u>-</u>	<u>2,630</u>	<u>279</u>	<u>2,909</u>	<u>-</u>	<u>3,135</u>	<u>1,087</u>	<u>4,222</u>

**16. AUDITOR'S REMUNERATION**

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Statutory audit fee	109	58	44	211	103	54	44	201
Half yearly review fee	57	31	22	110	51	27	22	100
Shariah compliance certification	25	-	-	25	25	-	-	25
Out of pocket expenses	5	17	12	34	5	17	12	34
	<u>196</u>	<u>106</u>	<u>78</u>	<u>380</u>	<u>184</u>	<u>98</u>	<u>78</u>	<u>360</u>

**17. TAXATION**

No provision for taxation for the year ended June 30, 2020 has been made in view of the exemption available under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

**18. PROVISION FOR WORKERS' WELFARE FUND**

The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honorable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and 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, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- the provision in respect of Sindh WWF should be made on January 12, 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. The reversal of provision for WWF amounting to Rs. 1.397 million, Rs. 0.269 million and Rs. 0.223 million of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively and a of provision for SWWF of Rs.1.952 million, Rs. 0.228 million and Rs. 0.170 million of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively upto January 12, 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund would have been higher by Rs. 5.43, Rs. 0.51 and Rs. 0.52 (2019: Rs. 5.19, Rs. 0.41 and Rs. 0.41) per unit respectively.

## 19. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

Remuneration payable to Pension Fund Manager and Trustee is determined in accordance with the provisions of the Voluntary Pension System Rules, 2005 and the Trust Deed respectively.

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

### 19.1 Transactions during the year

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
(Rupees in '000)								
<b>HBL Asset Management Limited - Pension Fund Manager</b>								
Management fee	2,176	1,176	850	4,202	3,031	1,593	1,280	5,904
<b>Habib Bank Limited - Sponsor</b>								
Bank charges paid	15	26	20	61	9	27	22	58
Profit on bank deposits earned	337	984	769	2,090	370	453	451	1,274
Withdrawal of units	-	-	-	-	(171,666)	(300,000)	(300,000)	(771,666)
Amount of units withdrawn	-	-	-	-	(61,302)	(44,195)	(43,447)	(148,944)
<b>Directors and Executives of the Pension Fund Manager and their relatives</b>								
<b>Directors and their relatives</b>								
Issue of units	-	-	-	-	4,183	6,226	3,142	13,551
Amount of units issued	-	-	-	-	1,650	900	450	3,000
Reallocation of units	3,664	(4,632)	(2,208)	(3,176)	7,912	(28,859)	8,989	(11,958)
Amount of units reallocated	1,049	(716)	(333)	-	2,881	(4,179)	1,298	-
<b>Executives and their relatives</b>								
Issuance of units	-	-	-	-	-	-	5	5
Amount of units issued	-	-	-	-	-	-	1	1
Withdrawal of units	-	-	-	-	-	-	-	-
Amount of units withdrawn	-	-	-	-	-	-	-	-
Reallocation of units	-	-	-	-	1,317	(3,617)	-	(2,300)
Amount of units reallocated	-	-	-	-	513	(513)	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>								
Remuneration	218	118	85	421	303	159	128	590
Central Depository System Charges	15	7	7	29	21	7	7	35
<b>Directors of connected persons</b>								
Issue of units	3	-	-	3	3	6	15	36
Amount of units issued	1	-	-	1	1	2	5	12
Reallocation of units	-	-	-	-	340	(136)	(749)	(545)
Amount of units reallocated	-	-	-	-	124	(19)	(105)	-
Redemption of units	-	4	2	6	(430)	(430)	(11,279)	(12,139)
Amount of units redeemed	-	1	-	1	(166)	(445)	(1,624)	(2,235)

## 19.2 Balances outstanding as at year end

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
<b>HBL Asset Management Limited - Pension Fund Manager</b>								
Management fee payable	147	85	59	291	153	90	67	310
Sindh Sales tax Payable	19	11	8	38	20	12	9	41
Sales load payable	38	10	1	49	34	14	14	62
Federal Excise Duty payable	880	488	383	1,751	879	488	383	1,750
<b>Habib Bank Limited - Sponsor</b>								
Units held	Number 128,334	-	-	128,334	128,334	-	-	128,334
Amount of units held	44,071	-	-	44,071	41,558	-	-	41,558
Profit receivable on bank deposits	41	36	53	130	370	453	451,205	1,274
Bank balances	8,194	14,677	9,042	31,913	6,660	14,309	20,718	41,687
<b>Directors and Executives of the Pension Fund Manager and their relatives</b>								
<b>Directors and their relatives</b>								
Units held	Number 19,671	36,426	18,677	74,774	45,629	65,886	46,076	157,591
Amount of units held	6,755	5,956	3,003	15,714	14,776	10,031	6,854	31,661
<b>Executives and their relatives</b>								
Units held	Number -	-	-	-	13,155	8,685	5	21,845
Amount of units held	-	-	-	-	4,260	1,322	1	5,583
<b>Executives of the Habib Bank Limited - Sponsor and their relatives</b>								
Units held	Number -	-	-	-	14,833	36,977	-	51,810
Amount of units held	-	-	-	-	4,803	5,630	-	10,433
<b>Central Depository Company of Pakistan Limited - Trustee</b>								
Remuneration payable	17	11	7	35	17	10	8	35
Security deposit receivable	100	100	100	300	100	100	100	300
<b>Directors of connected persons</b>								
Units held	Number 30	16	8	54	1,470	15,084	57,551	74,105
Amount of units held	10	3	1	14	476	2,126	8,560	11,162

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

	2020												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	
	(Rupees in '000)												
<b>Financial Assets</b>													
Bank balances	9,271	-	-	9,271	57,147	-	-	57,147	50,483	-	-	50,483	116,901
Investments	-	-	120,809	120,809	-	-	14,685	14,685	1,953	-	-	1,953	137,447
Dividend and profit receivable	66	-	-	66	620	-	-	620	390	-	-	390	1,076
Advances, deposits, prepayments and other receivables	193	-	-	193	549	-	-	549	133	-	-	133	875
	9,530	-	120,809	130,339	58,316	-	14,685	73,001	52,959	-	-	52,959	256,299
<b>Financial liabilities</b>													
Payable to the Pension Fund Manager	-	-	-	-	-	-	-	-	204	106	68	378	
Payable to the Trustee	-	-	-	-	-	-	-	-	17	228	7	252	
Accrued expenses and other liabilities	-	-	-	-	-	-	-	-	3,682	228	134	4,044	
	-	-	-	-	-	-	-	-	3,903	345	209	4,457	
<b>2019</b>													
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	
	(Rupees in '000)												
<b>Financial Assets</b>													
Bank balances	12,902	-	-	12,902	47,175	-	-	47,175	49,444	-	-	49,444	109,521
Investments	-	-	111,997	111,997	1,994	-	23,339	25,333	3,975	-	-	3,975	141,305
Dividend and profit receivable	169	-	-	169	943	-	-	943	653	-	-	653	1,765
Advances, deposits, prepayments and other receivables	595	-	-	595	160	-	-	160	133	-	-	133	888
	13,666	-	111,997	125,663	50,272	-	23,339	73,611	54,205	-	-	54,205	253,479
<b>Financial liabilities</b>													
Payable to the Pension Fund Manager	-	-	-	-	-	-	-	-	207	116	90	413	
Payable to the Trustee	-	-	-	-	-	-	-	-	17	10	8	35	
Payable to the SECP	-	-	-	-	-	-	-	-	659	172	310	1,141	
Accrued expenses and other liabilities	-	-	-	-	-	-	-	-	883	298	408	1,589	



## **21. FINANCIAL RISK MANAGEMENT**

The Fund primarily invests in a portfolio of equity, debt and money market investments such as shares of listed companies, investment - grade debt securities, government securities and other money market instruments. These activities are exposed to a variety of financial risks i.e. market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

### **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 Pension Fund Manager 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. The maximum risk resulting from financial instruments equals their fair values.

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 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 as a result of changes in market interest rates.

##### **a) Sensitivity analysis for fixed rate instruments**

As at June 30, 2020, the Debt Sub-Fund hold no fixed rate instruments, therefore, not exposing the Fund to fair value interest rate risk.

##### **b) Sensitivity analysis for variable rate instruments**

As at June 30, 2020, the Debt Sub-Fund and Money Market Sub-Fund hold GoP Ijarah Sukuks and Sukuk certificates which are classified as 'fair through profit or loss', exposing the Fund to cash flow interest rate risk and fair value interest rate risk. In case of 100 basis points increase / decrease in mark-up rates on June 30, 2020, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

**HBL ISLAMIC PENSION FUND**  
Notes to the Financial Statements  
For the year ended June 30, 2020

	Total Exposure					
	2020			2019		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)			(Rupees in '000)		
Sukuk certificates	14,685	-	14,685	23,339	-	23,339

	Effect on total comprehensive income and net assets					
	2020			2019		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)			(Rupees in '000)		
<b>Change in basis points-Fair value interest rate risk</b>						
100	(270)	-	(270)	(282)	-	(282)
(100)	(63)	-	(63)	353	-	353
<b>Change in basis points-Cash flow interest rate risk</b>						
100	23	-	23	37	-	37
(100)	(23)	-	(23)	(37)	-	(37)

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the impact 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 settlement date.

	2020																		
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total						
	Yield / Interest rate	Exposed to yield / interest rate risk	More than three months	More than three months and up to one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Exposed to yield / interest rate risk	More than three months	More than three months and up to one year	Not exposed to yield / interest rate risk	Total							
	(Rupees in '000)				(Rupees in '000)				(Rupees in '000)										
On-balance sheet financial instruments																			
Financial assets																			
Bank balances	6.00 - 14.50	9,271	-	-	-	9,271	6.00 - 14.50	57,147	-	-	-	57,147	6.00 - 14.50	50,483	-	-	-	50,483	116,901
Investments		-	-	-	120,809	120,809	8.65 - 15.20	-	5,000	9,685	-	14,685		1,953	-	-	-	1,953	137,447
Dividend and profit receivable		-	-	-	66	66		-	-	-	620	620		-	-	390	390	-	1,076
Advances, deposits and other receivables		-	-	-	193	193		-	-	-	549	549		-	-	-	-	133	875
		9,271	-	-	121,068	130,339		57,147	5,000	9,685	1,169	73,001		52,436	-	-	523	52,959	256,299
Financial liabilities																			
Payable to the Pension Fund Manager		-	-	-	204	204		-	-	-	106	106		-	-	-	68	68	378
Payable to the Trustee		-	-	-	17	17		-	-	-	11	11		-	-	-	7	7	35
Accrued expenses and other liabilities		-	-	-	3,682	3,682		-	-	-	228	228		-	-	-	134	134	4,044
		-	-	-	3,903	3,903		-	-	-	345	345		-	-	-	209	209	4,457
On-balance sheet gap		9,271	-	-	117,165	126,436		57,147	5,000	9,685	824	72,656		52,436	-	-	314	52,750	251,842
Off-balance sheet financial instruments		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-

	2019																		
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total						
	Yield / Interest rate	Exposed to yield / interest rate risk	More than three months	More than three months and up to one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Exposed to yield / interest rate risk	More than three months	More than three months and up to one year	Not exposed to yield / interest rate risk	Total							
	(Rupees in '000)				(Rupees in '000)				(Rupees in '000)										
On-balance sheet financial instruments																			
Financial assets																			
Bank balances	3.00 - 13.60	12,902	-	-	-	12,902	3.00 - 13.60	47,175	-	-	-	47,175	3.00 - 13.60	49,444	-	-	-	49,444	109,521
Investments		-	-	-	111,997	111,997	11.03 - 14.20	1,994	8,000	15,339	-	25,333		3,975	-	-	-	3,975	141,305
Dividend and profit receivable		-	-	-	169	169		-	-	-	943	943		-	-	-	653	653	1,765
Advances, deposits, prepayments and other receivables		-	-	-	595	595		-	-	-	160	160		-	-	-	133	133	888
		12,902	-	-	112,761	125,663		49,169	8,000	15,339	1,103	73,611		53,419	-	-	786	54,205	253,479
Financial liabilities																			
Payable to the Pension Fund Manager		-	-	-	207	207		-	-	-	116	116		-	-	-	90	90	413
Payable to the Trustee		-	-	-	17	17		-	-	-	10	10		-	-	-	8	8	35
Accrued expenses and other liabilities		-	-	-	659	659		-	-	-	172	172		-	-	-	310	310	1,141
		-	-	-	883	883		-	-	-	298	298		-	-	-	408	408	1,589
On-balance sheet gap		12,902	-	-	111,878	124,780		49,169	8,000	15,339	805	73,313		53,419	-	-	378	53,797	251,890
Off-balance sheet financial instruments		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-

### 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 instrument traded in the market.

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KMI-30 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio.

Sector wise portfolio	June 30, 2020		June 30, 2019	
	Funds equity portfolio (%)	KMI-30 benchmark portfolio (%)	Funds equity portfolio (%)	KMI-30 benchmark portfolio (%)
Oil & Gas Exploration Companies	23.90%	13.36%	32.42%	18.56%
Fertilizer	13.22%	14.21%	14.93%	9.53%
Power Generation & Distribution	7.86%	5.89%	11.06%	4.71%
Oil & Gas Marketing Companies	6.97%	4.73%	8.35%	19.04%
Chemical	5.99%	2.53%	7.11%	1.40%
Textile Composite	4.36%	2.83%	5.55%	4.69%
Cement	15.30%	8.38%	4.95%	8.39%
Commercial Banks	3.31%	21.94%	4.48%	27.96%
Automobile Parts & Accessories	2.95%	0.90%	4.24%	1.86%
Pharmaceuticals	5.84%	4.03%	3.55%	3.45%
Paper and Board	0.00%	0.00%	1.49%	0.02%
Automobile Assembler	2.70%	2.79%	0.00%	0.00%
Engineering	2.48%	0.79%	0.00%	0.37%
Glass and Ceramics	0.00%	0.00%	0.00%	0.00%
Technology & Communication	2.20%	2.07%	0.00%	0.00%
Transport	1.25%	0.51%	0.00%	0.00%
Inv. Banks / Inv. Cos. / Securities Cos.	0.53%	2.90%	0.00%	0.00%
Leather & Tanneries	1.14%	0.40%	0.00%	0.00%
Others	0.00%	11.74%	1.87%	0.02%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

In case of 5% increase / decrease in KMI-30 index on June 30, 2020, with all other variables held constant, other components of equity and the net assets of the Fund would increase / decrease by Rs. 7.24 million as a result of gains / losses on equity securities.

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. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KMI-30 index.

### 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 relevant brokerage house or the counter party to fulfill 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 Pension Fund Manager.

The maximum exposure to credit risk is as follows:

	Rating Agency	Rating	2020			Total
			Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
(Rupees in '000)						
<b>Bank balances by rating category</b>						
Habib Bank Limited	VIS	AAA	8,200	15,682	12,044	35,926
Allied Bank Limited	PACRA	AAA	-	13,524	9,304	22,828
Askari Bank Limited	PACRA	AA+	-	5	5	10
Habib Metropolitan Bank Limited	PACRA	AA+	-	88	1	89
Bank Al-Habib Limited	PACRA	AA+	-	456	158	614
Meezan Bank Limited	VIS	AA+	-	5	4	9
Dubai Islamic Bank Pakistan Limited	VIS	AA	107	13,602	9,481	23,190
Soneri Bank Limited	PACRA	AA-	-	-	9,842	9,842
Faysal Bank Limited	PACRA	AA	-	80	148	228
Bank Islami Pakistan Limited	PACRA	A+	964	13,695	9,486	24,145
Summit Bank Limited	VIS	Suspended	-	10	10	20
			<u>9,271</u>	<u>57,147</u>	<u>50,483</u>	<u>116,901</u>
<b>Sukuk bonds by rating category</b>						
AAA			-	510	-	510
AA+			-	3,139	-	3,139
AA-			-	539	-	539
AA			-	3,536	-	3,536
A+			-	961	-	961
Non rated			-	6,000	-	6,000
			<u>-</u>	<u>14,685</u>	<u>-</u>	<u>14,685</u>
<b>Investment in commercial paper</b>						
A-1+			-	-	1,953	1,953
<b>Dividend and profit receivable</b>						
			<u>66</u>	<u>620</u>	<u>390</u>	<u>1,076</u>
<b>Advances, deposits, prepayments and other receivables</b>						
			<u>193</u>	<u>549</u>	<u>133</u>	<u>875</u>

	Rating Agency	Rating	2019			
			Equity	Debt	Money Market	Total
			Sub-Fund	Sub-Fund	Sub-Fund	
----- (Rupees in '000) -----						
<i>Bank balances by rating category</i>						
Habib Bank Limited	VIS	AAA	6,661	14,315	10,747	31,723
Allied Bank Limited	PACRA	AAA	-	15	21	36
Habib Metropolitan Bank Limited	PACRA	AA+	-	85	1	86
Bank Al-Habib Limited	PACRA	AA+	-	4,211	7,433	11,644
Meezan Bank Limited	VIS	AA+	-	5	4	9
Dubai Islamic Bank Pakistan Limited	VIS	AA-	4,069	14,214	10,417	28,700
Soneri Bank Limited	PACRA	AA-	-	-	10,269	10,269
Faysal Bank Limited	VIS	AA	-	150	133	283
Bank Islami Pakistan Limited	PACRA	A+	2,172	14,170	10,409	26,751
Summit Bank Limited	VIS	A-	-	10	10	20
			<u>12,902</u>	<u>47,175</u>	<u>49,444</u>	<u>109,521</u>
<i>Sukuk bonds by rating category</i>						
AAA			-	880	-	880
AA+			-	4,682	-	4,682
AA-			-	899	-	899
AA			-	5,438	-	5,438
A+			-	1,440	-	1,440
Non rated			-	10,000	-	10,000
			<u>-</u>	<u>23,339</u>	<u>-</u>	<u>23,339</u>
Investment in commercial paper			<u>-</u>	<u>1,994</u>	<u>3,975</u>	<u>5,969</u>
Dividend and profit receivable			<u>169</u>	<u>943</u>	<u>653</u>	<u>1,765</u>
Advances, deposits, prepayments and other receivables			<u>595</u>	<u>160</u>	<u>133</u>	<u>888</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets.

### Concentration of credit risk

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

### 21.3 Liquidity risk

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

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the participant's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP). The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. 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 realizable.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of the total net asset value at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made 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:

	2020												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	Up to three months	Over three months and up to	Over one year	Total	Up to three months	Over three months and up to	Over one year	Total	Up to three months	Over three months and up to	Over one year	Total	
(Rupees in '000)													
<b>Financial Liabilities</b>													
Payable to the Pension Fund Manager	204	-	-	204	106	-	-	106	68	-	-	68	378
Payable to the Trustee	17	-	-	17	11	-	-	11	7	-	-	7	35
Accrued expenses and other liabilities	3,682	-	-	3,682	228	-	-	228	134	-	-	134	4,044
	<b>3,903</b>	-	-	<b>3,903</b>	<b>345</b>	-	-	<b>345</b>	<b>209</b>	-	-	<b>209</b>	<b>4,457</b>
2019													
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				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 Pension Fund Manager	207	-	-	207	116	-	-	116	90	-	-	90	413
Payable to the Trustee	17	-	-	17	10	-	-	10	8	-	-	8	35
Accrued expenses and other liabilities	659	-	-	659	172	-	-	172	310	-	-	310	1,141
	<b>883</b>	-	-	<b>883</b>	<b>298</b>	-	-	<b>298</b>	<b>408</b>	-	-	<b>408</b>	<b>1,589</b>

The above mentioned financial liabilities do not carry any mark-up.

Units of the Fund are redeemable on demand at the participants' option. However, unit holders typically retain them from medium to long term.

## 22. PARTICIPANTS' FUNDS RISK MANAGEMENT (CAPITAL RISK)

The participants' fund is represented by redeemable units. These units are entitled to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date.

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

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

In accordance with the risk management policies stated in note 21, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption. Since the participants of the Fund have invested with long term objective, the possibility of a significant redemption pressure is limited, such liquidity is augmented by borrowing arrangements (which can be entered if necessary) or disposal of investments, where necessary.

All units, including the core units, and fractions thereof represent an undivided share in the pertinent sub-funds of the Fund and rank pari passu as their rights in the net assets and earning of the sub-fund are not tradable or transferable. Each participant has a beneficial interest in the sub-fund proportionate to the units held by such participant in such sub-fund.

## 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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

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.

According to IFRS 7, Financial Instruments: Disclosure - an entity shall 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:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 5.

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

		Held by Equity sub-fund								
		2020				Fair Value				
On-balance sheet financial instruments	Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in'000) -----										
<b>Financial assets measured at fair value</b>										
- Listed equity securities		120,809	-	-	-	120,809	120,809	-	-	120,809
<b>Financial assets not measured at fair value</b>	23.1									
- Bank balances		-	-	-	9,271	9,271				
- Dividend receivable and accrued mark-up		-	-	-	66	66				
- Advances, deposits, prepayments and other receivables		-	-	-	193	193				
		-	-	-	9,530	9,530				
		120,809	-	-	9,530	130,339				
<b>Financial liabilities not measured at fair value</b>	23.2									
- Payable to the Pension Fund Manager		-	-	-	204	204				
- Payable to the Trustee		-	-	-	17	17				
- Accrued expenses and other liabilities		-	-	-	3,682	3,682				
		-	-	-	3,903	3,903				
----- (Rupees in'000) -----										
		2019				Fair Value				
On-balance sheet financial instruments	Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in'000) -----										
<b>Financial assets measured at fair value</b>										
- Listed equity securities		111,997	-	-	-	111,997	111,997	-	-	111,997
<b>Financial assets not measured at fair value</b>	23.1									
- Bank balances		-	-	-	12,902	12,902				
- Dividend receivable and accrued mark-up		-	-	-	169	169				
- Advances, deposits, prepayments and other receivables		-	-	-	595	595				
		-	-	-	13,666	13,666				
		111,997	-	-	13,666	125,663				
<b>Financial liabilities not measured at fair value</b>	23.2									
- Payable to the Pension Fund Manager		-	-	-	207	207				
- Payable to the Trustee		-	-	-	17	17				
- Accrued expenses and other liabilities		-	-	-	659	659				
		-	-	-	883	883				

		Held by Debt sub-fund							
		2020				Fair Value			
		Carrying Amount							
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Fair value through other comprehensive income	Amortised 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</b>									
	- GoP Ijarah Sukuks	-	-	-	-	-	-	-	-
	- Term finance certificates and sukuk bonds - Unlisted	14,685	-	-	14,685	-	14,685	-	14,685
		14,685	-	-	14,685	-	-	-	-
<b>Financial assets not measured at fair value</b>									
23.1	- Bank balances	-	-	57,147	57,147	-	-	-	-
	- Dividend receivable and accrued mark-up	-	-	620	620	-	-	-	-
	- Advances, deposits, prepayments and other receivables	-	-	549	549	-	-	-	-
		-	-	58,316	58,316	-	-	-	-
		-	-	58,316	73,001	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
23.2	- Payable to the Pension Fund Manager	-	-	106	106	-	-	-	-
	- Payable to the Trustee	-	-	11	11	-	-	-	-
	- Accrued expenses and other liabilities	-	-	228	228	-	-	-	-
		-	-	345	345	-	-	-	-

		Held by Debt sub-fund							
		2019				Fair Value			
		Carrying Amount							
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Fair value through other comprehensive income	Amortised 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</b>									
	- Term finance certificates and sukuk bonds - Unlisted	23,339	-	-	23,339	-	23,339	-	23,339
		23,339	-	-	23,339	-	-	-	-
<b>Financial assets not measured at fair value</b>									
23.1	- Bank balances	-	-	47,175	47,175	-	-	-	-
	- Dividend receivable and accrued mark-up	-	-	-	-	-	-	-	-
	- Term deposits receipts (TDRs)	-	-	1,994	1,994	-	-	-	-
	- Commercial papers	-	-	943	943	-	-	-	-
	- Advances, deposits, prepayments and other receivables	-	-	160	160	-	-	-	-
		-	-	50,272	50,272	-	-	-	-
		-	-	50,272	73,611	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
23.2	- Payable to the Pension Fund Manager	-	-	116	116	-	-	-	-
	- Payable to the Trustee	-	-	10	10	-	-	-	-
	- Accrued expenses and other liabilities	-	-	172	172	-	-	-	-
		-	-	298	298	-	-	-	-

		Held by Money Market sub-fund							
		2020				Fair Value			
		Carrying Amount							
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees in'000)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets not measured at fair value</b>									
23.1	- Bank balances	-	-	50,483	50,483	-	-	-	-
	- Term deposits receipts	-	-	-	-	-	-	-	-
	- Commercial papers	-	-	1,953	1,953	-	-	-	-
	- Dividend receivable and accrued mark-up	-	-	390	390	-	-	-	-
	- Advances, deposits, prepayments and other receivables	-	-	133	133	-	-	-	-
		-	-	52,959	52,959	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
23.2	- Payable to the Pension Fund Manager	-	-	68	68	-	-	-	-
	- Payable to the Trustee	-	-	7	7	-	-	-	-
	- Accrued expenses and other liabilities	-	-	134	134	-	-	-	-
		-	-	209	209	-	-	-	-

		Held by Money Market sub-fund							
		2019				Fair Value			
		Carrying Amount							
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees in'000)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets not measured at fair value</b>									
23.1	- Bank balances	-	-	39,344	39,344	-	-	-	-
	- Term deposits receipts	-	-	10,100	10,100	-	-	-	-
	- Commercial papers	-	-	3,975	3,975	-	-	-	-
	- Dividend receivable and accrued mark-up	-	-	653	653	-	-	-	-
	- Advances, deposits, prepayments and other receivables	-	-	133	133	-	-	-	-
		-	-	54,205	54,205	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
23.2	- Payable to the Pension Fund Manager	-	-	90	90	-	-	-	-
	- Payable to the Trustee	-	-	8	8	-	-	-	-
	- Accrued expenses and other liabilities	-	-	310	310	-	-	-	-
		-	-	408	408	-	-	-	-



**23.1** Valuation techniques used in determination of fair values within level 2:

Investments in Market Treasury Bills are valued on the basis of the PKRVs announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

**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 reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**23.3** Net assets attributable to participants. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to participants approximates their fair value. The units are categorised into Level 2 of the fair value hierarchy.

**24. FINANCIAL PERFORMANCE**

**24.1 Equity sub-fund**

	Equity Sub-Fund					
	2020	2019	Change	2018	2017	2016
	(Rupees in '000)		%	(Rupees in '000)		
Net income for the year	12,326	(30,725)	-140.12	(15,219)	41,151	23,945
Realised capital gains / (losses)	6,569	(14,024)	-146.84	(3,809)	37,880	20,959
Unrealised capital gains / (losses)	3,044	(21,010)	-114.49	(25,403)	3,982	(14,881)
Dividend income / profit on bank deposits	6,360	8,851	-28.14	8,314	7,846	6,558
NAV per unit (Rupees)	343.4056	323.8249	6.05	388.2683	441.3274	345.9646
Transactions in securities			0.00			
Purchases	159,439	159,439	0.00	140,157	339,346	339,370
Sales	166,208	166,208	0.00	145,973	344,054	333,622
Total contribution received			0.00			
Individuals	30,078	81,294	-63.00	32,117	35,872	8,841

**24.2 Debt sub-fund**

	Debt Sub-Fund					
	2020	2019	Change	2018	2017	2016
	(Rupees in '000)		%	(Rupees in '000)		
Net income for the year	4,940	6,461	90.78	3,621	4,518	1,503
Realised capital gains / (losses)	(1,136)	(105)	100.00	182	1,346	(770)
Unrealised capital (losses) / gains	53	(57)	-192.98	(477)	(163)	650
Mark-up income / profit on bank deposits	7,584	8,499	-10.77	5,541	4,973	4,214
NAV per unit (Rupees)	163.5160	152.2556	7.40	141.8178	137.8331	131.1891
Transactions in securities			0.00			
Purchases	36,990	36,990	0.00	63,723	11,861	117,270
Sales	41,516	41,516	100.00	57,647	46,965	50,235
Total contribution received			0.00			
Individuals	38,501	51,200	-24.80	43,516	23,277	12,980

**24.3 Money market sub-fund**

	Money Market Sub-Fund					
	2020	2019	Change	2018	2017	2016
	(Rupees in '000)		%	(Rupees in '000)		
Net income for the year	3,923	5,334	-26.45	2,590	2,856	1,087
Realised capital gains / (losses)	-	(2)	100.00	54	540	(378)
Unrealised capital gains / (losses)	-	-	0.00	-	-	203
Mark-up income / profit on bank deposits	5,068	6,852	-26.04	4,177	3,657	2,920
NAV per unit (Rupees)	160.7700	148.7409	8.09	139.3646	134.7699	129.4022
Transactions in securities			0.00			
Purchases	10,956	10,956	100.00	48,007	-	47,559
Sales	10,971	10,971	100.00	48,061	20,368	24,625
Total contribution received			0.00			
Individuals	17,336	46,520	-62.73	31,617	30,385	6,266

**24.4 Highest and lowest issue price of units during the year**

	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund	
	2020	2019	2020	2019	2020	2019
	(Rupees in '000)					
Highest issue price	421.5865	409.4661	164.5904	152.2556	160.7700	148.8859
Lowest issue price	266.5793	308.8831	152.3535	141.7704	148.8307	139.4065

**25. NON COMPLIANT INVESTMENTS DISCLOSURE**

**25..1 Held by Debt Sub-Fund**

Instruments / Banker	Type of investment / exposure	Rating of the issuer	Rating of the instrument	Value of investment / exposure	Provision held	Value of investment after provision	Limit	Market value as a percentage of net assets of sub-fund
				----- (Rupees in '000) -----				----- (%) -----
Habib Bank Limited	Bank balances	AAA	not applicable	15,682	-	15,682	20.00	21.83

**25..2 Held by Money Market Sub-Fund**

Instruments / Banker	Type of investment / exposure	Rating of the issuer	Rating of the instrument	Value of investment / exposure	Provision held	Value of investment after provision	Limit	Market value as a percentage of net assets of sub-fund
				----- (Rupees in '000) -----				----- (%) -----
Habib Bank Limited	Bank Balance	AAA	not applicable	12,044	-	12,044	20.00	23.11

**25..3** Section 8 of the offering document of the Fund sets out investment policy for each of the Sub Funds. At June 30, 2020, in the above cases the limits set out by the investment policy have been exceeded. The excess has been caused mainly due to fluctuation in net asset value of the Fund.

**26. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Pension Fund Manager on August 27, 2020.

**27. 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

## Pension Fund

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Pension Fund</b>
<b>NAME OF AUDITOR</b>	<b>KPMG Taseer Hadi &amp; Co.</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Faysal Bank Limited Allied Bank JS Bank Limited NIB Bank Limited Sindh Bank Limited Soneri Bank Limited Zarai Taraqiati Bank Limited</b>

**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  
URL: [www.cdcpk.com](http://www.cdcpk.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE PARTICIPANTS**

**HBL PENSION FUND**

**Report of the Trustee pursuant to Rule 31(h) of the Voluntary Pension System Rules, 2005**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Pension Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

**Abdul Samad**  
Chief Operating Officer  
Central Depository Company of Pakistan Limited

Karachi, September 29, 2020





KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

### **Independent Auditors' Report to the Participants**

We have audited the annexed financial statements comprising:

- i. Statement of Assets and Liabilities;
- ii. Income Statement and Statement of Comprehensive Income;
- iii. Statement of Movement in Participants' Funds; and
- iv. Cash Flow Statement,

of **HBL Pension Fund** ("the Fund") as at June 30, 2020 and for the year then ended together with the notes forming part thereof.

### **Pension Fund Manager's responsibility for the financial statements**

The Pension Fund Manager is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting and Reporting Standards as applicable in Pakistan, and for such internal control as the Pension Fund Manager determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



KPMG Taseer Hadi & Co.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion:

- a) the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines there under;
- b) a true and fair view is given of the disposition of the Fund as at June 30, 2020 and of the transactions of the Fund for the year ended June 30, 2020 in accordance with the Accounting and Reporting Standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d) the cost and expenses debited to the pension fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the pension fund;
- e) proper books and records have been kept by the Pension Fund Manager and the financial statements prepared are in agreement with the pension fund's books and records;
- f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

**Date: 24 September 2020**

**Karachi**

**KPMG Taseer Hadi & Co.  
Chartered Accountants  
Zeeshan Rashid**

**HBL PENSION FUND**  
**Statement of Assets and Liabilities**  
*As at June 30, 2020*

	Note	2020				2019			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>Assets</b>									
Bank balances	4	8,088	19,604	55,999	83,691	16,045	59,315	110,412	185,772
Investments	5	194,609	188,732	83,644	466,985	178,275	85,773	14,834	278,882
Dividend and profit receivable	6	59	3,430	255	3,744	209	1,675	990	2,874
Advances, deposits, prepayments and other receivables	7	131	207	180	518	1,131	206	178	1,515
<b>Total assets</b>		<b>202,887</b>	<b>211,973</b>	<b>140,078</b>	<b>554,938</b>	<b>195,660</b>	<b>146,969</b>	<b>126,414</b>	<b>469,043</b>
<b>Liabilities</b>									
Payable to Pension Fund Manager	8	281	339	234	854	276	212	202	690
Payable to Central Depository Company of Pakistan Limited - Trustee	9	28	29	19	76	27	19	17	63
Payable to Securities and Exchange Commission of Pakistan	10	59	50	36	145	80	53	48	181
Accrued expenses and other liabilities	11	4,210	2,305	1,643	8,158	2,573	1,965	1,937	6,475
<b>Total liabilities</b>		<b>4,578</b>	<b>2,723</b>	<b>1,932</b>	<b>9,233</b>	<b>2,956</b>	<b>2,249</b>	<b>2,204</b>	<b>7,409</b>
<b>Net assets</b>		<b>198,309</b>	<b>209,250</b>	<b>138,146</b>	<b>545,705</b>	<b>192,704</b>	<b>144,720</b>	<b>124,210</b>	<b>461,634</b>
<b>Participants' sub funds (as per statement attached)</b>		<b>198,309</b>	<b>209,250</b>	<b>138,146</b>	<b>545,705</b>	<b>132,960</b>	<b>109,135</b>	<b>103,738</b>	<b>345,833</b>
<b>Number of units in issue</b>	13	<b>611,379</b>	<b>1,016,164</b>	<b>777,841</b>	<b>2,405,384</b>	<b>611,256</b>	<b>841,542</b>	<b>782,539</b>	<b>2,235,337</b>
<b>Net assets value per unit</b>	Rupees	<b>324.3643</b>	<b>205.9216</b>	<b>177.6024</b>		<b>315.2585</b>	<b>171.9703</b>	<b>158.7278</b>	

The annexed notes 1 to 27 form an integral part of these financial statements.

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

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

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

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



# HBL PENSION FUND

## Income Statement and Statement of Comprehensive Income

For the year ended June 30, 2020

Note	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>Income</b>								
Dividend income	10,305	-	-	10,305	11,021	-	-	11,021
Profit on bank deposits calculated using the effective interest method	14	1,675	2,902	5,983	10,560	1,823	2,182	6,617
Mark-up / return on investments calculated using the effective interest method	15	-	18,112	10,127	28,239	-	12,642	7,312
Realised gain / (loss) on sale of investments		4,767	5,408	172	10,347	(15,488)	418	35
Unrealised gain / (loss) on revaluation of investments at fair value through profit or loss		(3,813)	9,045	22	5,254	(27,404)	(248)	-
		<u>12,934</u>	<u>35,467</u>	<u>16,304</u>	<u>64,705</u>	<u>(30,048)</u>	<u>14,994</u>	<u>13,964</u>
		-	-	-	-	-	-	-
		<u>12,934</u>	<u>35,467</u>	<u>16,304</u>	<u>64,705</u>	<u>(30,048)</u>	<u>14,994</u>	<u>13,964</u>
<b>Expenses</b>								
Remuneration of HBL Asset Management Limited - Pension Fund Manager		3,487	2,981	2,112	8,580	4,075	2,704	2,423
Remuneration of Central Depository Company of Pakistan Limited - Trustee		350	299	212	861	407	270	242
Annual fee to Securities and Exchange Commission of Pakistan		59	50	36	145	80	53	48
Auditors' remuneration	16	152	125	91	368	159	105	95
Settlement and bank charges		60	32	29	121	842	69	46
Other expenses		667	19	5	691	44	23	22
		<u>4,775</u>	<u>3,506</u>	<u>2,485</u>	<u>10,766</u>	<u>5,607</u>	<u>3,224</u>	<u>2,876</u>
		<u>8,159</u>	<u>31,961</u>	<u>13,819</u>	<u>53,939</u>	<u>(35,655)</u>	<u>11,770</u>	<u>11,088</u>
(Provision) / Reversal for Sindh Workers' Welfare Fund (SWWF)	18	(160)	(627)	(271)	(1,058)	-	91	86
<b>Net income / (loss) before taxation</b>		<u>7,999</u>	<u>31,334</u>	<u>13,548</u>	<u>52,881</u>	<u>(35,655)</u>	<u>11,861</u>	<u>11,174</u>
Taxation	17	-	-	-	-	-	-	-
<b>Net income / (loss) for the year</b>		<u>7,999</u>	<u>31,334</u>	<u>13,548</u>	<u>52,881</u>	<u>(35,655)</u>	<u>11,861</u>	<u>11,174</u>
<b>Total comprehensive income / (loss) for the year</b>		<u>7,999</u>	<u>31,334</u>	<u>13,548</u>	<u>52,881</u>	<u>(35,655)</u>	<u>11,861</u>	<u>11,174</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

**HBL PENSION FUND**  
**Statement of Movement in Participants' Funds**  
For the year ended June 30, 2020

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>Net assets at beginning of the year</b>	<b>192,704</b>	<b>144,720</b>	<b>124,210</b>	<b>461,634</b>	252,448	180,305	144,682	577,435
Issuance of units	38,004	83,299	38,700	160,003	79,979	44,698	71,280	195,957
Redemption of units	(51,774)	(42,100)	(34,939)	(128,813)	(111,091)	(87,093)	(100,954)	(299,138)
Reallocation among funds	11,376 (2,394)	(8,003) 33,196	(3,373) 388	- 31,190	7,023 (24,089)	(5,051) (47,446)	(1,972) (31,646)	- (103,181)
Net income / (loss) for the year	7,999	31,334	13,548	52,881	(35,655)	11,861	11,174	(12,620)
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b>7,999</b>	<b>31,334</b>	<b>13,548</b>	<b>52,881</b>	(35,655)	11,861	11,174	(12,620)
<b>Net assets at end of the year</b>	<b>198,309</b>	<b>209,250</b>	<b>138,146</b>	<b>545,705</b>	192,704	144,720	124,210	461,634
Net assets value per unit at beginning of the year	315.2585	171.9703	158.7278		366.3184	159.5394	147.2662	
Net assets value per unit at end of the year	324.3643	205.9216	177.6024		315.2585	171.9703	158.7278	

The annexed notes 1 to 27 form an integral part of these financial statements.

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

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

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

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

**HBL PENSION FUND**  
**Cash Flow Statement**  
For the year ended June 30, 2020

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
<b>Note</b>	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
Net income / (loss) for the year	7,999	31,334	13,548	52,881	(35,655)	11,861	11,174	(12,620)
<b>Adjustments</b>								
Unrealised (gain) / loss on revaluation of investments at fair value through profit or loss	3,813	(9,045)	(22)	(5,254)	27,404	248	-	27,652
	11,812	22,289	13,526	47,627	(8,251)	12,109	11,174	15,032
<b>(Increase) / decrease in assets</b>								
Investments - net	(20,147)	(93,914)	(68,788)	(182,849)	24,255	15,149	41,842	81,246
Dividend and profit receivable	150	(1,755)	735	(870)	316	(621)	(688)	(993)
Advances, deposits, prepayments and other receivables	1,000	(1)	(2)	997	(1,026)	(106)	(76)	(1,208)
	(18,997)	(95,670)	(68,055)	(182,722)	23,545	14,422	41,078	79,045
<b>(Decrease) / Increase in liabilities</b>								
Payable to HBL Asset Management Limited - Pension Fund Manager	5	127	32	164	(79)	(37)	-	(116)
Payable to Central Depository Company of Pakistan Limited - Trustee	1	10	2	13	(8)	(6)	(3)	(17)
Payable to Securities and Exchange Commission of Pakistan	(21)	(3)	(12)	(36)	2	(8)	(3)	(9)
Accrued expenses and other liabilities	1,637	340	(294)	1,683	(5,659)	(4)	17	(5,646)
	1,622	474	(272)	1,824	(5,744)	(55)	11	(5,788)
<b>Net cash (used in) / generated from operating activities</b>	<b>(5,563)</b>	<b>(72,907)</b>	<b>(54,801)</b>	<b>(133,271)</b>	<b>9,550</b>	<b>26,476</b>	<b>52,263</b>	<b>88,289</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>								
Amount received on issue of units	38,004	83,299	38,700	160,003	79,979	44,698	71,280	195,957
Amount paid on redemption of units	(51,774)	(42,100)	(34,939)	(128,813)	(111,091)	(87,093)	(100,954)	(299,138)
Reallocation among funds	11,376	(8,003)	(3,373)	-	7,023	(5,051)	(1,972)	-
<b>Net cash (used in) / generated from financing activities</b>	<b>(2,394)</b>	<b>33,196</b>	<b>388</b>	<b>31,190</b>	<b>(24,089)</b>	<b>(47,446)</b>	<b>(31,646)</b>	<b>(103,181)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(7,957)</b>	<b>(39,711)</b>	<b>(54,413)</b>	<b>(102,081)</b>	<b>(14,539)</b>	<b>(20,970)</b>	<b>20,617</b>	<b>(14,892)</b>
Cash and cash equivalents at beginning of the year	16,045	59,315	110,412	185,772	30,584	80,285	89,795	200,664
<b>Cash and cash equivalents at end of the year</b>	<b>8,088</b>	<b>19,604</b>	<b>55,999</b>	<b>83,691</b>	<b>16,045</b>	<b>59,315</b>	<b>110,412</b>	<b>185,772</b>

The annexed notes 1 to 27 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 Pension Fund ("the Fund") was established under a Trust Deed, dated August 17, 2011, between HBL Asset Management Limited as the Pension Fund Manager 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 pension fund on October 05, 2011.

The Pension Fund Manager has been licensed to act as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 (VPS Rules) through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an unlisted open end pension scheme and offers units for public subscription on a continuous basis. The units are non-transferable except in the circumstances mentioned in VPS Rules and can be redeemed by surrendering to the Fund. Further, as per the offering document, no distribution of income or dividend is allowed from any of the sub-funds.

The objective of the Fund is to provide individuals with a portable, individualised, funded (based on defined contribution), flexible pension scheme, assisting and facilitating them to plan and provide for their retirement.

The Fund consists of three sub-funds namely, HBL Pension Fund Equity Sub-Fund ("Equity Sub-Fund"), HBL Pension Fund Debt Sub-Fund ("Debt Sub-Fund") and HBL Pension Fund Money Market Sub-Fund ("Money Market Sub-Fund") (collectively the "Sub-Funds"). The investment policy for each of the sub-funds is as follows:

- The Equity Sub-Fund consists of a minimum 90% of net assets invested in listed equity securities. Investment in a single company is restricted to lower of 10% of Net Asset Value (NAV) or paid-up capital of the investee company. Investment in a single stock exchange sector is restricted to the higher of 30% of NAV or index weight, subject to a maximum of 35% of NAV. Remaining assets of the equity sub-fund shall be invested in any government security having less than one year time to maturity, or be deposited with scheduled commercial banks having at least 'A' rating. Composition of the remaining portion of the investments shall be as defined in the offering document.
- The Debt Sub-Fund consist of tradable debt securities with weighted average duration of the investment portfolio of the Sub-Fund not exceeding five years. At least twenty five percent (25%) of the assets in the Sub-Fund shall be invested in securities issued by the Federal Government. Upto twenty five percent (15%) may be deposited with banks having not less than 'AA+' rating with stable outlook.
- The Money Market Sub-Fund consists of short term debt instruments with weighted average time to maturity not exceeding ninety days. There is no restriction on the amount of investment in securities issued by the Federal Government and deposits with commercial banks with 'A+' or higher rating. However, deposits with a single commercial bank having 'A+' or higher rating shall not exceed 20% of net assets of money market sub-fund. Investment in securities issued by provincial government, city government, government corporate entities with 'A' or higher rating or a corporate entity with 'A+' or higher rating or a government corporation with 'A+' or higher rating shall be in proportion as defined in the offering document.

The Fund offers five types of allocation schemes, as prescribed by the SECP under VPS Rules, to the contributors of the Fund namely High Volatility, Medium Volatility, Low Volatility, Lower Volatility & Life Cycle Allocation. The participants of the Fund voluntarily determine the contribution amount, subject to the minimum limit fixed by the Pension Fund Manager. The allocation to the Sub-Funds has to be done at the date of opening of contributor's pension account and on an anniversary date thereafter. The contribution amount may be paid by the contributor on a periodic basis such as annual, semi annual, quarterly or monthly basis.

VIS Credit Rating Company Limited has assigned management quality rating of 'AM2+ (positive)' (2019: 'AM2+') to the Pension Fund Manager while the Fund is currently not rated.

Title to the assets of the Fund are held in the name of CDC as the trustee of the Fund.

## **1.1 Impact of COVID-19**

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / government across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The Management Company of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

The Management Company of the Fund expects that going forward these uncertainties would reduce as the impact of Covid19 on overall economy subsides and have concluded that there is no impact on current financial statements of the Fund.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of Compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of the Voluntary Pension System Rules, 2005 (the VPS Rules); and
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of the VPS Rules or provisions of and directives issued under the Companies Act, 2017 differ from the IFRS Standards, the requirements of the VPS Rules or provisions of and directives issued under the Companies Act, 2017 have been followed.

**2.2 Standards, interpretations and amendments to accounting and reporting standards, that are not yet effective:**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 1, 2020:

- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.

- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022:
  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are effective from annual periods beginning on or after July 1, 2020 and are not likely to have an impact on Fund's financial statements.

### **2.3 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

In the process of applying the Fund's accounting policies, management has made the following estimates and judgments which are significant to the financial statements.

- (a) classification of financial assets (Note 3.2)
- (b) impairment of financial assets (Note 3.2)
- (c) provisions (Note 3.5)

### **2.4 Basis of Measurement**

These financial statements have been prepared under the historical cost convention except for the investments which are stated at fair value.

### **2.5 Functional and presentation currency**

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

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below.

### **3.1 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.



## 3.2 Financial assets

### i. Classification

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

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.

### **Business model assessment**

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and

- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

#### **Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

#### **ii. Subsequent measurement**

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement 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 income statement.

The fair value of financial assets are determined as follows:

**a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its 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.

**b) Government securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

**c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**iii. Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

**iv. Impairment of financial assets**

**Financial assets at amortised cost**

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Pension Fund Manager.

**3.2.1 Regular way contracts**

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

**3.2.2 Initial recognition and measurement**

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

**3.2.3 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.

#### **3.2.4 Offsetting of financial assets and financial liabilities**

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

#### **3.3 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They 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 expires.

#### **3.4 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 exchange and other expenses. These costs are amortised over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and the VPS Rules.

#### **3.5 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.

#### **3.6 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 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 marking to market 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.

#### **3.7 Taxation**

The income of the Fund is exempt from income tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A(i) of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

### 3.8 Issue and redemption of units

Contribution received in the individual pension account after deduction of applicable front end fee is used to purchase the units of sub-funds of the pension fund according to the Allocation Scheme selected by the participant. The units are allotted at the net asset value notified by the Pension Fund Manager at the close of the business day for each sub-fund on the date on which funds are actually realized against application. The front end fee is payable to the distributors and the Pension Fund Manager.

The Pension Fund Manager makes reallocation of the sub-fund units between the sub-funds at least once a year to ensure that the allocation of the sub-fund units of all the participants are according to the Allocation Schemes selected by the participants. In case of withdrawal before retirement, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day on which such request is received by the distributor before the cut off time. Redemption of units is recorded on acceptance of application for redemption.

In case of retirement of the participant, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day on which retirement age is reached.

In case of change of Pension Fund Manager, units are redeemed at the net asset value of each of the sub-fund as of the close of the business day corresponding to the date of change specified by the participant.

### 3.9 Net Asset Value per unit

The Net Asset Value (NAV) per unit, as disclosed in statement of assets and liabilities, is calculated by dividing the net assets of each of the sub-fund by the number of units in circulation of that sub-fund at the year end.

### 3.10 Earnings per unit (EPU)

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

## 4. BANK BALANCES

Note	2020				2019				
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	
(Rupees in '000)				(Rupees in '000)					
Savings accounts	4.1	8,088	19,604	55,999	83,691	16,045	59,315	110,412	185,772
		<u>8,088</u>	<u>19,604</u>	<u>55,999</u>	<u>83,691</u>	<u>16,045</u>	<u>59,315</u>	<u>110,412</u>	<u>185,772</u>

4.1 This represents bank accounts held with various banks. Profit rates on these accounts range between 7.00 to 13.4% per annum (2019: 8.75% - 13.5% per annum).

## 5. INVESTMENTS

Note	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
<b>Investments by category</b>								
<b>At fair value through profit or loss</b>								
Listed equity securities	194,609	-	-	194,609	178,275	-	-	178,275
Government securities	-	75,931	78,770	154,701	-	37,477	-	37,477
- Market treasury bills	-	86,642	-	86,642	-	50	-	50
- Pakistan investment bonds	-	26,159	-	26,159	-	44,264	-	44,264
Term finance certificates and sukuk bonds	-	-	-	-	-	-	-	-
	194,609	188,732	78,770	462,111	178,275	81,791	-	260,066
<b>At amortised Cost</b>								
Commercial papers	-	-	4,874	4,874	-	3,982	14,834	18,816
	194,609	188,732	83,644	466,985	178,275	85,773	14,834	278,882

### 5.1 Listed equity securities - at fair value through profit or loss

#### Held by Equity Sub-Fund

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

Name of the Investee Company	As at July 1, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020	Cost of holdings as at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of total investments of sub-fund	Market value as a percentage of net assets of sub-fund	Par value as a percentage of issued capital of the investee company
<b>Automobile Assembler</b>										
Pak Suzuki Motor Company Limited	-	24,000	-	-	24,000	4,044	3,884	2.00	1.96	0.00
Sazgar Engineering Works Limited	-	10,100	-	-	10,100	1,202	1,258	0.65	0.63	0.00
	-	34,100	-	-	34,100	5,246	5,142	2.65	2.59	0.00
<b>Automobile Parts and Accessories</b>										
Thal Limited (Rs. 5 each)	13,100	14,300	-	10,900	16,500	5,139	5,362	2.76	2.70	4.07
	13,100	14,300	-	10,900	16,500	5,139	5,362	2.76	2.70	4.07
<b>Cement</b>										
Cherat Cement Company Limited	-	35,000	-	1,500	33,500	2,066	2,920	1.50	1.47	1.04
D.G.Khan Cement Company Limited	-	23,000	-	-	23,000	1,935	1,963	1.01	0.99	0.00
Kohat Cement Limited	14,000	21,000	-	4,000	31,000	2,371	4,261	2.19	2.15	1.54
Lucky Cement Limited	12,850	18,200	-	4,700	26,350	10,595	12,163	6.25	6.13	0.00
Maple Leaf Cement Factory Limited	-	232,500	-	100,000	132,500	3,184	3,442	1.77	1.74	0.00
	26,850	329,700	-	110,200	246,350	20,151	24,749	12.72	12.48	2.58
<b>Chemical</b>										
Engro Polymer and Chemicals Limited	148,314	106,000	-	179,314	75,000	1,926	1,874	0.96	0.94	0.00
I.C.I Pakistan Limited	-	5,500	-	500	5,000	2,820	3,474	1.79	1.75	0.06
Lotte Chemical Pakistan Limited	-	70,000	-	70,000	-	-	-	-	-	-
Sitara Chemical Industries Limited	7,700	1,400	-	-	9,100	2,715	2,522	1.30	1.27	4.25
Sitara Peroxide Limited	-	89,000	-	-	89,000	2,029	1,816	0.93	0.92	0.00
	156,014	271,900	-	249,814	178,100	9,490	9,686	4.98	4.88	4.31
<b>Commercial Banks</b>										
Allied Bank Limited	68,400	6,000	-	74,300	100	10	8	0.00	0.00	0.00
Askari Bank Limited	-	106,000	-	106,000	-	-	-	-	-	-
Bank Al-Falah Limited	280,185	38,000	-	51,000	267,185	11,627	8,969	4.61	4.52	2.33
Bank Al-Habib Limited	85,000	83,000	-	112,000	56,000	4,142	2,929	1.51	1.48	0.21
Bank Islami Pakistan Limited	-	384,000	-	384,000	-	-	-	-	-	-
Bank of Punjab Limited	397,000	300,000	-	148,000	549,000	5,521	4,612	2.37	2.33	4.94
Faysal Bank Limited	840	286,000	-	130,500	156,340	3,179	2,178	1.12	1.10	1.03
MCB Bank Limited	38,700	27,500	-	41,100	25,100	4,346	4,068	2.09	2.05	0.20
Meezan Bank Limited	22,270	21,000	-	43,000	270	23	19	0.01	0.01	0.00
National Bank of Pakistan	-	178,000	-	98,000	80,000	3,059	2,212	1.14	1.12	0.68
Standard Chartered Bank (Pakistan) Limited	-	165,000	-	-	165,000	4,110	4,544	2.33	2.29	0.00
United Bank Limited	62,800	21,500	-	24,538	59,762	8,782	6,177	3.17	3.11	0.00
	955,195	1,616,000	-	1,212,438	1,358,757	44,799	35,716	18.35	18.01	9.39
<b>Engineering</b>										
International Industries Limited	-	16,700	-	6,000	10,700	1,158	982	0.50	0.50	0.43
International Steels Limited	-	83,500	-	64,500	19,000	1,103	981	0.50	0.49	0.00
Mughal Iron and Steel Industries Limited***	675	100,000	-	-	100,675	4,116	4,015	2.06	2.02	0.00
	675	200,200	-	70,500	130,375	6,377	5,978	3.06	3.01	0.43
<b>Fertilizer</b>										
Engro Fertilizers Limited	151,000	-	-	117,500	33,500	2,143	2,019	1.04	1.02	0.58
Engro Corporation Limited	43,360	6,900	-	16,400	33,860	9,066	9,918	5.10	5.00	0.25
Fauji Fertilizer Bin Qasim Limited	-	114,000	-	114,000	-	-	-	-	-	-
Fauji Fertilizer Company Limited	43,490	75,500	-	63,990	55,000	5,444	6,049	3.11	3.05	0.43
	237,850	196,400	-	311,890	122,360	16,653	17,986	9.25	9.07	1.26
<b>Glass &amp; Ceramics</b>										
Tariq Glass Limited	-	77,500	-	27,500	50,000	3,500	3,226	1.66	1.63	0.05
	-	77,500	-	27,500	50,000	3,500	3,226	1.66	1.63	0.05

# HBL PENSION FUND

## Notes to the Financial Statements

For the year ended June 30, 2020

Name of the Investee Company	As at July 1, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020	Cost of holdings as at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of total investments of sub-fund	Market value as a percentage of net assets of sub-fund	Par value as a percentage of issued capital of the investee company
<b>Insurance</b>										
Adamjee Insurance Company Limited	50,000	127,000	-	105,000	72,000	2,438	2,383	1.22	1.20	0.02
IGI Holdings Limited	-	16,500	-	-	16,500	3,957	2,986	1.53	1.51	0.01
	<u>50,000</u>	<u>143,500</u>	<u>-</u>	<u>105,000</u>	<u>88,500</u>	<u>6,395</u>	<u>5,369</u>	<u>2.75</u>	<u>2.71</u>	<u>0.03</u>
<b>Leather &amp; Tanneries</b>										
BATA Pakistan Limited	240	1,500	-	680	1,060	1,272	1,424	0.73	0.72	0.01
	<u>240</u>	<u>1,500</u>	<u>-</u>	<u>680</u>	<u>1,060</u>	<u>1,272</u>	<u>1,424</u>	<u>0.73</u>	<u>0.72</u>	<u>0.01</u>
<b>Oil and Gas Exploration Companies</b>										
Mari Petroleum Company Limited	10,828	4,492	-	6,000	9,320	8,264	11,526	5.92	5.81	0.02
Oil and Gas Development Company Limited	108,100	69,700	-	48,200	129,600	16,176	14,126	7.26	7.12	0.57
Pakistan Oilfields Limited	19,360	9,800	-	23,660	5,500	1,939	1,928	0.99	0.97	0.45
Pakistan Petroleum Limited	73,715	106,783	-	74,200	106,298	11,901	9,225	4.74	4.65	3.74
	<u>212,003</u>	<u>190,775</u>	<u>-</u>	<u>152,060</u>	<u>250,718</u>	<u>38,280</u>	<u>36,805</u>	<u>18.91</u>	<u>18.55</u>	<u>4.78</u>
<b>Oil and Gas Marketing Companies</b>										
Pakistan State Oil Company Limited***	43,148	97,729	-	97,900	42,977	6,759	6,797	3.49	3.43	1.10
Sui Northern Gas Pipelines Limited	55,700	17,000	-	12,500	60,200	4,257	3,287	1.69	1.66	0.95
	<u>98,848</u>	<u>114,729</u>	<u>-</u>	<u>110,400</u>	<u>103,177</u>	<u>11,016</u>	<u>10,084</u>	<u>5.18</u>	<u>5.09</u>	<u>2.05</u>
<b>Paper &amp; Board</b>										
Century Paper and Board Mills Limited	39,000	-	-	39,000	-	-	-	-	-	-
Security Paper Limited	24,000	-	-	24,000	-	-	-	-	-	-
	<u>63,000</u>	<u>-</u>	<u>-</u>	<u>63,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Pharmaceuticals</b>										
Abbott Laboratories (Pakistan) Limited	-	6,000	-	6,000	-	-	-	-	-	-
AGP Limited	16,375	19,000	-	17,000	18,375	1,177	2,016	1.04	1.02	0.66
Glaxosmithkline (Pakistan) Limited	-	17,500	-	6,200	11,300	1,997	1,967	1.01	0.99	3.59
Hightnoon Laboratories Limited***	8,316	5,371	-	4,100	9,587	3,430	4,806	2.47	2.42	0.03
The Searle Company Limited***	12,579	3,500	-	5,000	11,079	1,698	2,207	1.13	1.11	0.01
	<u>37,270</u>	<u>51,371</u>	<u>-</u>	<u>38,300</u>	<u>50,341</u>	<u>8,302</u>	<u>10,996</u>	<u>5.65</u>	<u>5.54</u>	<u>4.29</u>
<b>Power Generation and Distribution</b>										
Hub Power Company Limited	139,240	31,000	-	62,000	108,240	8,377	7,847	4.03	3.96	0.94
Pakgen Power Limited	442,000	400,000	-	785,000	57,000	239	172	0.09	0.09	1.53
K-Electric Limited (Rs. 3.5 each)	68,000	-	-	68,000	-	-	-	-	-	-
	<u>649,240</u>	<u>431,000</u>	<u>-</u>	<u>915,000</u>	<u>165,240</u>	<u>8,616</u>	<u>8,019</u>	<u>4.12</u>	<u>4.05</u>	<u>2.47</u>
<b>Sugar &amp; Allied Industries</b>										
	(Number of Shares)					(Rupees in '000)		(%)		
Shahmurad Sugar Mills Limited	1,900	-	-	1,900	-	-	-	-	-	-
	<u>1,900</u>	<u>-</u>	<u>-</u>	<u>1,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Technology &amp; Communication</b>										
Systems Limited	-	36,700	-	13,700	23,000	2,590	4,225	2.17	2.13	0.02
	<u>-</u>	<u>36,700</u>	<u>-</u>	<u>13,700</u>	<u>23,000</u>	<u>2,590</u>	<u>4,225</u>	<u>2.17</u>	<u>2.13</u>	<u>0.02</u>
<b>Textile Composite</b>										
Gul Ahmed Textile Mills Limited	-	145,500	-	41,000	104,500	3,930	2,992	1.54	1.51	0.02
Interloop Limited	67,988	28,500	-	54,000	42,488	1,900	1,866	0.96	0.94	0.00
Nishat Mills Limited	41,500	60,000	-	62,500	39,000	3,124	3,042	1.56	1.53	1.11
	<u>109,488</u>	<u>234,000</u>	<u>-</u>	<u>157,500</u>	<u>185,988</u>	<u>8,954</u>	<u>7,900</u>	<u>4.06</u>	<u>3.98</u>	<u>1.13</u>
<b>Transport</b>										
Pakistan National Shipping Corporation	40,000	-	-	14,300	25,700	1,641	1,942	1.00	0.98	1.95
	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>14,300</u>	<u>25,700</u>	<u>1,641</u>	<u>1,942</u>	<u>1.00</u>	<u>0.98</u>	<u>1.95</u>
	<u>2,651,673</u>	<u>3,943,675</u>	<u>-</u>	<u>3,565,082</u>	<u>3,030,266</u>	<u>198,421</u>	<u>194,609</u>			

\*\*\* These include gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Pension Fund Manager of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, have filed a petition in Honourable 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 57(3)(viii) of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The Honourable Sindh High Court has granted stay order till the final outcome of the case. However, the investee companies have withheld the share equivalent to 5% of bonus announcement amounting Rs. 0.165 million (2019: Rs. 0.118 million) and not yet deposited with Government Treasury. Pension Fund Manager is of the view that the decision will be in its favour and accordingly has recorded the bonus shares on gross basis.

## 5.2 Investment in Government Securities - at fair value through profit or loss

### 5.2.1 Held by Debt Sub-Fund

Issue date	Tenor	Face value			Amortised Cost as at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of total investments of sub-fund	Market value as a percentage of net assets of sub-fund
		As at July 1, 2019	Purchases during the year	Sales / matured during the year				
----- (Rupees in '000) -----								
<b>Market Treasury Bills</b>								
May 9, 2019	3 months	12,500	-	12,500	-	-	-	
May 23, 2019	3 months	25,500	3,000	28,500	-	-	-	
July 18, 2019	3 months	-	237,000	237,000	-	-	-	
August 1, 2019	3 months	-	74,500	74,500	-	-	-	
August 29, 2019	3 months	-	15,000	15,000	-	-	-	
September 26, 2019	12 months	-	100,000	100,000	-	-	-	
October 10, 2019	3 months	-	47,000	47,000	-	-	-	
October 10, 2019	12 months	-	65,000	65,000	-	-	-	
October 24, 2019	12 months	-	27,000	27,000	-	-	-	
October 24, 2019	3 months	-	47,000	47,000	-	-	-	
November 21, 2019	3 months	-	85,000	85,000	-	-	-	
December 5, 2019	3 months	-	80,000	80,000	-	-	-	
December 19, 2019	3 months	-	90,000	90,000	-	-	-	
January 2, 2020	6 months	-	15,000	15,000	-	-	-	
January 16, 2020	3 months	-	80,000	80,000	-	-	-	
January 30, 2020	3 months	-	80,000	80,000	-	-	-	
March 12, 2020	3 months	-	75,000	75,000	-	-	-	
March 12, 2020	12 months	-	60,000	50,000	10,000	9,535	5.05	
April 9, 2020	3 months	-	70,000	-	70,000	65,198	35.18	
		<b>38,000</b>	<b>1,250,500</b>	<b>1,208,500</b>	<b>80,000</b>	<b>74,431</b>	<b>40.23</b>	<b>36.29</b>
<b>Pakistan Investment Bonds</b>								
July 17, 2014	5 years	50	-	50	-	-	-	
July 12, 2018	5 years	-	131,800	131,800	-	-	-	
July 12, 2018	10 years	-	69,500	36,000	33,500	27,773	18.03	
September 19, 2019	5 years	-	225,000	175,000	50,000	51,359	27.88	
September 19, 2019	3 years	-	25,000	25,000	-	-	-	
		<b>50</b>	<b>451,300</b>	<b>367,850</b>	<b>83,500</b>	<b>79,132</b>	<b>45.91</b>	<b>41.40</b>

### 5.2.2 Held by Money Market Sub-Fund

Issue date	Tenor	Face value			Amortised Cost as at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of total investments of sub-fund	Market value as a percentage of net assets of sub-fund
		As at July 1, 2019	Purchases during the year	Sales / matured during the year				
----- (Rupees in '000) -----								
<b>Market Treasury Bills</b>								
July 1, 2019	3 months	-	20,000	20,000	-	-	-	
July 18, 2019	3 months	-	323,000	323,000	-	-	-	
August 1, 2019	6 months	-	20,000	20,000	-	-	-	
August 16, 2019	3 months	-	137,000	137,000	-	-	-	
October 10, 2019	3 months	-	50,000	50,000	-	-	-	
October 24, 2019	3 months	-	23,000	23,000	-	-	-	
October 24, 2019	6 months	-	8,000	8,000	-	-	-	
November 7, 2019	3 months	-	55,000	55,000	-	-	-	
November 21, 2019	3 months	-	20,000	20,000	-	-	-	
December 5, 2019	3 months	-	22,000	22,000	-	-	-	
December 19, 2019	3 months	-	53,000	53,000	-	-	-	
January 2, 2020	3 months	-	50,000	50,000	-	-	-	
January 16, 2020	3 months	-	50,000	50,000	-	-	-	
January 30, 2020	3 months	-	75,000	75,000	-	-	-	
March 12, 2020	6 months	-	80,000	80,000	-	-	-	
March 12, 2020	3 months	-	80,000	80,000	-	-	-	
April 9, 2020	3 months	-	100,000	100,000	-	-	-	
April 23, 2020	3 months	-	105,000	26,000	79,000	78,768	94.17	
		<b>-</b>	<b>1,271,000</b>	<b>1,192,000</b>	<b>79,000</b>	<b>78,768</b>	<b>94.17</b>	<b>57.02</b>



### 5.3 Term finance certificates and sukuk bonds - at fair value through profit or loss

#### Held by Debt Sub-Fund

Name of the Investee Company	As at July 1, 2019	Purchases during the year	Sales / Matured during the year	As at June 30, 2020	Amortised Cost as at June 30, 2020	Market value as at June 30, 2020	Market value as a percentage of total investments of sub-fund	Market value as a percentage of net assets of sub-fund
	----- (Number of Certificates) -----			----- (Rupees in '000) -----		----- (%) -----		
<b>Commercial Banks</b>								
Bank of Punjab	60	-	-	60	5,992	5,880	3.12	2.81
Bank Alfalah Limited	1,000	-	1,000	-	-	-	-	-
MCB Bank Limited	-	-	-	-	-	-	-	-
	<b>1,060</b>	<b>-</b>	<b>1,000</b>	<b>60</b>	<b>5,992</b>	<b>5,880</b>	<b>3.12</b>	<b>2.81</b>
<b>Multitiilities</b>								
Water and Power Development Authority	798	-	-	798	1,425	858	0.45	0.41
K-Electric Limited	1,200	-	-	1,200	3,600	2,430	1.29	1.16
Hub Power Company Limited	1,800	-	1,800	-	9,000	-	-	-
	<b>3,798</b>	<b>-</b>	<b>1,800</b>	<b>1,998</b>	<b>14,025</b>	<b>3,288</b>	<b>1.74</b>	<b>1.57</b>
<b>Fertilizers</b>								
Dawood Hercules Corporation Limited - Sukuk	60	-	-	60	4,200	4,242	2.25	2.03
	<b>60</b>	<b>-</b>	<b>-</b>	<b>60</b>	<b>4,200</b>	<b>4,242</b>	<b>2.25</b>	<b>2.03</b>
<b>Miscellaneous</b>								
International Brands Limited - Sukuk	40	-	-	40	2,857	2,829	1.50	1.35
Jahangir Siddiqui and Company Limited	2,000	-	-	2,000	10,000	9,920	5.26	4.74
	<b>2,040</b>	<b>-</b>	<b>-</b>	<b>2,040</b>	<b>12,857</b>	<b>12,749</b>	<b>6.76</b>	<b>6.09</b>
<b>Total</b>	<b>6,958</b>	<b>-</b>	<b>2,800</b>	<b>4,158</b>	<b>37,074</b>	<b>26,159</b>	<b>13.87</b>	<b>12.50</b>

#### 5.3.1 Significant terms and conditions of Term finance certificates and sukuk bonds outstanding as at June 30, 2020 are as follows:

Name of security	Remaining principal (Rupees per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Bank of Punjab	99,880	6 months KIBOR+1%	23-Dec-16	23-Dec-26
Water and Power Development Authority	1,072	6 months KIBOR+1%	14-Oct-13	14-Oct-21
K-Electric Limited	2,000	3 months KIBOR + 1%	17-Jun-15	17-Jun-22
Dawood Hercules Corporation Limited - Sukuk	70,000	3 months KIBOR + 1%	16-Nov-17	16-Nov-22
International Brands Limited - Sukuk	71,440	3 months KIBOR + 0.5%	15-Nov-17	15-Nov-21
Jahangir Siddiqui and Company Limited	5,000	6 months KIBOR + 1.4%	6-Mar-18	6-Mar-23

### 5.4 Commercial papers - at amortised cost

#### 5.4.1 Held by Debt Sub-Fund

Name of Company	Maturity Date	As at July 1, 2019	Placement made during the year	Income Accrued	Matured during the year	As at June 30, 2020	Percentage of total value of investments of sub-fund	Percentage of Net Assets of sub-fund
		----- (Rupees in '000) -----				----- (%) -----		
Hascol Petroleum Limited	July 15, 2019	3,982	-	20	4,002	-	-	-
		<b>3,982</b>	<b>-</b>	<b>20</b>	<b>4,002</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 5.4.2 Held by Money Market Sub-Fund

Name of Company	Note	Maturity Date	As at July 1, 2019	Placement made during the year	Income Accrued	Matured during the year	As at June 30, 2020	Percentage of total value of investments of sub-fund	Percentage of Net Assets of sub-fund
			----- (Rupees in '000) -----				----- (%) -----		
Hascol Petroleum Limited		July 15, 2019	7,967	-	38	8,005	-	-	-
K-Electric Limited		September 1, 2019	6,867	-	136	7,003	-	-	-
K-Electric Limited	5.4.2.1	September 10, 2020	-	4,677	197	-	4,874	5.83	3.53
			<b>14,834</b>	<b>4,677</b>	<b>371</b>	<b>15,008</b>	<b>4,874</b>	<b>5.83</b>	<b>3.53</b>

#### 5.4.2.1 This commercial paper has been placed at discount at a rate of 13.64% per annum and is being amortised over a period of 113 days.

**6. DIVIDEND AND PROFIT RECEIVABLE**

Note	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Dividend receivable	14	-	-	14	96	-	-	96
Profit receivable on bank deposits	45	115	255	415	113	507	990	1,610
Profit accrued on Term finance certificates and sukuk bonds	-	577	-	577	-	1,166	-	1,166
Profit accrued on government securities	-	2,738	-	2,738	-	2	-	2
	<b>59</b>	<b>3,430</b>	<b>255</b>	<b>3,744</b>	<b>209</b>	<b>1,675</b>	<b>990</b>	<b>2,874</b>

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

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Security Deposit with Central Depository Company of Pakistan Limited	100	100	100	300	100	100	100	300
Receivable against sale of investments	-	-	-	-	1,011	-	-	1,011
Other receivables	31	107	80	218	20	106	78	204
	<b>131</b>	<b>207</b>	<b>180</b>	<b>518</b>	<b>1,131</b>	<b>206</b>	<b>178</b>	<b>1,515</b>

**8. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - PENSION FUND MANAGER**

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Management fee	238	249	160	647	243	169	146	558
Sindh Sales Tax	31	32	21	84	32	22	19	73
Sales load payable	12	58	53	123	1	21	37	59
	<b>281</b>	<b>339</b>	<b>234</b>	<b>854</b>	<b>276</b>	<b>212</b>	<b>202</b>	<b>690</b>

**8.1** As per Rule 11 of the Voluntary Pension System Rules, 2005, the Pension Fund Manager of the Fund is allowed to charge an annual management fee of 1.5% of the average of the values of the net assets of each of the Sub-Fund calculated during the year. Accordingly, the management fee has been accrued at 1.5% per annum of the average daily net assets of the Sub-Funds.

**8.2** The Sindh Government has levied Sindh Sales Tax at the rate of 13% on the remuneration of the Management Company through Sindh Sales Tax Act, 2011 effective from July 01, 2017.

**9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

Note	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Trustee remuneration	25	26	17	68	24	17	15	56
Sindh Sales Tax on Trustee remuneration	3	3	2	8	3	2	2	7
	<b>28</b>	<b>29</b>	<b>19</b>	<b>76</b>	<b>27</b>	<b>19</b>	<b>17</b>	<b>63</b>

**9.1** 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.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2020 is as follows:

**Net assets**

Up to Rs. 1,000 million  
Exceeding Rs. 1,000 million up to Rs. 3,000 million  
Exceeding Rs. 3,000 million up to Rs. 6,000 million  
Exceeding Rs. 6,000 million

**Tariff per annum**

Rs. 0.3 million or 0.15% p.a. of NAV, whichever is higher  
Rs. 1.5 million plus 0.10% p.a. of NAV exceeding Rs. 1,000 million  
Rs. 3.5 million plus 0.08% p.a. of NAV exceeding Rs. 3,000 million  
Rs. 5.9 million plus 0.06% p.a. of NAV exceeding Rs. 6,000 million

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011, effective from July 1, 2016.

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

This represents annual fee payable to SECP in accordance with the Rule 36 of the VPS Rules whereby the Fund is required to pay SECP an amount equal to one thirtieth of 1% of average annual net asset value of the pension fund.

## 11. ACCRUED EXPENSES AND OTHER LIABILITIES

Note	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Auditors' remuneration	91	78	56	225	117	64	53	234
Payable against purchase of shares	1,526	-	-	1,526	-	-	-	-
Payable against redemption of units	-	-	-	-	47	322	584	953
Federal Excise Duty	763	878	836	2,477	763	878	836	2,477
Provision for Sindh Workers' Welfare Fund	1,803	1,321	733	3,857	1,643	694	462	2,799
Other payables	27	28	18	73	3	7	2	12
	<u>4,210</u>	<u>2,305</u>	<u>1,643</u>	<u>8,158</u>	<u>2,573</u>	<u>1,965</u>	<u>1,937</u>	<u>6,475</u>

11.1 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Pension Fund Manager has been applied effective June 13, 2013. The Pension Fund Manager is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

The Honorable Sindh High Court (SHC) through its order dated June 2, 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has inter alia declared that Federal Excise Act 2005 (FED Act) is on services, other than shipping agents and related services, is ultra vires to the Constitution from July 01, 2011. However, the declaration made by the Honorable Court, as directed, will have affect in the manner prescribed in the judgment. The Sindh High Court in its decision dated July 16, 2016 in respect of constitutional petition filed by management companies of mutual funds maintained the previous order on the FED.

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honorable Supreme Court against the Sindh High Court's decision dated June 2, 2016. Therefore, as a matter of abundant caution, without prejudice to the above, the Pension Fund Manager has made a provision with effect from June 13, 2013, aggregating to Rs. 0.763 million, 0.878 million and 0.836 million (2019: Rs. 0.763 million, Rs. 0.878 million and Rs. 0.836 million), for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Had the provision not been made, the Net Assets Value per unit of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund as at June 30, 2020 would have been higher by Rs. 1.25 Rs. 0.86 and Rs. 1.07 (2019: Rs. 1.25, Rs. 1.04 and Rs. 1.07) per unit respectively. However after the exclusion of the mutual funds from federal statute on FED from July 01, 2016, the Fund has discontinued making the provision in this regard.

## 12. CONTRIBUTION TABLE

Contributions received during the year are as follows:

	2020							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
From:								
Individuals	109,947	38,004	445,153	83,299	226,088	38,700	781,188	160,003
	<u>109,947</u>	<u>38,004</u>	<u>445,153</u>	<u>83,299</u>	<u>226,088</u>	<u>38,700</u>	<u>781,188</u>	<u>160,003</u>
	2019							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
From:								
Individuals	224,446	79,979	272,996	44,698	469,659	71,280	967,101	195,957
	<u>224,446</u>	<u>79,979</u>	<u>272,996</u>	<u>44,698</u>	<u>469,659</u>	<u>71,280</u>	<u>967,101</u>	<u>195,957</u>

**13. NUMBER OF UNITS IN ISSUE**

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Number)				(Number)			
Opening units in issue	611,256	841,542	782,539	2,235,337	689,150	1,130,160	982,454	2,801,764
Units issued during the year	109,947	445,153	226,088	781,188	224,446	272,996	469,659	967,101
Units redeemed during the year	(150,249)	(225,082)	(209,898)	(585,229)	(322,743)	(530,040)	(656,229)	(1,509,012)
Reallocation during the year	40,425	(45,449)	(20,888)	(25,912)	20,403	(31,574)	(13,345)	(24,516)
<b>Total units in issue at the end of the year</b>	<b>611,379</b>	<b>1,016,164</b>	<b>777,841</b>	<b>2,405,384</b>	<b>611,256</b>	<b>841,542</b>	<b>782,539</b>	<b>2,235,337</b>

**14. PROFIT ON BANK DEPOSITS**

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Profit on bank deposits	1,675	2,902	5,983	10,560	1,823	2,182	6,617	10,622

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

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Mark-up / return on:								
Government securities								
- Market treasury bills	-	8,197	9,897	18,094	-	6,593	6,073	12,666
- Pakistan investment bonds	-	4,688	-	4,688	-	850	-	850
Term finance certificates and sukuk bonds	-	5,227	-	5,227	-	4,432	-	4,432
Commercial papers	-	-	230	230	-	767	1,239	2,006
	-	18,112	10,127	28,239	-	12,642	7,312	19,954

**16. AUDITORS' REMUNERATION**

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Statutory audit fee	89	79	53	221	89	59	53	201
Half yearly review fee	44	29	26	99	44	29	26	99
Out of pocket expenses	19	17	12	48	26	17	16	59
	152	125	91	368	159	105	95	359

**17. TAXATION**

No provision for taxation for the year ended June 30, 2020 has been made in view of the exemption available under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

**18. PROVISION FOR WORKERS' WELFARE FUND**

The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and 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, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till June 30, 2015, be reversed on January 12, 2017; and
- the provision in respect of Sindh WWF should be made on January 12, 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 01, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. The reversal of provision for WWF amounted to Rs. 1.12 million, Rs. 0.53 million and Rs. 0.47 million of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively and a provision for SWWF of Rs. 1.643 million, Rs. 0.707 million and Rs. 0.483 million of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively upto January 12, 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund would have been higher by Rs. 2.6865, Rs. .6956 and Rs. 0.6204 (2019: Rs. 2.69, Rs. 0.82 and Rs. 0.59) per unit respectively.

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

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

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

Remuneration payable to Pension Fund Manager and Trustee is determined in accordance with the provisions of the Voluntary Pension System Rules and the Trust Deed respectively.

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

## 19.1 Transactions during the year

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
<b>HBL Asset Management Limited - Pension Fund Manager</b>								
Management fee	3,487	2,981	2,112	8,580	4,075	2,704	2,423	9,202
<b>Habib Bank Limited - Sponsor</b>								
Bank charges paid	22	20	18	60	19	23	22	64
Profit on bank deposits earned	1,084	949	907	2,940	1,040	426	377	1,843
Units redeemed	-	-	-	-	(96,923)	(300,000)	(300,000)	(696,923)
Amount of units redeemed	-	-	-	-	(31,700)	(49,756)	(46,255)	(127,711)
<b>Directors and their relatives</b>								
Reallocation of units	2,680	(3,500)	(854)	(1,674)	1,448	(2,457)	(723)	(1,732)
Amount of units reallocated	754	(616)	(138)	-	499	(392)	(107)	-
<b>Executives and their relatives</b>								
Issuance of units	5,596	8,576	-	14,172	736	1,659	398	2,793
Amount of units issued	1,728	1,516	-	3,244	270	270	60	600
Units redeemed	(3,792)	(7,642)	(854)	(12,288)	(382)	(206)	(22,055)	(22,643)
Amount of units redeemed	(1,126)	(1,380)	(138)	(2,644)	(124)	(33)	(3,368)	(3,525)
Reallocation of units	-	-	-	-	(307)	1,905	(1,416)	182
Amount of units reallocated	-	-	-	-	(103)	323	(220)	-
<b>Directors and Executives of the Habib Bank Limited (Sponsor) and their relatives</b>								
<b>Executives and their relatives</b>								
Issuance of units	-	-	-	-	904	6,362	2,295	9,561
Amount of units issued	-	-	-	-	340	1,020	340	1,700
Reallocation of units	-	-	-	-	1,747	(2,752)	(1,102)	(2,107)
Amount of units reallocated	-	-	-	-	602	(440)	(162)	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>								
Remuneration	350	299	212	861	407	270	242	919
Central Depository System charges	27	19	7	53	27	8	7	42
<b>Directors of Connected Persons</b>								
Units issued	95	21,351	23,614	45,060	867	27,862	-	28,729
Amount of units issued	27	3,932	3,936	7,895	3,000	4,760	-	7,760
Units redeemed	-	(172)	-	(172)	(428)	(10,212)	(22,055)	(32,695)
Amount of units redeemed	-	(30)	-	(30)	(152)	(1,685)	(3,368)	(5,205)
Units reallocated	-	-	-	-	456	(138)	(916)	(598)
Amount of units reallocated	-	-	-	-	157	(22)	(135)	-

## 19.2 Balances outstanding as at year end

	2020				2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
<b>HBL Asset Management Limited - Pension Fund Manager</b>								
Management fee payable	238	249	160	647	243	169	146	558
Sindh Sales Tax payable	31	32	21	84	32	22	19	73
Sales load payable	12	58	53	123	1	21	37	59
Federal Excise Duty payable	763	878	836	2,477	763	878	836	2,477
<b>Habib Bank Limited - Sponsor</b>								
Units held	203,077	-	-	203,077	203,077	-	-	203,077
Amount of units held	65,871	-	-	65,871	64,022	-	-	64,022
Profit receivable on bank deposits	42	8	44	94	39	138	127	304
Bank balances	7,759	1,525	29,090	38,374	10,230	30,666	25,889	66,785
<b>Directors and Executives of the Pension Fund Manager and their relatives</b>								
<b>Directors and their relatives</b>								
Units held	12,949	49,670	13,538	76,157	10,270	53,170	14,392	77,832
Amount of units held	4,200	10,228	2,404	16,832	3,238	9,144	2,284	14,666
<b>Executives and their relatives</b>								
Units held	15,823	65,522	-	94,884	11,009	11,418	-	22,427
Amount of units held	5,132	13,492	-	21,028	3,471	1,963	-	5,434
<b>Directors and Executives of the HBL Bank Limited - (Sponsor) and their relatives</b>								
<b>Executives and their relatives</b>								
Units held	-	-	-	-	-	-	-	-
Amount of units held	-	-	-	-	-	-	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>								
Remuneration payable	28	29	19	76	27	19	17	63
Security Deposit receivable	100	100	100	300	100	100	100	300
<b>Directors of Connected Persons</b>								
Units held	863	22,074	23,614	46,551	3,613	105,999	140,939	250,551
Amount of units held	279	4,545	4,194	9,018	1,139	18,229	22,371	41,739

## 20. FINANCIAL INSTRUMENTS BY CATEGORY

	2020												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	
	(Rupees in '000)												
<b>Financial Assets</b>													
Bank balances	8,088	-	-	8,088	19,604	-	-	19,604	55,999	-	-	55,999	83,691
Investments	-	-	194,609	194,609	-	-	188,732	188,732	4,874	-	78,770	83,644	466,985
Dividend and profit receivable	59	-	-	59	3,430	-	-	3,430	255	-	-	255	3,744
Advances, deposits, prepayments and other receivables	131	-	-	131	207	-	-	207	180	-	-	180	518
	<u>8,278</u>	<u>-</u>	<u>194,609</u>	<u>202,887</u>	<u>23,241</u>	<u>-</u>	<u>188,732</u>	<u>211,973</u>	<u>61,308</u>	<u>-</u>	<u>78,770</u>	<u>140,078</u>	<u>554,938</u>
	2020												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	At amortised cost												
	(Rupees in '000)												
<b>Financial liabilities</b>													
Payable to the Pension Fund Manager									281	339	234	854	
Payable to the Trustee									28	29	19	76	
Accrued expenses and other liabilities									1,644	106	74	1,824	
									<u>1,953</u>	<u>474</u>	<u>327</u>	<u>2,754</u>	
	2019												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	
	(Rupees in '000)												
<b>Financial Assets</b>													
Bank balances	16,045	-	-	16,045	59,315	-	-	59,315	110,412	-	-	110,412	185,772
Investments	-	-	178,275	178,275	3,982	-	81,791	85,773	14,834	-	-	14,834	278,882
Dividend and profit receivable	209	-	-	209	1,675	-	-	1,675	990	-	-	990	2,874
Advances, deposits, prepayments and other receivables	1,131	-	-	1,131	206	-	-	206	178	-	-	178	1,515
	<u>17,385</u>	<u>-</u>	<u>178,275</u>	<u>195,660</u>	<u>65,178</u>	<u>-</u>	<u>81,791</u>	<u>146,969</u>	<u>126,414</u>	<u>-</u>	<u>-</u>	<u>126,414</u>	<u>469,043</u>
	2019												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	At amortised cost												
	(Rupees in '000)												
<b>Financial liabilities</b>													
Payable to the Pension Fund Manager									276	212	202	690	
Payable to the Trustee									27	19	17	63	
Accrued expenses and other liabilities									167	393	639	1,199	
									<u>470</u>	<u>624</u>	<u>858</u>	<u>1,952</u>	

## 21. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of equity, debt and money market investments such as shares of listed companies, investment - grade debt securities, government securities and other money market instruments. These activities are exposed to a variety of financial risks i.e. market risk (which includes currency risk, interest rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

### 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 Pension Fund Manager 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. The maximum risk resulting from financial instruments equals their fair values.

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 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 as a result of changes in market interest rates.

#### a) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Debt Sub-Fund and Money Market Sub-Fund hold Pakistan Investment Bonds and Treasury bills which are classified as 'fair value through profit or loss', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in mark-up rates on June 30, 2020, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

	Total Exposure					
	2020			2019		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)			(Rupees in '000)		
Pakistan Investment Bonds	86,642	-	86,642	50	-	50
Market Treasury Bills	75,931	78,770	154,701	37,477	-	37,477
	<u>162,573</u>	<u>78,770</u>	<u>241,343</u>	<u>37,527</u>	<u>-</u>	<u>37,527</u>
	Effect on total comprehensive income and net assets					
	2020			2019		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)			(Rupees in '000)		
Change in basis points						
100	(4,199)	(493)	(4,692)	(41)	-	(41)
(100)	<u>4,427</u>	<u>(428)</u>	<u>3,999</u>	<u>41</u>	<u>-</u>	<u>41</u>

#### b) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Debt Sub-Fund hold Term finance certificates which are classified as 'fair value through profit or loss', exposing the Fund to cash flow and fair value interest rate risk. In case of 100 basis points increase / decrease in mark-up rates on June 30, 2020, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

	Total Exposure					
	2020			2019		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)			(Rupees in '000)		
Term finance certificates and sukuk bonds	26,159	-	26,159	44,264	-	44,264
	<u>26,159</u>	<u>-</u>	<u>26,159</u>	<u>44,264</u>	<u>-</u>	<u>44,264</u>
	Effect on total comprehensive income and net assets					
	2020			2019		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)			(Rupees in '000)		
Change in basis points-Fair value interest rate						
100	(277)	-	(277)	15	-	15
(100)	<u>705</u>	<u>-</u>	<u>705</u>	<u>(15)</u>	<u>-</u>	<u>(15)</u>

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the impact 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 settlement date.

		2020																	
		Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total					
Yield / Interest rate	Exposed to yield / interest rate risk	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Exposed to yield / interest rate risk	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Exposed to yield / interest rate risk	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total		
%	(Rupees in '000)				%	(Rupees in '000)				%	(Rupees in '000)								
<b>On-balance sheet</b>																			
<b>Financial instruments</b>																			
<b>Financial assets</b>																			
	7.00 - 13.40	8,088	-	-	-	8,088	7.00 - 13.40	19,604	-	-	-	19,604	7.00 - 13.40	55,999	-	-	-	55,999	83,691
Bank balances		-	-	-	-	-		-	-	-	-		-	-	-	-	-	-	-
Investments		-	-	-	194,609	194,609	8.00-15.44	162,573	-	26,159	-	188,732	7.10-18.64	4,874	-	-	-	4,874	388,215
Dividend and profit receivable		-	-	-	59	59		-	-	3,430	3,430		-	-	-	255	255	3,744	3,744
Advances, deposits, Prepayments and other receivables		-	-	-	131	131		-	-	-	207		-	-	-	180	180	518	518
		8,088	-	-	194,799	202,887		182,177	-	26,159	3,637	211,973		60,873	-	-	435	61,308	476,168
<b>Financial liabilities</b>																			
Payable to the Pension Fund Manager		-	-	-	281	281		-	-	-	339	339		-	-	-	234	234	854
Payable to the Trustee		-	-	-	28	28		-	-	-	29	29		-	-	-	19	19	76
Payable to the SECP		-	-	-	-	-		-	-	-	-	-		-	-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	1,644	1,644		-	-	-	106	106		-	-	-	74	74	1,824
		-	-	-	1,953	1,953		-	-	-	474	474		-	-	-	327	327	2,754
<b>On-balance sheet gap</b>		<b>8,088</b>	<b>-</b>	<b>-</b>	<b>192,846</b>	<b>200,934</b>		<b>182,177</b>	<b>-</b>	<b>26,159</b>	<b>3,163</b>	<b>211,499</b>		<b>60,873</b>	<b>-</b>	<b>-</b>	<b>108</b>	<b>60,981</b>	<b>473,414</b>
<b>Off-balance sheet</b>																			
<b>financial instruments</b>																			
<b>Off-balance sheet gap</b>																			
<b>2019</b>																			
		Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total					
Yield / Interest rate	Exposed to yield / interest rate risk	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Exposed to yield / interest rate risk	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Exposed to yield / interest rate risk	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk	Total		
%	(Rupees in '000)				%	(Rupees in '000)				%	(Rupees in '000)								
<b>On-balance sheet</b>																			
<b>Financial instruments</b>																			
<b>Financial assets</b>																			
	8.75 - 13.5	16,045	-	-	-	16,045	8.75 - 13.5	59,315	-	-	-	59,315	8.75 - 13.5	110,412	-	-	-	110,412	185,772
Bank balances		-	-	-	-	-		-	-	-	-		-	-	-	-	-	-	-
Investments		-	-	-	178,275	178,275	11.00 - 12.7	41,509	-	44,264	-	85,773	11.91 - 12.16	14,834	-	-	-	14,834	278,882
Dividend and profit receivable		-	-	-	209	209		-	-	1,675	1,675		-	-	-	990	990	2,874	2,874
Advances, deposits, prepayments and other receivables		-	-	-	1,131	1,131		-	-	-	206		-	-	-	178	178	1,515	1,515
		16,045	-	-	179,615	195,660		100,824	-	44,264	1,881	146,969		125,246	-	-	1,168	126,414	469,043
<b>Financial liabilities</b>																			
Payable to the Pension Fund Manager		-	-	-	276	276		-	-	-	212	212		-	-	-	202	202	690
Payable to the Trustee		-	-	-	27	27		-	-	-	19	19		-	-	-	17	17	63
Accrued expenses and other liabilities		-	-	-	167	167		-	-	-	393	393		-	-	-	639	639	1,199
		-	-	-	470	470		-	-	-	624	624		-	-	-	858	858	1,952
<b>On-balance sheet gap</b>		<b>16,045</b>	<b>-</b>	<b>-</b>	<b>179,145</b>	<b>195,190</b>		<b>100,824</b>	<b>-</b>	<b>44,264</b>	<b>1,257</b>	<b>146,345</b>		<b>125,246</b>	<b>-</b>	<b>-</b>	<b>310</b>	<b>125,556</b>	<b>467,091</b>
<b>Off-balance sheet</b>																			
<b>financial instruments</b>																			
<b>Off-balance sheet gap</b>																			

### 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 also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KSE-100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio.

**Sector wise portfolio**

	June 30, 2020		June 30, 2019	
	Equity Sub-Fund		Equity Sub-Fund	
	Funds equity portfolio	KSE-100 benchmark portfolio	Funds equity portfolio	KSE-100 benchmark portfolio
	-----%-----		-----%-----	
Commercial Banks	18.35	21.94	26.73	2.07
Oil & Gas Exploration Companies	18.91	13.36	24.48	4.71
Fertilizer	9.24	14.21	14.01	5.08
Power Generation & Distribution	4.12	5.89	7.78	1.55
Oil & Gas Marketing Companies	5.18	4.73	6.28	17.39
Textile Composite	4.06	2.83	3.86	28.43
Chemical	4.98	2.53	3.56	3.00
Cement	12.72	8.38	3.15	0.11
Pharmaceuticals	5.65	4.03	2.84	5.22
Automobile Assembler	2.64	2.79	0.00	0.00
Paper and Board	0.00	0.00	1.93	0.29
Transport	1.00	0.51	1.43	0.93
Engineering	3.07	0.79	0.01	30.52
Technology & Communication	2.17	2.07	0.00	0.00
Glass & Ceramics	1.66	0.29	0.00	0.00
Automobile Parts & Accessories	2.76	0.90	2.68	0.70
Insurance	2.76	1.84	0.00	0.00
Leather & Tanneries	0.73	0.40	0.00	0.00
Others	0.00	12.51	1.26	0.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

In case of 5% increase / decrease in KSE-100 index on June 30, 2020, with all other variables held constant, other components of equity and the net assets of the Fund would increase / decrease by Rs. 9.48 million as a result of gains / losses on equity securities.

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, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

## 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 relevant brokerage house or the counter party to fulfill 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 Pension Fund Manager.

The maximum exposure to credit risk is as follows:

	Rating Agency	Rating	2020			
			Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
			(Rupees in '000)			
<b>Bank balances by rating category</b>						
Habib Bank Limited	VIS	AAA	7,759	1,525	29,090	38,374
Zarai Taraqati Bank Limited	VIS	AAA	-	5	4	9
Allied Bank Limited	PACRA	AAA	-	18,073	26,433	44,506
MCB Bank Limited	PACRA	AAA	-	-	11	11
Askari Bank Limited	PACRA	AA+	-	-	11	11
Soneri Bank Limited	PACRA	AA-	-	-	70	70
Dubai Islamic Bank	VIS	AA	-	-	16	16
JS Bank Limited	PACRA	AA-	79	-	340	419
Faysal Bank Limited	PACRA	AA	250	1	23	274
Sindh Bank Limited	VIS	A+	-	-	1	1
			<b>8,088</b>	<b>19,604</b>	<b>55,999</b>	<b>83,691</b>
<b>Government Securities</b>						
Treasury bills			-	75,931	-	75,931
Pakistan investment bonds			-	86,642	-	86,642
			-	<b>162,573</b>	-	<b>162,573</b>
<b>Term finance certificates and sukuk bonds by rating category</b>						
AAA			-	858	-	858
AA+			-	12,350	-	12,350
AA-			-	5,880	-	5,880
AA			-	7,071	-	7,071
			-	<b>26,159</b>	-	<b>26,159</b>
<b>Investment in commercial paper</b>						
A-1+			-	-	4,874	4,874
<b>Dividend and profit receivable</b>						
			59	3,430	255	3,744
<b>Advances, deposits, prepayments and other receivables</b>						
			131	207	180	518

	Rating Agency	Rating	2020			
			Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
			(Rupees in '000)			
<b>Bank balances by rating category</b>						
Habib Bank Limited	VIS	AAA	7,759	1,525	29,090	38,374
Zarai Taraqati Bank Limited	VIS	AAA	-	5	4	9
Allied Bank Limited	PACRA	AAA	-	18,073	26,433	44,506
MCB Bank Limited	PACRA	AAA	-	-	11	11
Askari Bank Limited	PACRA	AA+	-	-	11	11
Soneri Bank Limited	PACRA	AA-	-	-	70	70
Dubai Islamic Bank	VIS	AA	-	-	16	16
JS Bank Limited	PACRA	AA-	79	-	340	419
Faysal Bank Limited	PACRA	AA	250	1	23	274
Sindh Bank Limited	VIS	A+	-	-	1	1
			<b>8,088</b>	<b>19,604</b>	<b>55,999</b>	<b>83,691</b>
<b>Government Securities</b>						
Treasury bills			-	75,931	-	75,931
Pakistan investment bonds			-	86,642	-	86,642
			-	<b>162,573</b>	-	<b>162,573</b>
<b>Term finance certificates and sukuk bonds by rating category</b>						
AAA			-	858	-	858
AA+			-	12,350	-	12,350
AA-			-	5,880	-	5,880
AA			-	7,071	-	7,071
			-	<b>26,159</b>	-	<b>26,159</b>
<b>Investment in commercial paper</b>						
A-1+			-	-	4,874	4,874
<b>Dividend and profit receivable</b>						
			59	3,430	255	3,744
<b>Advances, deposits, prepayments and other receivables</b>						
			131	207	180	518

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets.

## Concentration of credit risk

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

## 21.3 Liquidity risk

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

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the participant's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP). The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. 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 realizable.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of the total net asset value at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings were made 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:

	2020												
	Equity Sub-Fund			Total	Debt Sub-Fund			Total	Money Market Sub-Fund			Total	
	Up to three months	Over three months and up to one year	Over one year		Up to three months	Over three months and up to one year	Over one year		Up to three months	Over three months and up to one year	Over one year		
<b>Financial Liabilities</b>	(Rupees in '000)												
Payable to the Pension Fund Manager	281	-	-	281	339	-	-	339	234	-	-	234	854
Payable to the Trustee	28	-	-	28	29	-	-	29	19	-	-	19	76
Accrued expenses and other liabilities	1,644	-	-	1,644	106	-	-	106	74	-	-	74	1,824
	<b>1,953</b>	-	-	<b>1,953</b>	<b>474</b>	-	-	<b>474</b>	<b>327</b>	-	-	<b>327</b>	<b>2,754</b>
	2019												
	Equity Sub-Fund			Total	Debt Sub-Fund			Total	Money Market Sub-Fund			Total	
	Up to three months	Over three months and up to one year	Over one year		Up to three months	Over three months and up to one year	Over one year		Up to three months	Over three months and up to one year	Over one year		
<b>Financial Liabilities</b>	(Rupees in '000)												
Payable to the Pension Fund Manager	276	-	-	276	212	-	-	212	202	-	-	202	690
Payable to the Trustee	27	-	-	27	19	-	-	19	17	-	-	17	63
Accrued expenses and other liabilities	167	-	-	167	393	-	-	393	639	-	-	639	1,199
	<b>470</b>	-	-	<b>470</b>	<b>624</b>	-	-	<b>624</b>	<b>858</b>	-	-	<b>858</b>	<b>1,952</b>

The above mentioned financial liabilities do not carry any mark-up.

Units of the Fund are redeemable on demand at the participants' option. However, unit holders typically retain them from medium to long term.

## 22. PARTICIPANTS' FUNDS RISK MANAGEMENT (CAPITAL RISK)

The participants' fund is represented by redeemable units. These units are entitled to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date.

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

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

In accordance with the risk management policies stated in note 23, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption. Since the participants of the Fund have invested with long term objective, the possibility of a significant redemption pressure is limited, such liquidity is augmented by borrowing arrangements (which can be entered if necessary) or disposal of investments, where necessary.

All units, including the core units, and fractions thereof represent an undivided share in the pertinent sub-funds of the Fund and rank pari passu as their rights in the net assets and earning of the sub-fund are not tradable or transferable. Each participant has a beneficial interest in the sub-fund proportionate to the units held by such participant in such sub-fund.

### **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 in the principal or, in its absence, the most advantageous market to which the Fund access at that date. The fair value of a liability reflects its non-performance risk.

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.

According to IFRS 7, Financial Instruments: Disclosure - an entity shall 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:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 7.

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

Held by Equity sub-fund									
2020									
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Carrying Amount		Total	Fair Value			Total
			Fair value through other comprehensive income	Amortised cost		Level 1	Level 2	Level 3	
(Rupees in '000)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
	- Listed equity securities				194,609	194,609	-	-	194,609
					194,609				194,609
<b>Financial assets not measured at fair value</b>									
23.1	- Bank balances			8,088	8,088				
	- Dividend receivable and accrued mark-up			59	59				
	- Advances, deposits, prepayments and other receivables			131	131				
				8,278	8,278				
				8,278	202,887				
<b>Financial liabilities not measured at fair value</b>									
23.2	- Payable to the Pension Fund Manager			281	281				
	- Payable to the Trustee			28	28				
	- Accrued expenses and other liabilities			1,644	1,644				
				1,953	1,953				
Held by Equity sub-fund									
2019									
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Carrying Amount		Total	Fair Value			Total
			Fair value through other comprehensive income	Amortised cost		Level 1	Level 2	Level 3	
(Rupees in '000)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
	- Listed equity securities				178,275	178,275	-	-	178,275
					178,275				178,275
<b>Financial assets not measured at fair value</b>									
23.1	- Bank balances			16,045	16,045				
	- Dividend receivable and accrued mark-up			209	209				
	- Advances, deposits, prepayments and other receivables			1,131	1,131				
				17,385	17,385				
				17,385	195,660				
<b>Financial liabilities not measured at fair value</b>									
23.2	- Payable to the Pension Fund Manager			276	276				
	- Payable to the Trustee			27	27				
	- Accrued expenses and other liabilities			167	167				
				470	470				
Held by Debt sub-fund									
2020									
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Carrying Amount		Total	Fair Value			Total
			Fair value through other comprehensive income	Amortised cost		Level 1	Level 2	Level 3	
(Rupees in '000)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
	- Government securities				75,931	-	75,931	-	75,931
	Market treasury bills				86,642		86,642		86,642
	Pakistan investment bonds				26,159		26,159		26,159
	- Term finance certificates and sukuk bonds - Unlisted				188,732		188,732		188,732
					188,732		26,159		26,159
<b>Financial assets not measured at fair value</b>									
23.1	- Bank balances			19,604	19,604				
	- Dividend receivable and accrued mark-up			3,430	3,430				
	- Advances, deposits, prepayments and other receivables			207	207				
				23,241	23,241				
				23,241	211,973				
<b>Financial liabilities not measured at fair value</b>									
23.2	- Payable to the Pension Fund Manager			339	339				
	- Payable to the Trustee			29	29				
	- Accrued expenses and other liabilities			106	106				
				474	474				
Held by Debt sub-fund									
2019									
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Carrying Amount		Total	Fair Value			Total
			Fair value through other comprehensive income	Amortised cost		Level 1	Level 2	Level 3	
(Rupees in '000)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
	- Government securities				37,477		37,477		37,477
	Market Treasury bills				50		50		50
	Pakistan Investment Bonds				44,264		44,264		44,264
	- Term finance certificates and sukuk bonds - Unlisted				81,791		81,791		81,791
					81,791		44,264		44,264
<b>Financial assets not measured at fair value</b>									
23.1	- Bank balances			59,315	59,315				
	- Dividend receivable and accrued mark-up			1,675	1,675				
	- Advances, deposits, prepayments and other receivables			206	206				
	- Commercial papers			3,982	3,982				
				65,178	65,178				
				65,178	146,969				
<b>Financial liabilities not measured at fair value</b>									
23.2	- Payable to the Pension Fund Manager			212	212				
	- Payable to the Trustee			19	19				
	- Accrued expenses and other liabilities			393	393				
				624	624				

**23.1** Valuation techniques used in determination of fair values within level 2:

Investments in Market Treasury Bills are valued on the basis of the PKRVs announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

**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 reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**23.3** Net assets attributable to participants. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to participants approximates their fair value. The units are categorised into Level 2 of the fair value hierarchy.

**24. FINANCIAL PERFORMANCE**

**24.1 Equity sub-fund**

	Equity Sub-Fund					
	2020	2019	Change	2018	2017	2016
	(Rupees in '000)		--- % ---	(Rupees in '000)		
Net income for the year	7,999	(35,655)	-122.43	(9,744)	37,864	19,750
Realized capital gains	4,767	(15,488)	-130.78	(2,189)	34,438	17,542
Unrealized capital gains / (losses)	(3,813)	(27,404)	-86.09	(29,147)	2,640	(7,497)
Dividend income / Mark-up income	11,980	12,844	-6.73	12,605	7,892	5,340
NAV per unit (Rupees)	324.3643	315.2585	2.89	366.3184	408.1194	320.5217
Transactions in securities						
Purchases	252,367	252,367	0.00	221,773	384,050	298,415
Sales	261,135	261,135	0.00	178,889	348,770	287,330
Total contribution received	38,004	79,979	-52.48	71,279	83,481	23,019

**24.2 Debt sub-fund**

	Debt Sub-Fund					
	2020	2019	Change	2018	2017	2016
	(Rupees in '000)		--- % ---	(Rupees in '000)		
Net income for the year	31,334	11,861	164.18	8,233	9,357	11,044
Realized capital gains / (losses)	5,408	418	1193.78	82	1,450	3,250
Unrealized capital gains / (losses)	9,045	(248)	-3747.18	(344)	(2,037)	1,042
Mark-up income	21,014	14,824	41.76	12,044	11,460	11,307
NAV per unit (Rupees)	205.9216	171.9703	19.74	159.5394	153.4136	146.9919
Transactions in securities						
Purchases	2,107,769	2,107,769	0.00	1,416,184	1,220,562	298,469
Sales	1,984,594	1,984,594	0.00	1,344,113	849,189	172,012
Total contribution received	83,299	44,698	86.36	72,342	54,384	42,012

**24.3 Money market sub-fund**

	Money Market Sub-Fund					
	2020	2019	Change	2018	2017	2016
	(Rupees in '000)		--- % ---	(Rupees in '000)		
Net income for the year	13,548	11,174	21.25	6,548	6,762	5,744
Realized capital gains / (losses)	172	35	391.43	(9)	(15)	12
Unrealized capital gains / (losses)	22	-	100.00	7	(20)	(58)
Mark-up income	16,110	13,929	15.66	9,785	9,748	8,931
NAV per unit (Rupees)	177.6024	158.7278	11.89	147.2662	141.0836	135.0112
Transactions in securities						
Purchases	2,426,778	2,426,778	0.00	1,040,483	556,830	577,733
Sales	2,161,638	2,161,638	0.00	911,274	320,944	154,038
Total contribution received	38,700	71,280	-45.71	49,435	42,570	27,413

**24.4 Highest and lowest issue price of units during the year**

	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund	
	2020	2019	2020	2019	2020	2019
	(Rupees)					
Highest issue price	410.8046	382.3071	206.3224	171.9703	177.6024	158.7278
Lowest issue price	260.8180	304.0580	172.0734	159.5078	158.8240	147.3246

**25. NON COMPLIANT INVESTMENTS DISCLOSURE**

**25.1 Held by Money Market Sub-Fund**

Instruments / Banker	Type of investment / exposure	Rating of the issuer	Value of investment / exposure	Provision held	Value of investment after provision	Limit	Market value as a percentage of net assets of sub-fund
				----- (Rupees in '000) -----			----- (%) -----
Habib Bank Limited	Bank Balance	AAA	29,090	-	29,090	20.00	21.06

**25.2** These are the non compliances with respect to investments policy and restrictions as mentioned in the offering document of the fund.

**26. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Pension Fund Manager on August 27, 2020.

**27. 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





## Be aware, Be alert, Be safe

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

### Key features:

- ✔ Licensed Entity Verification  
(in Stock market)
- ✔ Advanced graphics
- ✔ Tax credit calculator\*
- ✔ Company valuation
- ✔ Insurance & Investment Checklist
- ✔ FAQs Answered

- ✔ Stock trading simulator  
(based on live feed from BSE)
- ✔ Knowledge owner
- ✔ Risk profiler
- ✔ Financial calculator
- ✔ Subscription to All the journal  
publications (available on  
regular intervals)
- ✔ Jamapunji application for  
mobile device
- ✔ Online Quotes

www.jamapunji.pk    0300-3000000



Securities and Exchange  
Commission of Pakistan  
www.secp.gov.pk

# HBL

## ASSET MANAGEMENT LTD.

## ایس ایٹ مینجمنٹ لمیٹڈ

**Head Office Karachi:**

7th Floor, Emerald Tower, Clifton,  
Karachi.

UAN: 111 HBL AMC (111-425-262)

Fax: 021-35168455

info@hblasset.com

**Lahore:**

102-103, Upper Mall, Lahore

Tel: 042-36281600

042-36281640-3

042-36281610

Fax: 042-36281686

**Islamabad:**

HBL Corporate Center,  
HBL building, Jinnah Avenue,  
Islamabad

Tel: 051-2821183

Fax: 051-2822206