

HBL

ASSET MANAGEMENT LTD.

ایسٹیک مینجمنٹ لمیٹڈ

Annual Report 2019-20

MOVING TOWARDS
EXCELLENCE

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PROGRESSIVENESS

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

MERITOCRACY

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

EXCELLENCE

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

OUR CORPORATE VALUES

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

CUSTOMER FOCUS

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

INTEGRITY

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

OUR VISION

Enabling people to
advance with
confidence and
success.

OUR MISSION

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

Board of Directors (Composition as of 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. Raymond 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. Raymond 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. Raymond 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.hblasst.com

Head Office & Registered Office

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

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

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 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 AND PAYOUTS

HBL Islamic Money Market Fund

The total income and net income of the Fund was Rs. 313.01 million and Rs. 283.66 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) of the Fund was Rs. 101.1744 per unit as on June 30, 2020 as compared to Rs. 100.9968 per unit as on June 30, 2019, after incorporating dividend of Rs. 10.7689 per unit, thereby giving an annualized return of 11.38%. During the year the benchmark return (3 Month bank deposit rates) was 5.37%. The size of Fund was Rs. 8.42 billion as on June 30, 2020 as compared to Rs. 1.05 billion at the start of the year.

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

HBL Islamic Income Fund

The total income and net income of the Fund was Rs. 198.51 million and Rs. 161.68million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) of the Fund was Rs. 101.5299 per unit as on June 30, 2020as compared to Rs. 101.4883 per unit as on June 30, 2019, after incorporating dividend of Rs. 10.45 per unit, thereby giving an annualized return of 10.31%. During the same year the benchmark return (6 Month bank deposit rates) was 6.33%. The size of Fund was Rs. 1.42 billion as on June 30, 2020 as compared to Rs. 3.10 billion at the start of the year.

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

HBL Islamic Stock Fund

The total and net income of the Fund was Rs. 32.25 million and Rs. 5.84 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) of the Fund was Rs. 93.6583 per unit as on June 30, 2020 as compared to Rs. 91.2924 per unit as on June 30, 2019, after incorporating dividend of Rs. 0.32 per unit, thereby giving a return of 2.95% during the year, against the benchmark return (KMI 30 Index) of 1.62%. The size of Fund was Rs. 0.56 billion as on June 30, 2020 as compared to Rs. 0.64 billion at the start of the year.

HBL Islamic Equity Fund

The total and net income of the Fund was Rs. 51.12 million and Rs. 33.19 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) of the Fund was Rs. 77.5699 per unit as on June 30, 2020 as compared to Rs. 76.7854 per unit as on June 30, 2019, after incorporating dividend of Rs. 0.10 per unit, thereby giving a return of 1.15% during the year, against the benchmark return (KMI 30 Index) of 1.62%. The size of Fund was Rs. 0.23 billion as on June 30, 2020 as compared to Rs. 0.26 billion at the start of the year.

HBL Islamic Asset Allocation Fund

The total and net income of the Fund was Rs. 107.96 million and Rs. 82.05 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) of the Fund was Rs. 103.6330 per unit as on June 30, 2020 as compared to Rs. 103.2688 per unit as on June 30, 2019, after incorporating dividend of Rs. 6.25 per unit, thereby giving a return of 6.42% during the year, against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of 5.60%. The size of Fund was Rs. 0.31 billion as on June 30, 2020 as compared to Rs. 1.13 billion at the start of the year.

HBL Islamic Financial Planning Fund

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

The Fund as a whole earned a total and net income of Rs. 86.79 million and Rs. 78.18 million respectively during the year under review. The fund size of the fund stood at Rs. 0.45 billion. Performance review for plan is given below:

Active Allocation Plan

During the year under review, the Active allocation plan earned a total and net income of Rs. 8.98 million and Rs. 8.30 million respectively. The net assets of the Active allocation plan stood at Rs. 94 million representing Net Asset Value (NAV) of Rs. 95.3020 per unit as at June 30, 2020 as compared to Rs. 93.3275 as at June 30, 2019, after incorporating dividend of Rs. 3.80 per unit. The plan earned a return of 6.21% for the year under review against the benchmark return of 6.63%. The plan is invested to the extent of 49% in equity funds & 50% in fixed income funds.

Conservative Allocation Plan

During the year under review, the Conservative allocation plan earned total and net income of Rs. 1.39 million and Rs. 1.29 million respectively. The net assets of the Conservative allocation plan stood at Rs. 7 million representing Net Asset Value (NAV) of Rs. 109.3637 per unit as at June 30, 2020 as compared to Rs. 101.4641 as at June 30, 2019, after incorporating dividend of Rs. 2.10 per unit. The plan earned a return of 9.86% for the year under review against the benchmark return of 6.33%. The plan is invested to the extent of 19% in equity funds & 77% in fixed income funds.

Strategic Allocation Plan

During the period from July 01, 2019 to June 16, 2020, the Strategic allocation plan earned a total and net income of Rs. 17.53 million and Rs. 16.74 million respectively. The plan marked its maturity on June 16, 2020.

Islamic Capital Preservation Plan

During the year under review, the Islamic Capital Preservation Plan earned a total income and net income of Rs. 58.90 million and Rs. 51.85 million respectively. The net assets of the Islamic Capital Preservation Plan stood at Rs. 350 million representing Net Asset Value (NAV) of Rs. 105.1185 per unit as at June 30, 2020 as compared to Rs. 98.4840 per unit as at June 30, 2019, after incorporating dividend of Rs. 6.80 per unit. The plan earned a return of 12.50% for the year under review against the benchmark return of 10.99%. The plan is invested to the extent of 8% in equity funds & others in cash.

HBL Islamic Dedicated Equity Fund

During the year under review, the Islamic Dedicated Equity Fund earned a total and net income of Rs. 38.64 million and Rs. 30.09 million respectively. The net assets of the Islamic Dedicated Equity Fund stood at Rs. 27.44 million representing Net Asset Value (NAV) of Rs. 87.5443 per unit as at June 30, 2020 as compared to Rs. 83.8322 per unit as on June 30, 2019. The Fund earned a return of 4.43% for the year under review against the benchmark return of 1.62%.

MANAGEMENT COMPANY RATING

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

AUDITORS

M/s Deloitte Yousuf Adil, Chartered Accountants existing auditors of HBL Islamic Stock Fund and HBL Islamic Dedicated Equity Fund retired and being eligible, offered themselves for re-appointment. The Board of Directors on the recommendation of the Audit Committee, has re-appointed M/s Deloitte Yousuf Adil, Chartered Accountants as Auditors of these funds for the next term.

M/s BDO Ebrahim & Co. Chartered Accountants existing auditors of HBL Islamic Income Fund and HBL Islamic Equity Fund retired and being eligible, offered themselves for re-appointment. The Board of Directors on the recommendation of the Audit Committee, has re-appointed M/s BDO Ebrahim & Co. Chartered Accountants as Auditors of these funds for the next term.

M/s KPMG Taseer Hadi & Co., Chartered Accountants existing auditors of HBL Islamic Money Market Fund, HBL Islamic Asset Allocation Fund and HBL Islamic Financial Planning Fund retired and being eligible, offered themselves for re-appointment. The Board of Directors on the recommendation of the Audit Committee, has re-appointed M/s KPMG Taseer Hadi & Co., Chartered Accountants as Auditors of these funds for the next term.

PATTERN OF UNIT HOLDING

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

ACKNOWLEDGEMENT

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

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

On behalf of the Board of
HBL Asset Management Limited

Chief Executive Officer

انتظامی کمپنی کے ڈائریکٹرز کی رپورٹ

ایچ بی ایل ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بمسرت اپنی رپورٹ بشمول ایچ بی ایل اسلامک مٹی مارکیٹ فنڈ، ایچ بی ایل اسلامک انکم فنڈ، ایچ بی ایل اسلامک اسٹاک فنڈ، ایچ بی ایل اسلامک ایکویٹی فنڈ، ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ، ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ اور ایچ بی ایل اسلامک ڈیڈ ویٹڈ ایکویٹی فنڈ (دی فنڈز) کے مالیاتی حسابات برائے سال مختتمہ 30 جون 2020 پیش کر رہے ہیں۔

اقتصادی جائزہ - مالی سال 20

گزشتہ دو برسوں کے دوران کئی پالیسی اقدامات کیے گئے جس کے نتیجے میں میکروز میں بہتری آئی جیسا کہ معیشت نے کرنٹ اکاؤنٹ خسارے میں کمی کی صورت میں، بہتر فارن ایکسچین ریٹرز پوزیشن اور مستحکم زرمبادلہ کی شرح کے اشارے ظاہر کیے۔ استحکام کے ان اقدامات کے نتیجے میں آئندہ مدت میں جی ڈی پی گرتھ اور بلند تر افراط زر میں سست روی رہی۔ تاہم کوویڈ-19 کی حالیہ وبا نے مختصر مدتی شرح نمو کو کے آؤٹ لک کو متاثر کیا اور حکومت کی جانب سے معیشت کو سہارا دینے کے لیے بڑی مالیاتی مراعات دی گئیں، ان سے بھی نتیجتاً ملک سے رقومات کا آؤٹ فلور ہاجس کو کم کرنے کے لیے آئی ایم ایف اور دیگر کثیرالگھتی اور باہمی کریڈیٹرز سے قرضے لیے گئے۔

مالی سال 20 کے دوران پاک روپے کی قدر میں لگ بھگ 5.4% تک کمی آئی جس سے اصل موثر ایکسچین ریٹ 93 تک ظاہر ہوا جیسا کہ کرنسی فیئر ویلیو سے نیچے گردش کر رہی ہے۔ کوویڈ-19 کی وبائی صورتحال کے بعد بینٹرنل بینک نے پالیسی ریٹ میں مجموعی طور پر 625 bps کی کمی کر کے اسے 13.25% سے 7.0% تک پہنچایا تاکہ معیشت کو سہارا مل سکے۔ بیرونی محاذ پر برآمدات، امپورٹ میں 18.2% کمی کے مقابلے میں 7.2% تک کم ہو گئیں اور مالی سال 20 کے دوران تجارتی خسارہ 27.9% تک کم ہو کر 20.0% یو ایس ڈالر ہو گیا۔ زر ترسیلات نے بھی حوصلہ افزا رجحان ظاہر کیا اور یہ مالی سال 20 میں 6.3% تک بڑھ کر 23.1% یو ایس ڈالر ہو گئے۔ ان عناصر کی وجہ سے کرنٹ اکاؤنٹ خسارہ (سی اے ڈی) مالی سال 20 کے لیے 77.9% تک کم ہو کر 3.0% رب امریکی ڈالر ہو گیا (جی ڈی پی کا 1.1%) جبکہ اس کے مقابلے میں گزشتہ سال کی اسی مدت کے دوران یہ 13.4% بلین یو ایس ڈالر (جی ڈی پی کا 4.8%) تھا۔ سی اے ڈی میں سست روی ایک خوش آئند رد عمل تھا تاہم اس کے ساتھ مقامی معیشت میں مجموعی سست روی اور مالی سال 20 کے دوران ایل ایس ایم میں 10.2% کمی ظاہر ہوئی۔ مجموعی غیر ملکی زرمبادلہ کے ذخائر 17.9% رب امریکی ڈالر تک بڑھے جبکہ یہ مالی سال 19 کے اختتام پر اس کے مقابلے میں 14.5% رب یو ایس ڈالر تھے۔

مالی سال 20 کی مدت میں اوسطاً ہڈ لائن سی پی آئی افراط زر کی شرح 10.8% رہی تھی جو گزشتہ سال کی اسی مدت کے دوران 6.3% ریکارڈ کی گئی تھی جس کی وجہ سے بجلی اور گیس کے ٹیرف میں بلند تر اضافے کے ساتھ ساتھ کرنسی کی قدر میں دوسری بار کمی کے اثرات کا ظاہر ہونا تھا۔ تاہم اب ہم توقع کرتے ہیں کہ بلند تر بنیادی اثرات کی وجہ سے افراط زر میں کمی آئے گی۔ مالیاتی جانب مالی سال 20 کے لیے مالیاتی خسارہ جی ڈی پی کا 8.1% تک پہنچ گیا جو اس کے مقابلے میں مالی سال 19 میں 9.1% رہا تھا۔ اس کی وجہ لاک ڈاؤن کے باعث ٹیکس وصولی میں کمی اور کوویڈ-19 پھیلنے کے بعد معیشت میں سست روی کا آنا تھا۔

آگے بڑھتے ہوئے ہمیں یقین ہے کہ قریبی مدت میں جی ڈی پی ممکنہ طور پر کوویڈ-19 کی وبائی صورتحال کے پیش نظر لاک ڈاؤن کے اقدامات کی وجہ سے دنیا کے دیگر ممالک کے ساتھ ہم آہنگ رہے گی۔ توجہ اس بحران کے بعد بحالی کے اقدامات پر رہے گی جس کے لیے حکومت کی جانب سے کیے گئے پالیسی اقدامات کا برقرار رہنا لازم ہوگا۔

مٹی مارکیٹ کا جائزہ

مالی سال 20 مٹی مارکیٹ کے لیے دو ششماہی کا ایک سلسلہ تھا۔ ایس بی بی نے مالی سال 20 کی پہلی ششماہی میں اپنی سخت مالیاتی نظم و ضبط کی پالیسی کو برقرار رکھا تاکہ بڑھتے ہوئے کرنٹ اکاؤنٹ خسارے کو کم کیا جائے اور افراط زر کے بڑھتے ہوئے دباؤ کو کم کیا جاسکے۔ تاہم کوویڈ-19 کی وبائی صورتحال کے پیش نظر ایس بی بی نے پالیسی ریٹ میں مجموعی طور پر 625 bps کمی کی کر کے معیشت کو سہارا دینے کی بھرپور کوشش کی۔

تازہ ترین دستیاب ڈیٹا کے مطابق اسلامی بینکاری کے اثاثہ جات نے 20.4% گرتھ ظاہر کی اور مارچ 20 تک 3,360 رب روپے پر موجود تھے۔ اسی طرح اسلامی بینکوں کے ڈپازٹس نے بھی 22.4% YoY کی نمایاں گرتھ ظاہر کی اور مارچ 20 تک 2,692 رب روپے تک پہنچ گئے۔ حکومت نے سرکلر ڈیٹ کو جزوی ریٹائر کرنے کے لیے 200 رب روپے کے انٹرنیٹ سکوک-II

جاری کیے۔ یہ ایک طویل مدتی اسٹرومنٹ اور ایس ایل آر کے اہل تھے جس سے اسلامی بینکوں کو ان کی اضافی لیکویڈٹی کو روکنے میں معاونت ملی۔ سال کے دوران ایس بی پی نے تین ”قابل تغیر ریٹیل ریٹ“ اجارہ بنیام منعقد کیے۔ مجموعی پیشکش کردہ رقم 420 ارب روپے تھی جس میں سے 198 ارب روپے قبول کیے گئے۔

مالی سال 20 کے دوران حکومت نے اپنی قرضوں کی بڑی ضرورتوں کا مقامی وسائل اور وسیع بنیاد پر کمرشل بینکوں کے ذریعے انتظام کیا۔ حکومت نے اس مدت کے دوران شیڈولڈ بینکوں سے 2,302 ارب روپے کے قرضہ جات حاصل کیے جبکہ گزشتہ برس اس مدت کے دوران 875 ارب روپے واپس کیے گئے تھے۔ اسی دوران حکومت نے ایس بی پی سے اپنے قرضوں میں 135 ارب روپے کی کمی کی، اس کے برخلاف گزشتہ برس کی اس مدت میں 3,078 ارب روپے کے قرضے حاصل کیے گئے تھے۔ قرضوں کی یہ منتقلی اس وجہ سے گئی کیونکہ آئی ایم ایف نے افراط زر کے دباؤ سے بچنے کے لئے مرکزی بینک سے قرض لینے پر پابندی عائد کی تھی۔ آگے بڑھتے ہوئے حکومت اضافی قرضوں کی ضروریات کو کمرشل بینکوں کے ذریعے پوری کرنے کا سلسلہ جاری رکھے گی۔

جون 20 میں پیش کی گئی مانیٹری پالیسی میں ایس بی پی نے پالیسی ریٹ میں مزید 100bps کی کمی کر کے اسے 7.0% کر دیا۔ آگے بڑھتے ہوئے ہم محسوس کرتے ہیں بڑے پیمانے پر مالیاتی آسانی ظاہر ہوگی اور ہم شرح سود کے دائرے کی چلی سٹیج پر ہوں گے۔ تاہم ایس بی پی نے اشارہ دیا ہے کہ اس کی مالیاتی پالیسی ڈیٹا کا فرما ہی رہے گی اور ہمیں یہ نظر آتا ہے کہ دو اتقویٰ سال میں شرح سود میں مزید 100-50 بی پی ایس تک کی آئے گی۔

اسٹاک مارکیٹ کا جائزہ

مالی سال 20 کے دوران مارکیٹ اتار چڑھاؤ کا شکار رہی جس کی وجہ آئی ایم ایف پروگرام اور کوویڈ-19 کی وبائی صورتحال کے نتیجے میں کی جانے والی معاشی ایڈجسٹمنٹ تھی۔ سال کے آغاز پر مندی کے ایک مختصر رجحان کے بعد مارکیٹ آئی ایم ایف پروگرام آنے کے بعد معاشی استحکام کی جانب بڑھتی ہوئی نظر آئی۔ تاہم یہ بحالی کوویڈ-19 کی وبا کے سبب مختصر ثابت ہوئی۔ اس کے نتیجے میں مارکیٹ عالمی مارکیٹوں کے ساتھ خسارے میں چلی گئی۔ مارکیٹ تیسری سہ ماہی میں بحالی کی جانب گامزن ہوئی جس کی وجہ (1) جارحانہ مالیاتی سہولتیں (2) کثیر الجہتی اور باہمی وسائل سے قرضہ جات کی وصولی اور (3) حکومت کی جانب سے تیسری ترقیاتی پیکیج کا اعلان تھا۔

مالی سال 20 کے دوران شیخ مارکیٹ ICM1-30 انڈیکس نے 771 پوائنٹس کا اضافہ ریکارڈ کیا اور (+1.42%) بڑھ کر 54,995 پوائنٹس پر بند ہوا۔ سال کے دوران گردش میں رہنے والے شعبے اور تعمیرات سے منسلک صنعتیں (سینٹ، اسٹیل اور گلاس) اسٹیٹ بینک آف پاکستان کی جانب سے دی گئی مالیاتی نرمی کی وجہ سے سرگرم عمل رہیں۔ ٹیکنالوجی سیکٹر بھی کوویڈ-19 کی وبائی صورتحال کے بعد ٹیکنالوجی پر بڑھتی ہوئی توجہ کے باعث مرکزی سطح پر رہا۔ دوسری جانب بینکاری کا شعبہ شرح سود میں کمی کی وجہ سے آمدنی کم ہونے کے سبب پیچھے رہ گیا۔ فلوز کی جانب غیر ملکی مالی سال 20 کے دوران خالص فروخت کنندگان تھے اور 284 ملین ڈالر مالیت کے شیئرز فروخت کیے گئے اس کے مقابلے میں مالی سال 19 کے دوران 356 ملین یو ایس ڈالر کی خالص فروخت کی گئی تھی۔ تاہم یہ امر قابل ذکر ہے کہ غیر ملکی فروخت مالی سال 20 کی دوسری ششماہی کے ضمن میں کوویڈ-19 کے بعد کی گئی تھی جیسا کہ مالی سال 20 کی پہلی ششماہی میں غیر ملکی خالص خریداروں میں شامل تھے۔

پاکستان ایکویٹیٹیز مینڈیٹور پورٹریبلٹی انڈیکس (او۔سٹاک 16.8x پیئرز کے برعکس کے برخلاف 6.8x فارورڈ P/E پر ٹریڈنگ) اور کوویڈ-19 کی کمیوں میں کمی آنے کے بعد بحال ہونے کی توقع ہے۔ مارکیٹ کے شرکت کنندگان قریبی حد تک کورونا وائرس کے کیسز اور یقینی میکر ونمبرز کے رجحان کو مد نظر رکھیں گے۔ گردش میں رہنے والے شعبے (سینٹ، اسٹیل، او ایف بی) شرح سود میں کمی کے باعث بہتر کارکردگی ظاہر کریں گے۔ ٹیکسٹائل سیکٹر بھی برآمدات میں بھاری صلاحیت کے سبب سرمایہ کاروں کی بڑی توجہ کا مرکز ہوگی۔ ٹیکنالوجی سیکٹر بھی کوویڈ-19 کی وبائی صورتحال کے بعد ٹیکنالوجی پر بڑھتی ہوئی توجہ کے باعث توجہ کا مرکز بنا رہے گا۔ ہم اپنی اسٹریٹیجک توجہ کا مرکز چھٹی سطح اور آمدنی کی مستحکم صلاحیت کے ساتھ اسٹاکس پر بھرپور ایکٹیو پوزیشن رکھیں گے۔

فنڈ کی کارکردگی اور پے آؤٹس

ایچ بی ایل اسلامک منی مارکیٹ فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 313.01 ملین روپے اور 283.66 ملین روپے رہی۔ فنڈ کی نی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 101.1744 روپے نی یونٹ تھی جو اس کے برخلاف 30 جون 2019 کو 107.6889 روپے نی یونٹ کا منافع مستحکم تشکیل دینے کے بعد بڑھ کر 100.9968 روپے نی یونٹ رہی تھی جس کے ذریعے 11.38% کا ایک سالانہ منافع دیا گیا۔ سال کے دوران شیخ مارکیٹ (تین ماہ کا بینک ڈپازٹس ریٹس) منافع 5.37% تھا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 8.42 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 1.05 ملین روپے رہا تھا۔

جی سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی نے فنڈ کے لیے (f) AA فنڈ اسٹیبلٹی ریٹنگ کی دوبارہ توثیق کی ہے۔

ایچ بی ایل اسلامک انکم فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 198.51 ملین روپے اور 161.68 ملین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 101.5299 روپے فی یونٹ تھی جو اس کے برخلاف 30 جون 2019 کو 10.45 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد بڑھ کر 101.4883 روپے فی یونٹ رہی تھی جس کے ذریعے سال کے دوران 10.31% کا ایک سالانہ منافع دیا گیا۔ سال کے دوران بیچ مارک (چھ ماہ کا بینک ڈپازٹ ریٹس) منافع 6.33% تھا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 1.42 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 3.10 ملین روپے رہا تھا۔

جی سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی نے فنڈ کے لیے (f) A+ فنڈ اسٹیبلٹی ریٹنگ اپ گریڈ کی ہے۔

ایچ بی ایل اسلامک اسٹاک فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 32.25 ملین روپے اور 5.84 ملین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 93.6583 روپے فی یونٹ تھی جو اس کے برخلاف 30 جون 2019 کو 0.32 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد بڑھ کر 91.2924 روپے فی یونٹ رہی تھی جس کے ذریعے سال کے دوران 2.95% کا ایک سالانہ منافع دیا گیا اس کے برخلاف بیچ مارک (کے ایم ای 30 انڈیکس) منافع 1.62% تھا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 0.56 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 0.64 ملین روپے رہا تھا۔

ایچ بی ایل اسلامک ایکویٹی فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 51.12 ملین روپے اور 33.19 ملین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 77.5699 روپے فی یونٹ تھی جو اس کے برخلاف 30 جون 2019 کو 0.10 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد بڑھ کر 76.7854 روپے فی یونٹ رہی تھی جس کے ذریعے سال کے دوران 1.15% کا ایک سالانہ منافع دیا گیا اس کے برخلاف بیچ مارک (کے ایم ای 30 انڈیکس) منافع 1.62% تھا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 0.23 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 0.26 ملین روپے رہا تھا۔

ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 107.96 ملین روپے اور 82.05 ملین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 103.6330 روپے فی یونٹ تھی جو اس کے برخلاف 30 جون 2019 کے مطابق 6.25 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد بڑھ کر 103.2688 روپے فی یونٹ رہی تھی، جس کے ذریعے سال کے دوران 6.42% کا ایک سالانہ منافع بیچ مارک منافع (KMI 30 انڈیکس کاروز آند اوسطاً حجم شدہ منافع اور اے ریٹڈ یا زائد درجے کے بینکوں کو چھ ماہ کے ڈپازٹ ریٹ) منفی 5.60% کے برخلاف دیا گیا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 0.31 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 1.13 ملین روپے رہا تھا۔

ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ

ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ چارڈزلی فنڈز (پلاننگ) بنام ایکٹو ایلوکیشن پلان، کنزرویٹو ایلوکیشن پلان اور اسٹریٹیجک ایلوکیشن پلان اور اسلامک کیپٹل پریزرویشن پلان پر مشتمل ہے۔ فنڈ نے مجموعی طور پر زیر جائزہ سال کے دوران بالترتیب 86.79 ملین روپے اور 78.18 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ فنڈ کا حجم 0.45 ارب روپے پر موجود تھا۔

پلانز کے لیے کارکردگی کا جائزہ ذیل میں دیا گیا ہے:

ایکٹو ایلیکیشن پلان

زیر جائزہ سال کے دوران ایکٹو ایلیکیشن پلان نے بالترتیب 8.98 ملین روپے اور 8.30 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ ایکٹو ایلیکیشن پلان کے خالص اثاثہ جات 94 ملین روپے پر موجود تھے جو 30 جون 2020 کے مطابق 95.3020 روپے فی یونٹ کے خالص اثاثہ جات کی ویلیو (NAV) کی نمائندگی کرتے ہیں جبکہ اس کے مقابلے میں 30 جون 2019 کے مطابق یہ 3.80 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد 93.3275 روپے فی یونٹ تھے۔ پلان نے زیر جائزہ سال کے دوران 6.21% کا منافع اس کے 6.63% کے شیئ مارک منافع کے برخلاف حاصل کیا۔ پلان نے ایکویٹی فنڈز میں 49% اور فیکسڈ انکم فنڈز میں 50% تک کی سرمایہ کاری کی ہے۔

کنزرویٹو ایلیکیشن پلان

زیر جائزہ سال کے دوران کنزرویٹو ایلیکیشن پلان نے بالترتیب 1.39 ملین روپے اور 1.29 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ کنزرویٹو ایلیکیشن پلان کے خالص اثاثہ جات 7 ملین روپے پر موجود تھے جو 30 جون 2020 کے مطابق 109.3637 روپے فی یونٹ کے خالص اثاثہ جات کی ویلیو (NAV) کی نمائندگی کرتے ہیں جبکہ اس کے مقابلے میں 30 جون 2019 کے مطابق یہ 2.10 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد 101.4641 روپے فی یونٹ تھے۔ پلان نے زیر جائزہ سال کے دوران 9.86% کا منافع اس کے 6.33% کے شیئ مارک منافع کے برخلاف حاصل کیا۔ پلان نے ایکویٹی فنڈز میں 19% اور فیکسڈ انکم فنڈز میں 77% تک کی سرمایہ کاری کی ہے۔

اسٹریٹجک ایلیکیشن پلان

کیم جولائی 2019 سے 16 جون 2020 کی مدت کے دوران اسٹریٹجک ایلیکیشن پلان نے بالترتیب 17.53 ملین روپے اور 16.74 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ پلان نے 16 جون 2020 کو اپنی چھوٹی کی مدت پوری کی۔

اسلامک کیپٹل پریزرویشن پلان

زیر جائزہ سال کے دوران اسلامک کیپٹل پریزرویشن پلان نے بالترتیب 58.90 ملین روپے اور 51.85 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ اسلامک کیپٹل پریزرویشن پلان کے خالص اثاثہ جات 350 ملین روپے پر موجود تھے جو 30 جون 2020 کے مطابق 105.1185 روپے فی یونٹ کے خالص اثاثہ جات کی ویلیو (NAV) کی نمائندگی کرتے ہیں جبکہ اس کے مقابلے میں 30 جون 2019 کے مطابق یہ 6.80 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد 98.4840 روپے فی یونٹ تھے۔ پلان نے زیر جائزہ سال کے لیے 12.50% کا منافع اس کے 10.99% کے شیئ مارک منافع کے برخلاف حاصل کیا۔ پلان نے ایکویٹی فنڈز میں 8% اور دیگر میں نقدی کی صورت میں سرمایہ کاری کی ہے۔

ایچ بی ایل اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ

اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ کی مجموعی اور خالص آمدنی زیر جائزہ سال کے لیے بالترتیب 38.64 ملین روپے اور 30.09 ملین روپے رہی۔ اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ کے خالص اثاثہ جات کی مالیت 27.44 ملین روپے تھی جو 30 جون 2020 کے مطابق 87.5443 روپے فی یونٹ کے خالص اثاثہ جات کی مالیت (NAV) کی نمائندگی ظاہر کرتی ہے جبکہ اس کے مقابلے میں یہ 30 جون 2019 کے مطابق 83.8322 روپے فی یونٹ تھے۔ فنڈ نے اس زیر جائزہ سال کے دوران 4.43% کا منافع 1.62% کے شیئ مارک کے برخلاف حاصل کیا۔

انتظامی کمپنی کی ریٹنگز

وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (جے سی آر۔ وی آئی ایس) نے انتظامی کمپنی کے لیے منجمنٹ کو الٹی ریٹنگ +AM2 (اے ایم ٹو پلس) کی دوبارہ توثیق کی ہے اور توثیق کردہ ریٹنگ پراؤٹ لک ”مثبت“ ظاہر کیا ہے۔

آڈیٹرز

ایچ بی ایل اسلامک اسٹاک فنڈ اور ایچ بی ایل اسلامک ڈیٹیکلیڈ ایکویٹی فنڈ کے موجودہ آڈیٹرز میسرز ڈیلائیٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو رہے ہیں اور اہل ہونے کی بنیاد پر انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارشات پر میسرز ڈیلائیٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس کو آئندہ مدت کے لیے ان فنڈز کے آڈیٹرز کی حیثیت سے دوبارہ مقرر کر دیا ہے۔

ایچ بی ایل اسلامک انکم فنڈ اور ایچ بی ایل اسلامک ایکویٹی فنڈ کے موجودہ آڈیٹرز میسرز بی ڈی ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو رہے ہیں اور اہل ہونے کی بنیاد پر انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارشات پر میسرز بی ڈی ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو آئندہ مدت کے لیے ان فنڈز کے آڈیٹرز کی حیثیت سے دوبارہ مقرر کر دیا ہے۔

ایچ بی ایل اسلامک منی مارکیٹ فنڈ، ایچ بی ایل اسلامک ایلویشن فنڈ اور ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ کے موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس سبکدوش ہو رہے ہیں اور اہل ہونے کی بنیاد پر انہوں نے خود کو دوبارہ تقرری کے لیے پیش کیا ہے۔ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارشات پر میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کو آئندہ مدت کے لیے اس فنڈ کے آڈیٹرز کی حیثیت سے دوبارہ مقرر کر دیا ہے۔

یونٹ ہولڈنگ کا طریقہ کار

یونٹ ہولڈنگ کے پیٹرن سے متعلق تفصیلات فنڈز کے متعلقہ مالیاتی اسٹیٹمنٹس میں فراہم کی گئی ہیں، یونٹ ہولڈنگ کا بریک اپ بذریعہ حجم متعلقہ فنڈز کی فنڈ فیچر رپورٹ کے متعلقہ سیکشن میں فراہم کر دیا گیا ہے۔

اعتراف

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے اپنے معزز یونٹ ہولڈرز کا ان کے مستقل تعاون اور سرپرستی کے لیے شکر یہ ادا کرنا چاہتا ہے۔ اس سلسلے میں سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، سینٹرل ڈپازٹری کمیٹی آف پاکستان اور ایم سی بی فنانشل سروسز لمیٹڈ بطور رٹسٹی، پاکستان اسٹاک ایکسچینج لمیٹڈ اور اسٹیٹ بینک آف پاکستان کی جانب سے فراہم کردہ تعاون اور رہنمائی پر ان کو خراج تحسین پیش کرتے ہیں۔

بورڈ اپنے اسٹاک کی انتھک کاوشوں اور مخلصانہ جدوجہد پر ان کو بھی خراج تحسین پیش کرنا چاہتا ہے

منجانب بورڈ

ایچ بی ایل ایس ایٹ میجمنٹ لمیٹڈ

چیف ایگزیکٹو آفیسر



HBL Islamic Money Market Fund

NAME OF FUND	HBL ISLAMIC MONEY MARKET FUND
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	KPMG Taseer Hadi & Co., Chartered Accountants
NAME OF SHARIAH ADVISORS	Al - Hilal Shariah Advisors (Pvt.) Limited
NAME OF BANKERS	Habib Bank Limited Askari Bank Limited Habib Metropolitan Bank Limited Bank Al Habib Limited Allied Bank Limited Faysal Bank Limited Summit Bank Limited

Type and Category of Fund

Open end Islamic Money Market Fund

Investment Objective and Accomplishment of Objective

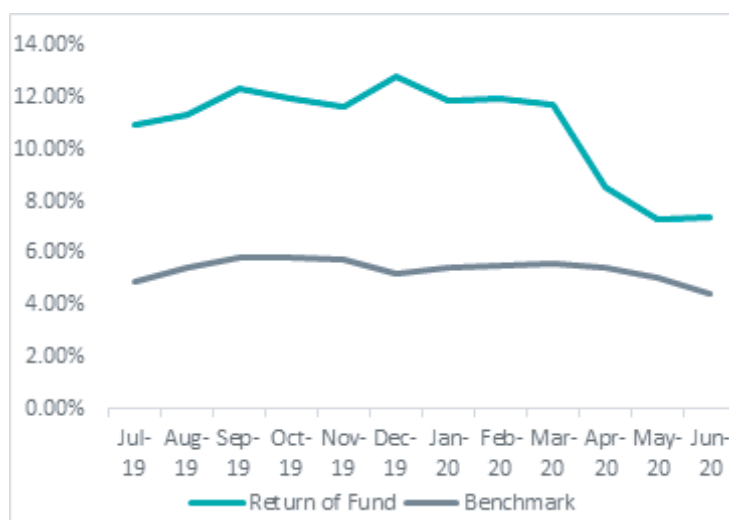
The investment objective of the Fund is to seek high liquidity, competitive return and maximum possible preservation of Capital for investors by investing in low risk Shariah Compliant securities. The investment objective is achieved.

Benchmark and Performance Comparison with Benchmark

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

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

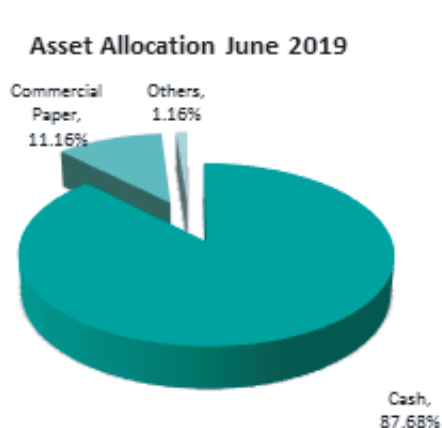
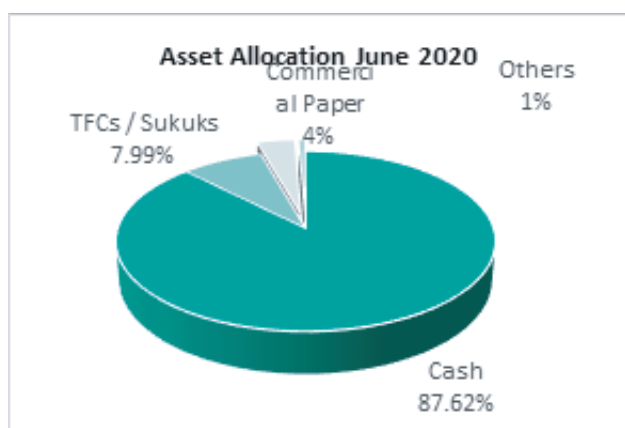
Month	Return of Fund	Benchmark
Jun-20	7.39%	4.45%
May-20	7.33%	5.06%
Apr-20	8.58%	5.46%
Mar-20	11.75%	5.58%
Feb-20	11.95%	5.52%
Jan-20	11.86%	5.45%
Dec-19	12.84%	5.19%
Nov-19	11.62%	5.72%
Oct-19	11.98%	5.81%
Sep-19	12.33%	5.85%
Aug-19	11.31%	5.42%
Jul-19	10.99%	4.93%



Strategies and Policies employed during the Year

The Fund continued to remain majorly invest in bank deposit due to absence of investment opportunities in Islamic universe. During the year investment in short term Islamic commercial papers and short term Sukuk were initiated by the fund manager to support the bottom line of the fund. However, this mode of investment is limited to a few issuers because Money Market Schemes have duration and rating limitations. At the end of period, asset allocation comprises of 87.62% investment in DPA accounts and remaining 11.99% in Islamic Commercial Papers compared to 87.68% investment in bank deposit and 11.16% exposure in commercial papers in June, 2019. Going ahead, we will explore further options to invest the funds in short maturity commercial papers and Sukuk.

Asset Allocation



Fund Performance

The total income and net income of the Fund was Rs. 313.01 million and Rs. 283.66 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) of the Fund was Rs. 101.1744 per unit as on June 30, 2020 as compared to Rs. 100.9968 per unit as on June 30, 2019, after incorporating dividend of Rs. 10.7689 per unit, thereby giving an annualized return of 11.38%. During the year the benchmark return (3 Month bank deposit rates) was 5.37%. The size of Fund was Rs. 8.42 billion as on June 30, 2020 as compared to Rs. 1.05 billion at the start of the year.

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.

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.

Distribution

The Fund has distributed cash dividend up-to Rs. 10.7689 per unit for the year ended June 30, 2020.

Significant Changes in the State of Affairs

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

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	1,647	24,856
101 – 500	129	28,383
501 – 1,000	37	25,993
1,001 – 10,000	225	1,028,177
10,001 – 100,000	271	8,338,898
100,001 – 500,000	43	8,015,222
500,001 – 1,000,000	4	2,780,808
1000,001 – 5,000,000	5	10,388,872
5,000,001 and above	2	52,608,780
Total	2,363	83,239,789

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

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

**PERFORMANCE TABLE –
HBL ISLAMIC MONEY MARKET FUND**
As at June 30, 2020

	2020	2019	2018	2017	2016	2015
Net assets at the period end(Rs'000)	8,423,242	1,050,315	957,109	835,282	506,741	457,348
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	101.1744	100.9968	104.9735	100.6277	100.6132	100.4237
Offer		102.1381	104.9735	100.6277	100.6132	100.4237
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit	103.2023	110.0993	104.9735	104.7144	104.6150	106.5827
Lowest offer price per unit	102.1381	100.8796	100.6620	100.5319	100.4203	100.3186
Highest redemption price per unit	102.0491	108.8691	104.9735	104.7144	104.6150	100.9653
Lowest redemption price per unit	100.9968	100.8796	100.6620	100.5319	100.4203	100.0852
RETURN (%)						
Total return	11.38%	8.11%	4.32%	4.19%	4.29%	6.70%
Income distribution	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital growth	11.38%	8.11%	4.32%	4.19%	4.29%	6.70%
DISTRIBUTION						
Final dividend distribution- Rs	10.7689	8.00	4.15	4.20	4.10	6.50
Date of Income Distribution	Different Dates	28-Jun-19	4-Jul-18	20-Jun-17	22-Jun-16	26-Jun-15
Total dividend distribution for the year/ period	10.77	8.00	4.15	4.20	4.10	6.50
AVERAGE RETURNS (%)						
Average annual return 1 year	11.38%	8.11%	4.32%	4.19%	4.29%	6.70%
Average annual return 2 year	9.73%	6.20%	4.26%	4.25%	5.50%	6.78%
Average annual return 3 year	7.90%	5.53%	4.27%	5.06%	5.95%	7.34%
Weighted average portfolio during (No. of days)						
PORTFOLIO COMPOSITION - (%)						
Percentage of Total Assets as at 30 June:						
Bank Balances	87.62%	87.68%	90.67%	100%	99%	99%
Commercial paper	3.75%	11.16%	-	-	-	-
Placement with Banks and DFIs	0.00%	0.00%	8.82%	-	-	-
TFCs / Sukuks	7.99%	-	-	-	-	-
Others	0.64%	1.16%	0.51%	-	1%	1%

Note:

The Launch date of the Fund is May 10, 2011

Disclaimer:

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

HBL ISLAMIC ASSET ALLOCATION FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Asset Allocation Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 21, 2020



STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Money Market Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2020. This has been duly confirmed by the Shariah Advisor of the Fund.



Mir Adil Rashid

Chief Executive Officer

Dated: August 27, 2020





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 Money Market Fund (HBL-IMMF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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


Mufti Irshad Ahmad Aijaz
Member Shariah Council




Faraz Younus Bandukda, CFA
Chief Executive



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 Unit holders of HBL Islamic Money Market Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **HBL Islamic Money Market Fund** ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.



KPMG Taseer Hadi & Co.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended June 30, 2020 but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are



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considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them



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all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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


Other Matter

The Financial Statements of the Fund for the year ended 30 June 2019 were audited by another firm of auditors whose report dated 27 September 2019 expressed an unmodified opinion.

The engagement partner on the audit resulting in this independent auditors' report is Zeeshan Rashid.

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 Reasonable Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of Directors of HBL Asset Management Limited, Management Company of HBL Islamic Money Market Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Management Company 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 Management Company

The Management Company 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 Management Company 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

HBL Islamic Money Market Fund
Statement of Assets and Liabilities
As at June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Assets			
Bank balances	4	7,397,036	955,111
Investments	5	991,839	121,627
Accrued mark-up on bank deposits	6	53,814	12,495
Advances, deposits and prepayment	7	876	109
Total Assets		8,443,565	1,089,342
Liabilities			
Payable to the Management Company	8	3,389	1,269
Payable to the Trustee	9	517	156
Payable to Securities and Exchange Commission of Pakistan	10	616	790
Accrued expenses and other liabilities	11	17,307	36,811
Total Liabilities		21,829	39,026
Net Assets		8,421,736	1,050,316
Unit Holders' fund (as per statement attached)		8,421,736	1,050,316
Contingencies and commitments	12		
Number of units in issue	13	83,239,789	10,399,489
Net assets value per unit		101.1744	100.9968

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Islamic Money Market Fund

Income Statement

For the year ended June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Income			
Profit on deposits with banks calculated using the effective yield method		279,458	91,932
Profit on term deposit receipts calculated using the effective yield method		-	456
Return on investments calculated using the effective yield method	14	33,555	9,777
Total income		313,013	102,165
Expenses			
Remuneration of the Management Company	8.1	16,160	10,899
Remuneration of the Trustee	9.1	2,261	1,703
Annual fee to the Securities and Exchange Commission of Pakistan		616	790
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	1,858	1,053
Selling and marketing expense		1,490	-
Auditors' remuneration	15	352	352
Settlement and bank charges		358	259
Fee and subscription		468	359
Printing and stationery		4	13
Legal and professional charges		-	249
Net income from operating activities		289,446	86,488
Provision for Sindh Workers' Welfare Fund	11	(5,789)	(1,730)
Net income for the year before taxation		283,657	84,758
Taxation	16	-	-
Net income for the year after taxation		283,657	84,758
Allocation of net income for the year:			
Net income for the year after taxation		283,657	84,758
Income already paid on redemption of units		(36,280)	(34,922)
		247,377	49,836
Accounting income available for distribution:			
- Relating to capital gains		-	-
- Excluding capital gains		247,377	49,836
		247,377	49,836
Earning per unit	18		

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

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

Chief Financial Officer

Chief Executive Officer

Director

	2020	2019
	----- (Rupees in '000) -----	
Net income for the year after taxation	283,657	84,758
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u><u>283,657</u></u>	<u><u>84,758</u></u>

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Islamic Money Market Fund
Statement of Movement in Unit Holders' Fund
For the year ended June 30, 2020

		For the year ended June 30,					
		2020			2019		
		(Rupees in '000)					
		Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
		1,042,487	7,829	1,050,316	926,994	30,116	957,110
		Issuance of 149,842,468 units (2019: 18,022,440 units)					
		- Capital value (at net asset value per unit at the beginning of the period)					
		15,133,610	-	15,133,610	1,817,086	-	1,817,086
		- Element of income					
		44,596	-	44,596	60,539	-	60,539
		Total proceeds on issuance of units					
		15,178,206	-	15,178,206	1,877,625	-	1,877,625
		Redemption of 77,002,168 units (2019: 16,740,572 units)					
		- Capital value (at net asset value per unit at the beginning of the period)					
		(7,776,973)	-	(7,776,973)	(1,687,844)	-	(1,687,844)
		- Element of loss					
		(4,962)	(36,280)	(41,242)	(29,781)	(34,922)	(64,703)
		Total payments on redemption of units					
		(7,781,935)	(36,280)	(7,818,215)	(1,717,625)	(34,922)	(1,752,547)
		Total comprehensive income for the year					
		-	283,657	283,657	-	84,758	84,758
		Interim distribution					
	13.2	-	(233,738)	(233,738)	-	(72,123)	(72,123)
		Refund of Capital					
	13.2	(38,490)	-	(38,490)	(44,507)	-	(44,507)
		Total distribution					
		(38,490)	(233,738)	(272,228)	(44,507)	(72,123)	(116,630)
		Net assets at end of the year					
		8,400,268	21,468	8,421,736	1,042,487	7,829	1,050,316
		Undistributed income brought forward					
		- Realised income			30,116		
		7,829			-		
		-			30,116		
		7,829			30,116		
		Accounting income available for distribution					
		- Relating to capital gains			-		
		-			49,836		
		247,377			49,836		
		247,377			49,836		
		Interim distribution					
	13.2	(233,738)			(72,123)		
		21,468			7,829		
		21,468			7,829		
		21,468			7,829		
		-			-		
		21,468			7,829		
		21,468			7,829		
		----- (Rupees) -----					
		100.9968			104.9735		
		101.1744			100.9968		

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

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

Chief Financial Officer

Chief Executive Officer

Director

HBL Islamic Money Market Fund

Cash Flow Statement

For the year ended June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Cash flows from operating activities			
Net income for the year before taxation		283,657	84,758
Adjustments for:			
Mark-up on bank deposits		(279,458)	(91,932)
Mark-up on term deposit receipts		-	(456)
Return on investments calculated using effective yield method		(33,555)	(9,777)
		<u>(29,356)</u>	<u>(17,407)</u>
Increase in assets			
Prepayments		(767)	(49)
Investments		(870,212)	(121,627)
		<u>(870,979)</u>	<u>(121,676)</u>
Increase / (decrease) in liabilities			
Payable to the Management Company		2,120	591
Payable to the Trustee		361	36
Payable to Securities and Exchange Commission of Pakistan		(174)	181
Accrued expenses and other liabilities		(19,504)	31,815
		<u>(17,197)</u>	<u>32,623</u>
Mark-up received on deposit with banks		271,694	94,533
		<u>(645,838)</u>	<u>(11,927)</u>
Net cash used in operating activities			
Cash flows from financing activities			
	19		
Amount received on issue of units		15,139,716	1,877,625
Payments against redemption of units		(7,818,215)	(1,752,547)
Cash dividend paid		(233,738)	(116,630)
Net cash generated from financing activities		<u>7,087,763</u>	<u>8,448</u>
Net increase / (decrease) in cash and cash equivalents		<u>6,441,925</u>	<u>(3,479)</u>
Cash and cash equivalents at beginning of the year		955,111	958,590
Cash and cash equivalents at end of the year	4	<u>7,397,036</u>	<u>955,111</u>

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

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

Chief Financial Officer

Chief Executive Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** HBL Islamic Money Market Fund (the Fund) was established under a Trust Deed, dated November 23, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on December 10, 2010.
- 1.2** The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3** The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange. The units of the Fund were initially offered for public subscription at 'par from May 9, 2011 to May 10, 2011.
- 1.4** The fund has been categorised as a Shariah Compliant Money Market fund as per the criteria laid down by SECP for categorisation of open-end Collective Investment Scheme (CISs).
- 1.5** The objective of the Fund is to seek high liquidity and competitive Shariah Compliant return for investors by investing in low risk securities of shorter duration and maturity.
- 1.6** VIS Credit Rating Agency has assigned management quality rating of 'AM2+' positive outlook to the Management Company and the fund stability rating of AA(f) to the Fund.
- 1.7** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as a trustee of the Fund.
- 1.8** **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 economy and business, regulators / government across the country have introduced a host of measures on both the fiscal and economic fronts from time to time.

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 COVID-19 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

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

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

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

2.3 Standards and amendments effective during the year

There are number of new standards and amendments that are effective from July 01, 2019 however these do not have a significant effect on the Fund's financial statements.

2.4 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 January 01, 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 January 01, 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 March 29, 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 January 01, 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 June 1, 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 June 30, 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 January 01, 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 January 01, 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 January 01, 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 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 January 01, 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 01, 2020 and are not likely to have an impact on Fund’s financial statements.

2.5 Critical accounting estimates and judgements

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, judgements and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgement in the process of applying the Fund’s accounting policies. Estimates and judgements 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.

- (a) classification of financial assets (Note 3.6)
- (b) impairment of financial assets (Note 3.6)
- (c) provisions (Note 3.14)

2.6 Basis of Measurement

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

2.7 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 equivalent

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

3.2 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.

3.3 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.

3.4 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.

3.5 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.

3.6 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;
- 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 interest / 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. Interest / markup income, foreign exchange gains and losses and impairment are recognised in 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.

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 Fund.

3.7 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, cancelled or expired.

3.8 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 NBFC regulations, 2008.

3.9 Unitholders' fund

Unitholders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

3.10 Issuance and redemption of units

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

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.11 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.

3.12 Taxation

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders' every year.

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

3.13 Expenses

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

3.14 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 reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.15 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net assets value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

3.16 Net assets value per unit

The net assets value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

3.17 Zakat Payable

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

3.18 Earnings per unit

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

3.19 Distributions

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.20 Other assets

Other assets are stated at cost less impairment losses, if any.

4.	BANK BALANCES	Note	2020	2019
			------(Rupees in '000)-----	
	Balances with banks in:			
	Savings accounts	4.1	7,397,036	955,111
	Term deposit receipt		-	-
			<u>7,397,036</u>	<u>955,111</u>

4.1 This represent bank accounts held with different banks. Mark-up rates on these accounts ranges between 5.97% - 14.5% (2019: 4 % - 13%) per annum.

5.	INVESTMENTS	Note	2020	2019
			------(Rupees in '000)-----	
	Investment by category			
	Financial assets at amortised cost			
	Commercial paper	5.1	316,839	121,627
	Financial assets at fair value through profit or loss			
	Sukuk certificates	5.2	675,000	-
			<u>991,839</u>	<u>121,627</u>

5.1 Commercial papers - at amortised cost

Note	Maturity date	As at July 1, 2019	Placements made during the year	Income accrued	Matured / Sold during the year	As at June 30, 2020	Market value as a percentage of		
							Total investments of fund	Net Assets of fund	
------(Rupees in '000)-----							------(%)-----		
	K - Electric Limited	Sep 2, 2020	121,627	-	2,373	124,000	-	-	
	K - Electric Limited	Feb 28, 2020	-	46,402	3,598	50,000	-	-	
	K - Electric Limited	Mar 19, 2020	-	69,702	5,298	75,000	-	-	
	K - Electric Limited	5.1.1 Aug 14, 2020	-	115,544	6,364	-	121,908	12.29	
	K - Electric Limited	5.1.2 Aug 26, 2020	-	60,578	3,046	-	63,624	6.41	
	K - Electric Limited	5.1.3 Sep 10, 2020	-	84,213	3,490	-	87,703	8.84	
	K - Electric Limited	5.1.4 Oct 6, 2020	-	42,411	1,193	-	43,604	4.40	
			<u>121,627</u>	<u>418,850</u>	<u>25,362</u>	<u>249,000</u>	<u>316,839</u>	<u>31.94</u>	<u>3.77</u>

5.1.1 This commercial paper has been placed at a mark-up rate of 14.13% and is being amortised over a year of 137 days.

5.1.2 This commercial paper has been placed at a mark-up rate of 14.13% and is being amortised over a year of 125 days.

5.1.3 This commercial paper has been placed at a mark-up rate of 13.19% and is being amortised over a year of 112 days.

5.1.4 This commercial paper has been placed at a mark-up rate of 11.82% and is being amortised over a year of 85 days.

5.2 Sukuks certificate - At fair value through profit or loss

Note	As at July 1, 2019	Purchased during the year	Matured / Sold 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 fund	Net Assets of fund	
------(Rupees in '000)-----							------(%)-----		
	HUB Power Company Limited	5.2.1	-	675,000	-	675,000	675,000	68.06	8.01
			<u>-</u>	<u>675,000</u>	<u>-</u>	<u>675,000</u>	<u>675,000</u>	<u>68.06</u>	<u>8.01</u>

5.2.1 Significant terms and conditions of Sukuk certificates outstanding as at June 30, 2020 are as follows:

Name of Security	Remaining Principal (per Sukuk)	Mark-up rate (per annum)	Date of Issue	Maturity Date
HUB Power Company Limited	1,000,000	6 months KIBOR + 1.5%.	19-May-20	19-May-21

6.	ACCRUED MARK-UP	Note	2020	2019
			------(Rupees in '000)-----	
	Mark-up accrued on bank deposits		46,188	12,495
	Mark-up accrued on Sukuk certificates		7,626	-
			53,814	12,495

7. ADVANCES, DEPOSITS AND PREPAYMENT

Prepaid annual rating fee		66	9
CDC security deposit		100	100
Advance Tax	7.1	710	-
		876	109

7.1 This pertains to tax erroneously collected by bank on markup on bank deposits which will be claimed on filing of tax return of the Fund.

8.	PAYABLE TO THE MANAGEMENT COMPANY	Note	2020	2019
			------(Rupees in '000)-----	
	In respect of:			
	Management fee	8.1	2,113	1,014
	Sindh Sales Tax on management fee	8.2	275	132
	Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	352	101
	Sales load payable		48	22
	Selling and Marketing expense payable		601	-
			3,389	1,269

8.1 As Per SECP S.R.O. 639 (I)/2019 dated June 20, 2019, there has been amendment in NBFC regulation no. 61, in which limits over management fee had been removed and directed that the asset management company shall disclose in the Offering document the maximum rate of management fee chargeable to Collective Investment Scheme within allowed expense ratio limit. Further, the asset management company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the Offering Document and such actual rate shall be disclosed in Fund manager report. The management fee expense charged by the asset management company varied between 0.30% to 1.00% (2019: 2%) during the year. Currently at the rate of 0.30% of average annual Net Asset of the Fund

8.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (2019: 13 percent) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

8.3 As Per SECP S.R.O. 639 (I)/2019 dated June 20, 2019, there has been amendment in NBFC regulation no. 60 (3) point (s) and (v), in which limits to allocate fee and expenses pertaining to registrar services, accounting, operation, valuation services and selling and marketing expenses had been removed.

	Note	2020 ------(Rupees in '000)-----	2019
9. PAYABLE TO THE TRUSTEE			
Trustee fee	9.1	458	138
Sindh Sales Tax		59	18
		517	156

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 in, based on the daily Net Asset Value (NAV) of the Fund.

With effect from July 01, 2019 the tariff is 0.065% per annum of Net Assets as at June 30, 2020.

9.2 The Sindh Government has levied Sindh Sales Tax on services at the rate of 13% (2019: 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

	Note	2020 ------(Rupees in '000)-----	2019
10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee	10.1	616	790

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as a money market scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.02% of the average annual net assets of the scheme. The fee is payable annually in arrears.

	Note	2020 ------(Rupees in '000)-----	2019
11. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration		298	264
Federal Excise Duty	11.1	2,185	2,185
Withholding tax payable		3,135	3,282
Provision for Sindh Workers' Welfare Fund	11.2	9,722	3,933
Other payables		867	1,187
Capital gain tax payable		683	4,242
Dividend payable		417	21,719
		17,307	36,812

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

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

The Finance act 2016, excluded the mutual funds from the levy of FED with effect from July 01, 2016, therefore, no provision was charged during the year ended June 30, 2020.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of the Management Company, aggregating to Rs. 2.185 million. Had the provision not being made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 0.0262 (2019: Rs. 0.2101) per unit.

11.2 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:

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. Accordingly, Management reversed the provision for WWF amounted to Rs. 2.80 million on January 12, 2017 and started recording a provision for SWWF with effective from July 01, 2014. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit would have been higher by Rs. 0.1168 (2019: Rs. 0.378) per unit respectively.

12. CONTINGENCIES AND COMMITMENTS

Other than already disclosed in the financial statements, there are no contingencies and commitments as at June 30, 2020.

13. NUMBER OF UNITS IN ISSUE

	Note	2020 ------(Rupees in '000)-----	2019
Total units in issue at the beginning of the year		10,399,489	9,117,621
Add: Units issued during the year	13.1	149,842,468	18,022,440
Less: Units redeemed during the year		(77,002,168)	(16,740,572)
Total units in issue at the end of the year		<u>83,239,789</u>	<u>10,399,489</u>

13.1 This includes 381,092 units issued at zero value as refund of capital.

13.2	Date of Distribution	Payout per unit	Cash Distribution	Units issued at zero value
		Rupees	Rupees in '000	
	August 5, 2019	1.0687	11,791	5,150
	September 4, 2019	0.9399	10,698	3,387
	October 3, 2019	0.9978	11,713	17,094
	November 5, 2019	1.0792	12,703	12,986
	December 4, 2019	0.9389	10,910	6,731
	January 3, 2020	1.0726	13,966	51,756
	February 6, 2020	1.1059	16,205	18,318
	March 4, 2020	0.8977	17,407	94,748
	April 6, 2020	1.0465	20,613	58,415
	May 11, 2020	0.7911	41,076	81,150
	June 8, 2020	0.5503	45,126	26,056
	June 22, 2020	0.2803	21,530	5,299
			233,738	381,090

14.	MARK-UP / RETURN ON INVESTMENTS	Note	2020	2019
			------(Rupees in '000)-----	
	Sukuk certificates		7,626	-
	Commercial Paper		25,362	9,777
	GoP Ijarah Sukuks		567	-
			33,555	9,777

15.	AUDITORS' REMUNERATION		
	Annual audit fee	253	253
	Fee for half yearly review	40	40
	Sindh Sales Tax	23	23
	Shariah Compliance Audit fee	5	5
	Out of pocket	31	31
		352	352

16. TAXATION

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

17. TOTAL EXPENSE RATIO

The Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated 20 July 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the financial statements of CIS / the Fund. As per S.R.O 639 (I)/2019, the limit towards expense ratio has been revised from 2.00% to 2.50% for Income, aggressive income, Capital protected, Index and Commodity Schemes (cash settled) schemes. The total expense ratio of the Fund for the year ended June,30 2020 is 0.95% (June 30, 2019 : 1.65%) which includes 0.27% (2019: 0.37%) representing government levy, Sindh Worker's Welfare Fund and SECP fee.

18. EARNINGS PER UNIT

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

19. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at July 1, 2019	-	-	-
Receivable against issuance of units	15,139,716	-	15,139,716
Payable against redemption of units	-	7,818,215	7,818,215
Amount received on issuance of units	(15,139,716)	-	(15,139,716)
Amount paid on redemption of units	-	(7,818,215)	(7,818,215)
Closing balance as at June 30, 2020	-	-	-

20. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

20.1	Transactions during the year	2020	2019
		------(Rupees in '000)-----	
	HBL Asset Management Limited - Management Company		
	Management Fee including sales tax	16,160	10,899
	Allocation of expenses related to registrar services, accounting, operation and valuation services	-	1,053
	Issuance of 699,213 units (2019: 2,767 units)	70,563	290
	Redemption of 700,961 units (2019: 28,596 units)	71,769	2,911
	Dividend Paid	733	127
	Selling and Marketing expense	1,490	-
	Habib Bank Limited - Sponsor		
	Issuance of Nil units (2019: 118,711 units)	-	11,969
	Redemption of Nil units (2019: 762,765 units)	-	80,649
	Bank charges paid	266	80
	Profit on bank deposits received	69,592	17,467
	Dividend paid	24,122	29,889
	Executive and Key management personnel		
	Issuance of 56,750 units (2019: 524,693 units)	5,720	55,282
	Redemption of 68,054 units (2019: 388,122 units)	7,332	41,072
	Dividend paid	506	912
	Central Depository Company of Pakistan Limited - Trustee		
	Trustee remuneration	2,261	1,703
	MCBFSL Trustee HBL Islamic Capital Preservation Plan - Associate		
	Issuance of Nil units (2019: 1,521 units)	-	161
	Redemption of 1,521 units (2019: Nil units)	154	-
	Dividend Paid	-	11
	Artistic Milliners Pvt Limited - Connected Person Due To holding 10% or more units.		
	Issuance of 29,703,911.41 units	3,000,000	-
	Dividend Paid	48,171	-
	Fauji Fertilizer Company Limited - Connected Person Due To holding 10% or more units.		
	Issuance of 34,771,689.28 units	3,492,500	-
	Redemption of 11,866,820.71 units	1,200,861	
	Dividend Paid	26,948	

	Note	2020 ------(Rupees in '000)-----	2019
Jubilee Life Insurance Company Limited - Connected Person due to holding 10% or more units.			
Purchase of GoP ijarah Sukuks : 203 units (2019: Nil units)		203,000	-
20.2 Balances outstanding as at year end			
HBL Asset Management Limited - Management Company			
Management fee		2,113	1,014
Sindh Sales Tax		275	132
Allocation of expenses related to registrar services, accounting, operation and valuation services		352	101
Investment held in the Fund: Nil units (2019: 1,748 units)		-	177
Sale load payable		48	22
Selling and marketing cost		601	-
Habib Bank Limited - Sponsor			
Investment held in the Fund: 2,240,000 units (2019: 2,240,000 units)		226,631	226,233
Bank balances		1,947,811	7,510
Sale load payable		568	814
Central Depository Company of Pakistan Limited - Trustee			
Remuneration payable including sales tax thereon		517	156
Executive and Key management personnel			
Investment held in the Fund: 48,155 units (2019: 137,318 units)		4,871	13,869
MCBFSL Trustee HBL Islamic Capital Preservation Plan - Associate			
Investment held in the Fund: Nil units (2019: 1,521 units)		-	154
Artistic Milliners Pvt Limited - Connected Person Due To holding 10% or more units.			
Investment held in the Fund: 29,703,911.41 units		3,005,275	-
Fauji Fertilizer Company Limited - Connected Person Due To holding 10% or more units.			
Investment held in the Fund: 22,904,868.57 units		2,317,386	-

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

21. FINANCIAL RISK MANAGEMENT

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

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

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

21.1 Market risk

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

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

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

21.1.1 Currency risk

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

21.1.2 Interest rate risk

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

a) Cash flow interest rate risk

Presently, the Fund holds balances in savings bank accounts as at June 30, 2020, that could expose the Fund to cash flow interest rate risk. The net income for the year would have increased / (decreased) by Rs. 73.97 million (2019: Rs. 9.5511 million) had the interest rates on savings accounts with the banks increased / (decreased) by 100 basis points.

b) Fair value interest rate risk

Presently, the Fund only holds fixed rate instrument having short term maturity at June 30, 2020, that could not expose the Fund to fair value interest rate risk.

21.1.3 Price risk

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

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

21.2 Credit risk

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

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

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

The maximum exposure to credit risk before considering any collateral as at June 30, 2020 and June 30, 2019 is the carrying amount of the financial assets. Investments in debt securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

The analysis below summarises the credit quality of the Fund's bank balances, accrued mark-up and other receivable as at June 30, 2020 and June 30, 2019:

	2020	2019
Note	------(Rupees in '000)-----	
Sukuk certificates	675,000	-
Accrued mark-up	53,814	12,495
Advances, deposits and prepayment	876	109

Balances with banks by rating category

Name of bank	2020		
	Rating agency	Rating	Amount (Rupees in '000)
Dubai Islamic Bank Pakistan Limited	VIS	AA	4,476,148
Habib Bank Limited	VIS	AAA	1,947,811
Askari Bank Limited	PACRA	AA+	23
Meezan Bank Limited	VIS	AA+	12
Habib Metropolitan Bank Limited	PACRA	AA+	13
Bank Al Habib Limited	PACRA	AA+	18
Allied Bank Limited	PACRA	AAA	972,311
Faysal Bank Limited	VIS	AA	11
Summit Bank Limited	VIS	N/A	8
MCB Bank Limited	PACRA	AAA	681
			7,397,036

Name of bank	2019		
	Rating agency	Rating	Amount (Rupees in '000)
Habib Bank Limited	VIS	AAA	952,754
Askari Bank Limited	PACRA	AA+	11
Meezan Bank Limited	VIS	AA+	11
Habib Metropolitan Bank Limited	PACRA	AA+	13
Bank Al Habib Limited	PACRA	AA+	2,079
Allied Bank Limited	PACRA	AAA	76
Faysal Bank Limited	VIS	AA	157
Summit Bank Limited	VIS	BBB-	10
			955,111

Concentration of credit risk

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

21.3 Liquidity risk

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

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. The Fund did not withhold any redemptions during the year.

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

	2020			Total
	Upto three months	More than three months and upto one year	More than one year	
----- Rupees in '000 -----				
Liabilities				
Payable to the Management Company	3,389	-	-	3,389
Payable to the Trustee	517	-	-	517
Accrued expenses and other liabilities	1,582	-	-	1,582
	5,488	-	-	5,488
Unit holders' Fund	8,421,736	-	-	8,421,736
----- Rupees in '000 -----				
	2019			Total
	Upto three months	More than three months and upto one year	More than one year	
----- Rupees in '000 -----				
Liabilities				
Payable to the Management Company	1,269	-	-	1,269
Payable to the Trustee	156	-	-	156
Accrued expenses and other liabilities	23,170	-	-	23,170
	24,595	-	-	24,595
Unit holders' Fund	1,050,316	-	-	1,050,316

22. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

	Note	2020					
		Carrying amount			Fair value		
		Fair value through profit or loss	At Amortised cost	Total	Level 1	Level 2	Level 3
(Rupees in '000)							
Financial instruments							
Financial assets not measured at fair value	22.1						
Investments		675,000	316,839	991,839	675,000	-	-
Bank balances		-	7,397,036	7,397,036			
Accrued mark-up on bank deposits		-	53,814	53,814			
Deposit		-	100	100			
		<u>675,000</u>	<u>7,767,689</u>	<u>8,442,789</u>			
Financial liabilities not measured at fair value	22.1						
Payable to Management Company		-	3,389	3,389			
Payable to Trustee		-	458	458			
Accrued expenses and other liabilities		-	1,582	1,582			
		<u>-</u>	<u>5,429</u>	<u>5,429</u>			

		2019						
		Carrying amount			Fair value			
		Fair value through profit or loss	At Amortised cost	Total	Level 1	Level 2	Level 3	Total
<i>Note</i>		----- (Rupees in '000) -----						
Financial instruments								
Financial assets not measured at fair value		22.1						
Commercial papers		-	121,627	121,627				
Bank balances		-	955,111	955,111				
Accrued mark-up		-	12,495	12,495				
Deposit		-	100	100				
		-	1,089,333	1,089,333				
Financial liabilities not measured at fair value								
		22.1						
Payable to Management Company		-	1,269	1,269				
Payable to Trustee		-	156	156				
Accrued expenses and other liabilities		-	23,170	23,170				
		-	24,595	24,595				

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

22.2 Net assets attributable to unitholders. 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 unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

23. FINANCIAL INSTRUMENTS BY CATEGORY

		2020		
		At fair value through profit or loss	At Amortised cost	Total
		----- (Rupees in '000) -----		
Assets				
Commercial paper		-	316,839	316,839
Sukuk Certificates		675,000	-	675,000
Bank balances		-	7,397,036	7,397,036
Accrued mark-up on banks		-	53,814	53,814
Deposit		-	100	100
		675,000	7,767,789	8,442,789
Liabilities				
Payable to the Management Company		-	3,389	3,389
Payable to the Trustee		-	517	517
Accrued expenses and other liabilities		-	1,582	1,582
		-	5,488	5,488

25. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2020, are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mr. Mir Adil Rashid	Chief Executive Officer	BSc	21
2	Mr. Muhammad Wamiq Sakrani	Acting Head of Fixed Income / Fund Manager	MBA	10
3	Mr. Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7
4	Mr. Karim Khawaja	Head of Risk	MBA, CMA	17

* He is Jointly Fund Manager of all other HBL Funds managed by Management company.

26. PATTERN OF UNIT HOLDING

	2020			
	Number of unit holders	Units held	Investment amount (Rupees in '000)	Percentage investment
Individuals	2,309	14,803,696	1,497,755	17.78
Associated company	1	2,240,000	226,631	2.69
Trust	7	786,708	79,595	0.95
Insurance Companies	6	900,046	91,062	1.08
Retirement funds	15	721,690	73,017	0.87
Banks / DFIs	2	5,993,720	606,411	7.20
Others	23	57,793,929	5,847,265	69.43
	2,363	83,239,789	8,421,736	100.00

	2019			
	Number of unit holders	Units held	Investment amount (Rupees in '000)	Percentage investment
Individuals	1,802	6,292,045	635,476	60.50
Director	1	110	11	0.00
Associated company	2	2,241,746	226,409	21.56
Trust	5	982,651	99,245	9.45
Insurance Companies	3	308,817	31,190	2.97
Retirement funds	9	164,356	16,599	1.58
Banks / DFIs	1	9	1	0.00
Others	14	409,755	41,385	3.94
	1,837	10,399,489	1,050,316	100.00

27. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Five meetings of the Board of Directors were held on August 29, 2019, October 29, 2019, February 13, 2020, March 02, 2020 and April 29, 2020 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Farid Ahmed Khan*	1	1	-	-
2	Mr. Mir Adil Rashid**	4	4	-	-
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad****	5	5	-	-
9	Mr. Atif Aslam Bajwa***	2	2	-	-

* Mr. Farid Ahmed Khan resigned as CEO on September 15, 2019.

** Mr. Mir Adil Rashid appointed as CEO on September 16, 2019.

*** Mr. Atif Aslam Bajwa appointed as of October 29, 2019 and resigned on February 24, 2020.

**** Resigned on May 14, 2020.

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 27, 2020 by the Board of Directors of the Management Company.

29. CORRESPONDING FIGURES

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

30. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

For HBL Asset Management Limited
(Management Company)

 Chief Financial Officer

 Chief Executive Officer

 Director



HBL Islamic Asset Allocation Fund

NAME OF FUND	HBL ISLAMIC ASSET ALLOCATION FUND
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	KPMG Taseer Hadi & Co., Chartered Accountants
NAME OF SHARIAH ADVISORS	Al - Hilal Shariah Advisors (Pvt.) Limited
NAME OF BANKERS	Habib Bank Limited Bank Al Habib Limited Dubai Islamic Bank Limited Askari Bank Limited Soneri Bank Limited Allied Bank Limited Bank Islami Pakistan Limited Summit Bank Limited Al Baraka Bank Pakistan Limited MCB Islamic Bank Limited

Type and Category of Fund

Open end Shariah Complaint Asset Allocation Fund

Investment Objective and Accomplishment of Objective

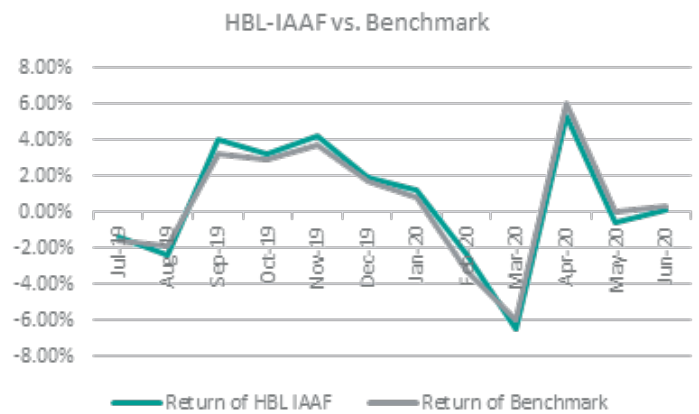
The objective of the Fund is to provide superior returns through investments in Shariah Complaint equity securities and Shariah Compliant income /money market instruments.

Benchmark and Performance Comparison with Benchmark

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

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

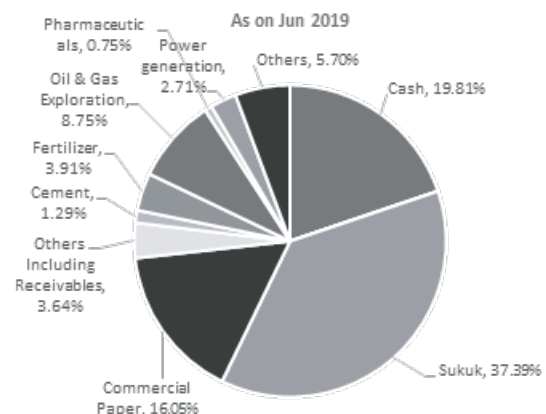
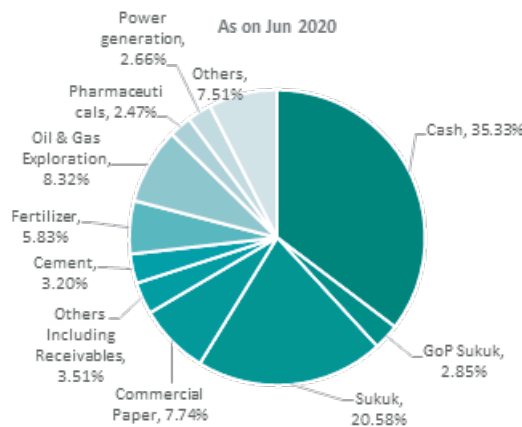
Month	Return of Fund	
	HBL-IAAF	Benchmark
Jun-20	0.15%	0.28%
May-20	-0.56%	0.06%
Apr-20	5.32%	6.05%
Mar-20	-6.45%	-5.96%
Feb-20	-2.41%	-3.23%
Jan-20	1.23%	0.86%
Dec-19	1.92%	1.72%
Nov-19	4.24%	3.74%
Oct-19	3.26%	2.87%
Sep-19	3.98%	3.18%
Aug-19	-2.37%	-1.89%
Jul-19	-1.42%	-1.59%



Strategies and Policies employed during the Year

During the year under review the Fund has increased its exposure in equity securities from 23% as on June 30, 2019 to 30% as on June 30, 2020. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in cements and pharmaceuticals was increased. The Fund gradually decreased its exposure in Commercial paper/Sukuk, while increasing Cash holding with banks.

Asset Allocation



Fund Performance

The total and net income of the Fund was Rs. 107.96 million and Rs. 82.05 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) of the Fund was Rs. 103.6330 per unit as on June 30, 2020 as compared to Rs. 103.2688 per unit as on June 30, 2019, after incorporating dividend of Rs. 6.25 per unit, thereby giving a return of 6.42% during the year, against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of 5.60%. The size of Fund was Rs. 0.31 billion as on June 30, 2020 as compared to Rs. 1.13 billion at the start of the year.

Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2020 and June 30, 2019:

Sector Name	As on Jun 2020	As on Jun 2019
Cash	35.33%	19.81%
GoP Sukuk	2.85%	0.00%
Sukuk	20.58%	37.39%
Commercial Paper	7.74%	16.05%
Others Including Receivables	3.51%	3.64%
Cement	3.20%	1.29%
Fertilizer	5.83%	3.91%
Oil & Gas Exploration	8.32%	8.75%
Pharmaceuticals	2.47%	0.75%
Power generation	2.66%	2.71%
Others	7.51%	5.70%
Total	100.00%	100.00%

Review of Market invested in

Money Market Review

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

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

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

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

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

Stock Market Review

The equity markets' performance during FY20 can be described as a tale of two halves.

1HFY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability

in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KMI30 index increased by 22% during 1HFY20 to close at 66,032 points on December 31, 2019.

2HFY20 continued with the same momentum as the benchmark KMI30 index made a high of 70,790 on January 10, 2020. However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KMI30 index as it fell to a low of 41,365 points on March 26, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KMI30 witnessed a sharp uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate) , approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government's decision to ease off lockdown restrictions for certain industries. The KMI30 index closed the year at 54,995 points (up 1.62%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mn in FY19).

Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight 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.

Distribution

The Board of Directors approved dividend distribution of up to Rs. 6.25 per unit to the unit holders for the year ended June 30, 2020.

Significant Changes in the State of Affairs

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

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	27	1,227
101 – 500	28	6,677
501 – 1,000	9	6,581
1,001 – 10,000	48	228,344
10,001 – 100,000	43	1,047,664
1,000,001 – 5,000,000	2	300,657
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	1	1,404,025
5,000,001 and above	-	-
Total	158	2,995,175

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

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

PERFORMANCE TABLE - HBL ISLAMIC ASSET ALLOCATION FUND

As at June 30, 2020

	2020	2019	2018	2017	2016
Net assets at the period end (Rs'000)	310,399	1,130,868	2,469,559	2,623,318	1,349,890
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES					
Redemption	103.6330	103.2688	104.7748	105.5962	102.5411
Offer	105.9751	105.6027	107.1427	108.3890	105.2531
OFFER / REDEMPTION DURING THE PERIOD - RUPEES					
Highest offer price per unit	118.2841	109.9945	108.8114	118.9345	106.8742
Lowest offer price per unit	100.7388	103.5444	102.4066	100.6004	100.0000
Highest redemption price per unit	115.67	107.5636	106.4066	116.3060	104.1204
Lowest redemption price per unit	98.5124	101.256	100.1434	100.6004	100.0000
RETURN (%)					
Total return	6.42%	-1.15%	-0.78%	9.83%	3.35%
Income distribution	6.25%	0.00%	0.30%	6.50%	0.80%
Capital growth	0.17%	-1.15%	-1.08%	3.33%	2.55%
DISTRIBUTION					
First Interim dividend distribution					
Second Interim dividend distribution					
Third Interim dividend distribution					
Final dividend distribution- Rs	6.25	0	0.3	6.50	0.80
Date of Income Distribution	26-Jun-20	-	03-Jul-18	22-Jun-17	28-Jun-16
Total dividend distribution for the year (Rs)	6.25	-	0.30	6.50	0.80
AVERAGE RETURNS (%)					
Average annual return 1 year					
Average annual return 2 year					
Average annual return 1 year	6.42%	-1.15%	-0.78%	9.83%	3.35%
Average annual return 2 year	2.57%	-0.97%	4.24%	8.94%	-
Average annual return 3 year	1.44%	2.51%	3.94%	-	-
PORTFOLIO COMPOSITION - (%)					
Percentage of Net Assets as at 30 June:					
Bank Balances	35.33%	19.81%	43.05%	73%	22%
GoP Ijarah Sukuks	2.85%	-	-	-	15%
Certificate of Modaraba	7.74%				
Commercial Paper	0.00%	16.05%	-	-	-
TFC / Sukuks	20.58%	37.39%	28.69%	2%	3%
Stock/Equities	29.99%	23.11%	27.31%	25%	1%
Others	3.51%	3.64%	0.96%	-	59%

Note:

The Launch date of the Fund is January 08, 2016

Disclaimer:

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

Summary of Actual Proxy voted by CIS

HBL IAAF	Meetings	Resolutions	For	Against
Number	1	6	6	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Amreli Steels Limited	23/10/2018	
AGP Limited	17/4/2019	06-07-18
Engro Corporation Ltd	(3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019)	(25/09/2018)(28/5/2019)
Engro Fertilizer Ltd	(2/10/2018)(26/11/2018)(28/3/2019)	27/5/2019
Engro Polymer & Chemicals Ltd	(18/09/2018)(1/4/2019)	
Fauji Fertilizer Co Ltd	(19/12/2018)(26/3/2019)(23/6/2019)	
Hub Power Company Ltd	(30/4/2019)	(16/4/2019)
Hascol Petroleum	(19/11/2018)	10-10-18
International Industries Ltd	(28/09/2018)(22/3/2019)	
International Steels Limited	(25/09/2018)(22/3/2019)	
Kohat Cement Co Ltd	25/10/2018	29/6/2019
Kohinoor Textile Mill Ltd	27/10/2018)(21/3/2019)	
Lucky Cement Ltd	(28/09/2018)(27/10/2018)	
Lotte Chemical Pakistan Ltd	(18/4/2019)	
Maple Leaf Cement Factory	27/10/2018	
Mughal Iron & Steel Industries	27/10/2018	
Mari Petroleum Company Ltd	18/10/2018)(20/3/2019)	
Meezan Bank Ltd	2/10/2018)(28/3/2019)(20/5/2019	17/11/2018
Mughal iron & Steel	27/10/2018	
Millat Tractors Limited	(30/10/2018)(8/3/2019)	
Nishat Mills Ltd	27/10/2018)(17/4/2019)	
Oil & Gas Development Co Ltd	(25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019)	
Packages Limited	18/4/2019	
Pakgen Power Ltd	30/4/2019	25/10/2018
Pakistan Petroleum Ltd	26/10/2018	
Pakistan Oilfields Ltd	(25/09/2018)(20/3/2019)	
Pakistan State Oil Company Ltd	(02/10/2018)(16/10/2018)(19/6/2019)	
Sui Northern Gas Pipeline Ltd	23/5/2019	
Thal Limited	(22/10/2018)(20/3/2019)	
The Searle Company Ltd	22/11/2018	

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



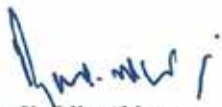
TRUSTEE REPORT TO THE UNIT HOLDERS

HBL ISLAMIC ASSET ALLOCATION FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Asset Allocation Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 21, 2020



STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Asset Allocation Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2020. This has been duly confirmed by the Shariah Advisor of the Fund.

Mir Adil Rashid**Chief Executive Officer****Dated: August 27, 2020**



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 Asset Allocation Fund (HBL-IAAF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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



Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive



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 Unit holders of HBL Islamic Asset Allocation Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **HBL Islamic Asset Allocation Fund** ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.



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Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended June 30, 2020 but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are



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considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them



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all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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


Other Matter

The Financial Statements of the Fund for the year ended 30 June 2019 were audited by another firm of auditors whose report dated 27 September 2019 expressed an unmodified opinion.

The engagement partner on the audit resulting in this independent auditors' report is Zeeshan Rashid.

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
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Independent Reasonable Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of Directors of HBL Asset Management Limited, Management Company of HBL Islamic Asset Allocation Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Management Company 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 Management Company

The Management Company 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 Management Company 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



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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

HBL ISLAMIC ASSET ALLOCATION FUND
Statement of Assets and Liabilities
As at June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Assets			
Bank balances	4	139,710	273,417
Investments	5	172,555	1,029,001
Dividend receivable and accrued mark-up	6	2,481	18,232
Preliminary expenses and flotation costs	7	105	315
Advances, deposits and other receivables	8	8,133	35,821
Receivable against sale of investments		-	23,653
Total assets		322,984	1,380,439
Liabilities			
Payable to the Management Company	9	1,430	3,504
Payable to the Trustee	10	70	219
Payable to Securities and Exchange Commission of Pakistan	11	143	1,991
Accrued expenses and other liabilities	12	10,942	8,240
Payable against redemption of units		-	235,617
Total liabilities		12,585	249,571
Net assets		310,399	1,130,868
Unit holders' fund (as per statement attached)		310,399	1,130,868
Contingencies and commitments			
	13	----- Number of units -----	
Number of units in issue	14	2,995,175	10,950,716
Net assets value per unit		103.6330	103.2688

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

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

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC ASSET ALLOCATION FUND

Income Statement

For the year ended June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Income			
Net realised gain / (loss) on sale of investments		29,115	(66,182)
Dividend income		10,799	26,729
Return on investments calculated using effective yield method	15	38,459	86,419
Profit on deposits with banks calculated using effective yield method	16	28,275	58,935
Net unrealised appreciation / (diminution) on revaluation of investments at fair value through profit or loss		1,310	(61,236)
Total income		107,958	44,665
Expenses			
Remuneration of the Management Company	9.1 & 9.2	12,088	35,525
Remuneration of the Trustee	10.1	1,588	3,498
Annual fee to Securities and Exchange Commission of Pakistan	11	143	1,991
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	3,847	2,096
Selling and marketing expenses	9.3	3,493	8,383
Auditors' remuneration	17	370	368
Amortisation of preliminary expenses and floatation costs		210	210
Settlement and bank charges		468	655
Fees and subscription		231	276
Securities transaction costs		1,056	2,157
Charity expense		744	1,353
Total expenses		24,238	56,512
Net income / (loss) from operating activities		83,720	(11,847)
Provision for Sindh Workers' Welfare fund	12.3	(1,674)	-
Net income / (loss) for the year before taxation		82,046	(11,847)
Taxation	18	-	-
Net income / (loss) for the year after taxation		82,046	(11,847)
Allocation of net income for the year after taxation			
Net income for the year after taxation		82,046	
Income already paid on units redeemed		(65,335)	
Accounting income available for distribution		16,711	
Accounting income available for distribution:			
- Relating to capital gains		-	
- Excluding capital gains		16,711	
		16,711	
Earnings per unit	19		

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

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

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC ASSET ALLOCATION FUND
Statement of Comprehensive Income
For the year ended June 30, 2020

	2020	2019
Note	-----(Rupees in '000)-----	
Net income / (loss) for the year after taxation	82,046	(11,847)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u><u>82,046</u></u>	<u><u>(11,847)</u></u>

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

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

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC ASSET ALLOCATION FUND

Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2020

Note	2020			2019			
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Unrealised (loss) / income on investment	Total
----- (Rupees in '000) -----							
Net assets at the beginning of the year	1,027,854	103,014	1,130,868	2,347,630	113,632	8,297	2,469,559
Adjustment due to adoption of IFRS 9	-	-	-	-	8,297	(8,297)	-
Issuance of units 710,608 (2019: 6,659,326 units)							
- Capital value	73,384	-	73,384	697,730	-	-	697,730
- Element of (loss) / income	(15,715)	-	(15,715)	7,470	-	-	7,470
Total proceeds on issuance of units	57,669	-	57,669	705,200	-	-	705,200
Redemption of units 8,666,149 (2019: 19,278,757 units)							
- Capital value	(894,943)	-	(894,943)	(2,019,928)	-	-	(2,019,928)
- Element of loss / (income)	18,410	(65,335)	(46,925)	(5,048)	-	-	(5,048)
Total payment on redemption of units	(876,533)	(65,335)	(941,868)	(2,024,976)	-	-	(2,024,976)
Total comprehensive income / (loss) for the year	-	82,046	82,046	-	(11,847)	-	(11,847)
Interim distribution for the year ended June 30, 2020: 6.25 per unit declared on June 29, 2020	-	(17,626)	(17,626)	-	(7,068)	-	(7,068)
Refund of capital	(690)	-	(690)	-	-	-	-
Total distribution	(690)	(17,626)	(18,316)	-	(7,068)	-	(7,068)
Net assets at the end of the year	208,300	102,099	310,399	1,027,854	103,014	-	1,130,868
Undistributed income brought forward							
- Realised income		164,250			116,763		
- Unrealised income / (loss)		(61,236)			(3,131)		
		<u>103,014</u>			<u>113,632</u>		
Accounting income available for distribution							
- Relating to capital gains		-					
- Excluding capital gains		16,711					
		<u>16,711</u>					
Interim distribution for the year ended June 30, 2020: 6.25 per unit declared on June 29, 2020		(17,626)					
Undistributed income carried forward		<u><u>102,099</u></u>					
Undistributed income carried forward comprises of:							
- Realised income		100,789			164,250		
- Unrealised income / (loss)		1,310			(61,236)		
		<u><u>102,099</u></u>			<u><u>103,014</u></u>		
			(Rupees)				(Rupees)
Net assets value per unit at beginning of the year			<u>103.2688</u>				<u>104.7748</u>
Net assets value per unit at end of the year			<u>103.6330</u>				<u>103.2688</u>

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC ASSET ALLOCATION FUND

Cash Flow Statement

For the year ended June 30, 2020

Note	2020	2019
	----- (Rupees in '000) -----	
Cash flows from operating activities		
Net income / (loss) for the year before taxation	82,046	(11,847)
Adjustments		
Net realised (gain) / loss on sale of investments	(29,115)	66,182
Profit on deposits with banks calculated using effective yield method	(28,275)	(42,562)
Return on investments calculated using effective yield method	(38,459)	(102,774)
Dividend income	(10,799)	(26,729)
Amortisation of preliminary expenses and floatation costs	210	210
Net unrealised (gain) / loss on revaluation of investments at fair value through profit or loss	(1,310)	61,236
	<u>(25,702)</u>	<u>(56,284)</u>
Decrease / (Increase) in assets		
Investments	886,871	217,533
Advances, deposits, other receivables and receivable against sale of investments	27,688	(31,616)
	<u>914,559</u>	<u>185,917</u>
(Decrease) / Increase in liabilities		
Payable to Management Company	(2,074)	(6,161)
Payable to Trustee	(149)	(125)
Payable to Securities and Exchange Commission of Pakistan	(1,848)	(577)
Payable against purchase of investments	2,702	(1,297)
	<u>(1,369)</u>	<u>(8,160)</u>
Net cash generated from operations	887,488	121,473
Profit received on bank deposits	29,462	46,228
Dividend income received	13,888	25,500
Markup received on investments	49,934	98,889
Net cash generated from operating activities	980,772	292,090
Cash flows from financing activities		
Amount received on issue of units	80,632	705,200
Payment against redemption of units	(1,177,485)	(1,789,359)
Cash dividend paid	(17,626)	(7,068)
Net cash used in financing activities	(1,114,479)	(1,091,227)
Net decrease in cash and cash equivalents	(133,707)	(799,137)
Cash and cash equivalents at beginning of the year	273,417	1,072,554
Cash and cash equivalents at end of the year	<u>139,710</u>	<u>273,417</u>

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

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

Chief Financial Officer

Chief Executive Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

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

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

1.7 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 economy and business, regulators / government across the country have introduced a host of measures on both the fiscal and economic fronts from time to time.

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 COVID-19 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

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

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

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

2.2 Standards and amendments effective during the year

There are number of new standards and amendments that are effective from July 01, 2019 however these do not have a significant effect on the Fund's financial statements.

2.3 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 01, 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 January 01, 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 January 01, 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 March 29, 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 January 01, 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 January 01, 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 June 01, 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 June 30, 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 January 01, 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 January 01, 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.

Annual Improvements to IFRS standards 2018-2020

- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 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 01, 2020 and are not likely to have an impact on Fund's financial statements.

2.4 Basis of measurement

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

2.5 Functional and presentation currency

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

2.6 Critical accounting estimates and judgments

The preparation of financial statements are in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

a) Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in note 3.2.1(i) - regarding the classification of investments.

b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended June 30, 2020 is included in the following notes:

- Note 3.2.1 (i) - Classification of investments
- Note 3.2.1 (iv) - Impairment of financial assets and other assets

3. SIGNIFICANT ACCOUNTING POLICIES

The management has adopted the following significant policies for the preparation of these financial statements:

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the Statement of Assets and Liabilities at amortised cost. These comprise of deposits with banks and highly liquid investments with original maturities of three months or less and that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investments for other purposes.

3.2 Financial assets

3.2.1 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These 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 associated with these financial assets are charged to the Income Statement.

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 security 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 objectives for managing the financial assets are 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 / mark-up or dividend income, are recognised in the income statement.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective yield method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in the income statement.

Debt securities at FVOCI

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective yield 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 the 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 the income statement.

The fair value of financial assets are determined as follows:

a) Debt securities (other than Government securities)

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 which are recently relaxed by the SECP amid ongoing situation of Covid19. However, the circular does not cover impairment requirements for government debt securities. Based on the past performance management considers that there is no probability of default as in any adverse situation State Bank of Pakistan has the right to discharge government obligations by issuance of currency notes. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

3.2.2 Regular way contracts

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

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 instruments

Financial assets and financial liabilities are 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 amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.3 Financial liabilities

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

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

3.4 Unitholders' Fund

Unitholders' Fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

3.5 Preliminary expenses and floatation costs

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

3.6 Issuance and redemption of units

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

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.7 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net Asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net assets value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

3.8 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 reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.9 Net assets value per unit

The net assets value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

3.10 Taxation

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. Provided that for the purpose of determining distribution of at least 90 percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.11 Revenue recognition

- Realised 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 mark 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.
- Mark-up on deposits with banks and mark-up / return on investments in debt and government securities is recognised using effective yield method.
- Dividend income is recognised when the right to receive the dividend is established.

3.12 Zakat Payable

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

3.13 Expenses

All expenses including Management fee, Trustee fee and Securities and Exchange Commission of Pakistan fee are recognised in the income statement on accrual basis.

3.14 Earnings per unit

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

3.15 Distributions

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.16 Other assets

Other assets are stated at cost less impairment losses, if any.

4. BANK BALANCES	Note	2020	2019
		------(Rupees in '000)-----	
Savings account	4.1	114,118	273,417
Certificate of Musharaka	4.2	25,592	-
		<u>139,710</u>	<u>273,417</u>

4.1 This represents bank accounts held with different banks. Profit rates on these accounts ranges between 3.75% - 13.5% per anum (2019: 3.75% - 13% p.a.).

4.2 This represents investment in Certificate of Musharaka placed with First Habib Modaraba maturing in July 2020. It carries profit of 11.10% per annum.

5. INVESTMENTS	Note	2020	2019
		------(Rupees in '000)-----	
Investment by category			
Financial assets at fair value through profit or loss			
Listed equity securities	5.1	96,867	319,086
GoP ijarah sukuks	5.2	9,215	-
Term finance certificates and sukuk bonds	5.3	66,473	516,166
		<u>172,555</u>	<u>835,252</u>
Financial assets at amortised cost			
Commercial paper	5.4	-	193,749
		<u>172,555</u>	<u>1,029,001</u>

5.1 Listed equity securities - At fair value through profit or loss

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

Note	Maturity date	As at July 1, 2019	Placements made during the year	Income accrued	Matured / Sold during the year	As at June 30, 2020	Market value as a percentage of	
							Total investments of fund	Net Assets of fund
(Rupees in '000)							(%)	
	K - Electric Limited	Sep 2, 2020	121,627	-	2,373	124,000	-	-
	K - Electric Limited	Feb 28, 2020	-	46,402	3,598	50,000	-	-
	K - Electric Limited	Mar 19, 2020	-	69,702	5,298	75,000	-	-
5.1.1	K - Electric Limited	Aug 14, 2020	-	115,544	6,364	-	121,908	12.29
5.1.2	K - Electric Limited	Aug 26, 2020	-	60,578	3,046	-	63,624	6.41
5.1.3	K - Electric Limited	Sep 10, 2020	-	84,213	3,490	-	87,703	8.84
5.1.4	K - Electric Limited	Oct 6, 2020	-	42,411	1,193	-	43,604	4.40
			121,627	418,850	25,362	249,000	316,839	31.94
								3.77

5.1.1 The above investments include shares with market value aggregating to Rs. 35.014 million (2019: Rs. 49.362 million) which have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the fund's trades in accordance with Circular No.11 dated October 23, 2007, issued by the SECP.

5.1.2 This includes gross bonus shares as per Fund's entitlement declared by the investee company. Previously due to amendments brought by the Finance Act, 2014 in the Income Tax Ordinance, 2001, the bonus shares received by the shareholders were to be treated as income and a tax at the rate of 5 percent was 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 was to be collected at source by the investee company which was considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan (MUFAP), has filed a petition in Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has already withheld the shares (from Tax Year 2014 to Tax Year 2018) equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.2432 million at June 30, 2020 (June 30, 2019: Rs. 0.1914 million) and not yet deposited on CDC account of department of Income tax while during the year no tax on bonus shares is being withheld by the investee company(s) due to the amendments brought by the Finance Act, 2018 in the Income Tax Ordinance, 2001 which excluded the requirement of tax on bonus shares. Management is of the view that the decision will be in favor of the asset management company and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

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

5.2.1 These carry mark-up at the rate of 6.63% per annum receivable semi-annually in arrears, maturing in April 2025.

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

Name of the Investee Company	As at July 01, 2019	Purchased during the year	Sold / 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 percentage of Total investments	Net Assets
	------(Number of certificates)-----				------(Rupees in '000)-----		------%-----	
Commercial Banks								
Dubai Islamic Bank	124	-	124	-	-	-	-	-
	124	-	124	-	-	-	-	-
Investment Company								
Dawood Hercules Corporation Limited	2,110	143	1,910	343	26,010	26,401	15.30	8.51
	2,110	143	1,910	343	26,010	26,401	15.30	8.51
Power Generation & Distribution								
Hub Power Company Limited	30,000	-	30,000	-	-	-	-	-
	30,000	-	30,000	-	-	-	-	-
Miscellaneous								
International Brands Limited	100	-	-	100	6,899	7,072	4.10	2.28
Agha Steel Industries Limited	33	-	-	33	33,000	33,000	19.12	10.63
	133	-	-	133	39,899	40,072	23.22	12.91
Total	32,367	143	32,034	476	65,909	66,473	38.52	21.42

HBL Power Co

Significant terms and conditions of Sukuk bonds outstanding as at June 30, 2020 are as follows:

Name of Security	Remaining Principal (per Sukuk)	Mark-up rate (per annum)	Date of Issue	Maturity Date
Agha Steel Industries Limited	1,000,000	3 months KIBOR +0.8%	9-Oct-18	09-Oct-24
Dawood Hercules Corporation Limited	70,000	3 month KIBOR + 1.00 %	16-Nov-17	16-Nov-22
Dawood Hercules Corporation Limited	80,000	3 month KIBOR + 1.00 %	01-Mar-18	01-Mar-23
International Brands Limited	71,438	3 months KIBOR + 0.50%	15-Nov-17	15-Nov-21

5.4 Commercial papers - at amortised cost

Note	Maturity date	As at July 1, 2019	Placements made during the year	Income accrued	Matured / Sold during the year	As at June 30, 2020	Market value as a percentage of	
							Total investments of fund	Net Assets of fund
							(%)	(%)
------(Rupees in '000)-----								
Hascol Petroleum Limited	July 15, 2019	101,516	-	484	102,000	-	-	-
K - Electric Limited	September 2, 2019	92,233	-	1,853	94,086	-	-	-
K - Electric Limited	February 28, 2020	-	27,841	1,425	29,266	-	-	-
TPL Corporation Limited	January 11, 2020	-	60,210	2,648	62,858	-	-	-
		193,749	88,051	6,410	288,210	-	-	-

5.5 Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

Note	2020	2019
------(Rupees in '000)-----		
Market value of investments	172,555	835,252
Less: cost / carrying value of investments	(171,247)	(896,488)
	1,308	(61,236)

6. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP

Dividend receivable	16	3,105
Mark-up accrued on deposits with banks	1,200	2,387
Mark-up accrued on Sukuk Certificate - Listed	1,158	12,740
Mark-up accrued on GOP Ijarah Sukuk	107	-
	2,481	18,232

7. PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance	315	525
Less: amortised during the year	(210)	(210)
Closing balance	105	315

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

	Note	2020 ------(Rupees in '000)-----	2019
8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES			
Security deposit with National Clearing Company of Pakistan Limited	8.1	2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited		100	100
Advance against TFCs and commercial paper		5,350	33,221
Advance Tax	8.2	183	-
		8,133	35,821

8.1 This represents advances placed with National Clearing Company of Pakistan Limited (NCCPL) against transactions related to TFCs.

8.2 This pertains to tax erroneously collected by bank on markup on bank deposits which will be claimed on filing of tax return of the Fund.

9. PAYABLE TO THE MANAGEMENT COMPANY

	Note	2020 ------(Rupees in '000)-----	2019
In respect of:			
Management fee	9.1	464	1,677
Sindh Sales Tax on management fee	9.2	60	218
Sales load payable		58	-
Selling and marketing expenses payable	9.3	616	1,497
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	232	112
		1,430	3,504

9.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration from the net assets of the Fund. However, SECP through S.R.O. 639 (I)/2019 dated June 20, 2019 has made an amendment in NBFC regulation no. 61, in which limits over management fee have been removed and the asset management company have been directed to disclose in the Offering document the maximum rate of management fee chargeable to Collective Investment Scheme within allowed expense ratio limit. Further, the asset management company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the Offering Document and such actual rate shall be disclosed in Fund manager report. The management fee expense charged by the asset management company at the rate of 1.5% per annum (2019: 1.5% per annum) during the year of average net assets of the Fund.

9.2 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.

9.3 SECP through its S.R.O. 639 (I)/2019 dated June 20, 2019 has made an amendment in NBFC regulation No. 60 (3) point (s) and (v), in which limits to allocate fee and expenses pertaining to registrar services, accounting, operation, valuation services and selling and marketing expenses had been removed. Accordingly, the selling and marketing expense charged by the fund varied between 0.4% to 0.65% per annum (2019: 0.4% per annum) and allocation of expenses pertaining to registrar services, accounting, operation, valuation services varied between 0.1% to 0.75% per annum (2019: 0.1% per annum) of net assets of the Fund.

	Note	2020 ------(Rupees in '000)-----	2019
10. PAYABLE TO THE TRUSTEE			
Trustee's remuneration	10.1	62	194
Sindh Sales Tax	10.2	8	25
		<u>70</u>	<u>219</u>

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

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

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

Net assets	Tariff per annum
Up to Rs. 1,000 million	0.2% p.a. of NAV
Exceeding Rs. 1,000 million	Rs. 2 million plus 0.10% p.a. of NAV exceeding Rs. 1,000 million

10.2 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.

11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

SECP vide S.R.O 685 (I)/2019 dated June 28, 2019 has revised rate of annual fee at 0.02% of net assets is applicable on all categories of Collective Investment schemes from 01 July 2019, the Fund has charged SECP Fee accordingly.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020 ------(Rupees in '000)-----	2019
Auditors' remuneration payable		298	276
Charity payable	12.1	744	1,353
Federal Excise Duty	12.2	1,063	1,063
Withholding tax payable		2,092	4
Payable to brokers		42	306
Provision for Sindh Workers' Welfare Fund	12.3	6,341	4,667
Dividend payable		25	25
Payable to NCCPL		26	35
Payable to Shariah advisor		17	17
Other payable		294	494
		<u>10,942</u>	<u>8,240</u>

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

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

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

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

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of the Management Company since launch of the fund, aggregating to Rs. 1.063 million. Had the provision not been made, the Net Asset Value per unit as on June 30, 2020 would have been higher by Rs. 0.3548 (June 30, 2019: Rs. 0.0971).

12.3 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. Accordingly, Management started recording a provision for SWWF with effective from July 01, 2011. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit would have been higher by Rs. 2.1169 (2019: Rs. 0.4300) per unit respectively.

13. CONTINGENCIES AND COMMITMENTS

Other than already disclosed in the financial statement , there are no contingencies and commitments as at June 30, 2020.

14. NUMBER OF UNITS IN ISSUE

	Note	2020 ------(Rupees in '000)-----	2019
Total units in issue at the beginning of the year		10,950,716	23,570,147
Units issued during the year	14.1	710,608	6,659,326
Units redeemed during the year		(8,666,149)	(19,278,757)
Total units in issue at the end of the year		2,995,175	10,950,716

14.1 This includes 6,678 units issued at zero value as refund of capital.

14.2 The Management Company on June 29, 2020 declared final distribution of Rs. 6.2500 per unit (for full year) for the year ended June 30, 2020. The aggregate cash distribution amounted to Rs. 17.626 million was in addition to refund of capital / element of income by issuing 6,678 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.

15. MARK-UP / RETURN ON INVESTMENTS

	Note	2020 ------(Rupees in '000)-----	2019
Sukuk certificates		31,190	68,254
Commercial Paper		6,436	18,165
GoP Ijarah Sukuks		833	-
		38,459	86,419

16. MARK-UP ON DEPOSITS WITH BANKS

Mark-up on savings accounts		28,275	58,935
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17. AUDITORS' REMUNERATION

Annual audit fee		252	252
Fee for half yearly review		60	55
Shariah compliance audit fee		5	5
Other certifications and out of pocket expenses		53	56
		370	368

18. TAXATION

The Fund's income is exempt from Income Tax as per Clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

19. EARNINGS PER UNIT

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

20. FINANCIAL INSTRUMENTS BY CATEGORY

	2020			Total
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	
----- (Rupees in '000) -----				
Financial Assets				
Bank balances	139,710	-	-	139,710
Investments	-	-	172,555	172,555
Dividend receivable and accrued mark-up	2,481	-	-	2,481
Advances, deposits and other receivables	8,133	-	-	8,133
	<u>150,324</u>	<u>-</u>	<u>172,555</u>	<u>322,879</u>

	2020			Total
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	
----- (Rupees in '000) -----				
Financial liabilities				
Payable to Management Company	1,430	-	-	1,430
Payable to Trustee	70	-	-	70
Accrued expenses and other liabilities	1,446	-	-	1,446
	<u>2,946</u>	<u>-</u>	<u>-</u>	<u>2,946</u>

	2019			Total
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	
----- (Rupees in '000) -----				
Financial Assets				
Bank balances	273,417	-	-	273,417
Investments	193,749	-	835,252	1,029,001
Dividend receivable and accrued mark-up	18,232	-	-	18,232
Advances, deposits and other receivables	33,221	-	-	33,221
	<u>518,619</u>	<u>-</u>	<u>835,252</u>	<u>1,353,871</u>

	2019			Total
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	
----- (Rupees in '000) -----				
Financial liabilities				
Payable to Management Company	3,286	-	-	3,286
Payable to Trustee	194	-	-	194
Accrued expenses and other liabilities	2,506	-	-	2,506
	<u>5,986</u>	<u>-</u>	<u>-</u>	<u>5,986</u>

21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company and the Trustee and unit holders holding ten percent or more units of the Fund.

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

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

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

21.1 Transactions during the year

	2020	2019
	------(Rupees in '000)-----	
HBL Asset Management Limited - Management Company		
Management fee	10,697	31,438
Sindh Sales Tax	1,391	4,087
Allocation of expenses related to registrar services, accounting, operation and valuation services	3,847	2,096
Selling and marketing expenses	3,493	8,383
Habib Bank Limited - Sponsor		
Issue of units: 84,906 (2019: 3,029,696)	8,775	320,890
Redemption of units: 2,973,424 (2019 4,759,787)	333,775	495,602
Bank charges paid	21	44
Profit on bank deposits earned	1,943	300
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	1,588	3,498
CDC charges	55	101
HBL Asset Management Limited - Employees Provident Fund		
Issue of units: 1,578 (2019: 38)	163	4
Redemption of units: 789 (2019: Nil)	82	-
HBL Asset Management Limited - Employees Gratuity Fund		
Issue of units: 547 (2019: 13)	57	1
Redemption of units: 273 (2019: Nil)	28	-
HBL Islamic Income Fund		
Sale of AGP Limited Sukuks: Nil	-	19,512
HBL Cash Fund		
Sale of The HUB Power Company Limited Sukuks: 20,000 units (2019: Nil)	101,404	-
Sale of K - Electric Limited Commercial Papers: 30 units (2019: Nil)	29,188	-

	2020	2019
	------(Rupees in '000)-----	
HBL Income Fund		
Sale of TPL Corporation Limited Commercial Papers: 20 units (2019: Nil)	19,844	-
Jubilee Life Insurance Company Limited		
Sale of GoP Ijarah Sukuk: 655 units (2019: Nil)	65,500	-
HBL Growth Fund		
Sale of Oil & Gas Development Limited Shares: Nil (2019: 20,000)	-	2,834
Sale of Pakistan Petroleum Limited Shares: Nil (2019: 27,000)	-	4,824
Sale of Engro Polymer Chemical Limited Shares: Nil (2019: 65,000)	-	2,343
Sale of Maple Leaf Cement Factory Limited Shares: Nil (2019: 20,000)	-	1,552
Sale of Engro Fertilizers Limited Shares: Nil (2019: 25,000)	-	1,793
Sale of Pakistan State Oil Company Limited Shares: Nil (2019: 8,000)	-	1,680
Sale of Lotte Chemical Pakistan Limited Shares: Nil (2019: 50,000)	-	687
Sale of Lucky Cement Limited Shares: Nil (2019: 6,000)	-	2,601
Sale of Kohat Cement Limited Shares: Nil (2019: 10,000)	-	879
Sale of Hub Power Company Limited Shares: Nil (2019: 35,000)	-	2,728
HBL Investment Fund		
Sale of Oil & Gas Development Limited Shares: Nil (2019: 10,000)	-	1,417
Sale of Engro Polymer Chemical Limited Shares: Nil (2019: 35,000)	-	1,261
Sale of Maple Leaf Cement Factory Limited Shares: Nil (2019: 25,000)	-	970
Sale of Engro Fertilizers Limited Shares: Nil (2019: 15,000)	-	1,076
Sale of Pakistan State Oil Company Limited Shares: Nil (2019: 12,000)	-	2,520
Sale of Lotte Chemical Pakistan Limited Shares: Nil (2019: 30,000)	-	412
Sale of Lucky Cement Limited Shares: Nil (2019: 4,000)	-	1,734
Sale of Kohat Cement Limited Shares: Nil (2019: 8,000)	-	703
Sale of Hub Power Company Limited Shares: Nil (2019: 15,000)	-	1,169
HBL Energy Fund		
Sale of Pakistan Petroleum Limited Shares: Nil (2019: 23,000)	-	4,110
SIUT Trust - Connected Person due to holding more than 10% units		
Issue of units: Nil (2019: 8,064)	-	840
Redemption of units: 2,806,411 (2019: Nil)	317,986	-
Executives and their relatives		
Issue of units: Nil (2019: 951)	-	100
Redemption of units: Nil (2019: 951)	-	101

21.2 Amounts outstanding as at year end

HBL Asset Management Limited - Management Company		
Management fee	464	1,677
Sindh Sales Tax	60	218
Allocation of expenses related to registrar services, accounting, operation and valuation services	232	112
Charging of selling and marketing expenses	616	1,497
Sale load payable	58	-

	2020	2019
	----- (Rupees in '000) -----	
Habib Bank Limited - Sponsor		
Investment held in the Fund: 1,404,025 units (2019: 4,292,544 units)	145,503	443,286
Bank balances	101,034	4,775
Profit receivable on deposits with banks	1,096	16
HBL Asset Management Limited - Employees Gratuity Fund - Associate		
Investment held in the Fund: 4,795 units (2019: 4,521 units)	497	467
HBL Asset Management Limited - Employees Provident Fund - Associate		
Investment held in the Fund: 13,840 units (2019: 13,051 units)	1,434	1,348
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	62	194
Sindh Sales Tax	8	25
Security deposit	100	100
SIUT Trust - Connected Person due to holding more than 10% units		
Investment held in the Fund: Nil (2019: 2,806,411 units)	-	289,815

22. INVESTMENT COMMITTEE

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

	Name	Designation	Experience in years	Qualification
1	Mr. Mir Adil Rashid	Chief Executive Officer	21	BSc.
2	Mr. Adeel Abdul Wahab	Head of Equities / Fund Manager	12	ACCA
3	Mr. Muhammad Wamiq Sakrani	Acting Head of Fixed Income / Fund Manager	10	MBA
4	Mr. Raza Inam	Acting Head of Research	7	Bsc. (Hons), CFA
5	Mr. Karim Khawaja	Head of Risk	17	MBA, CMA

* They are Joint Fund Managers of all other HBL Funds managed by Management company.

23. PATTERN OF UNIT HOLDING

	At fair value through profit or loss	At /
	----- (Rup	
Assets		
Commercial paper	-	
Sukuk Certificates	675,000	
Bank balances	-	
Accrued mark-up on banks	-	
Deposit	-	
	675,000	
	At fair value through profit or loss	At /

24. DIRECTORS' MEETING ATTENDANCE

Five meetings of the Board of Directors were held on August 29, 2019, October 29, 2019, February 13, 2020, March 02, 2020, and April 29, 2020 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Farid Ahmed Khan*	1	1	-	-
2	Mr. Mir Adil Rashid**	4	4	-	-
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad****	5	5	-	-
9	Mr. Atif Aslam Bajwa***	2	2	-	-

* Mr. Farid Ahmed Khan resigned as CEO on September 15, 2019.

** Mr. Mir Adil Rashid appointed as CEO on September 16, 2019.

*** Mr. Atif Aslam Bajwa appointed as of October 29, 2019, and resigned on February 24, 2020.

**** Resigned on May 14, 2020.

25. FINANCIAL RISK MANAGEMENT

25.1 The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to credit risk, liquidity risk and market risk arising from the financial instruments it holds.

25.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligations. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements.

Management of credit risk

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

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- The Fund limits its exposure to credit risk by only investing in instruments and bank deposits that have a minimum "AA-" from a credit rating agency duly approved by the SECP.
- Investment transactions are carried out with large number of brokers, whose credit rating is taken into account so as to minimize the risk of default and transactions are settled or paid for only upon deliveries.
- The risk of counter party exposure due to failed trade causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks (including related party).

The table below analyses the Fund's maximum exposure to credit risk:

Bank balances by rating category	Rating Agency	Rating	2020 ----- (Rupees in '000) -----	2019
Habib Bank Limited	VIS	AAA	100,351	4,745
Dubai Islamic Bank Limited	VIS	AA	13,304	267,430
Bank Islami Pakistan Limited	PACRA	A+	245	188
Bank Al - Habib Limited	PACRA	AA+	22	925
Askari Bank Limited	PACRA	AA+	18	12
Soneri Bank Limited	PACRA	AA-	85	14
Albaraka Bank Pakistan Limited	PACRA	A	11	10
Summit Bank Limited	VIS	N/A	11	10
Allied Bank Limited	PACRA	AAA	27	26
MIB Bank Limited	PACRA	A	44	57
			<u>114,118</u>	<u>273,417</u>

Certificate of Musharaka and Sukuk certificates by rating category	2020 ----- (Rupees in '000) -----	2019
AA+	25,592	-
AA	33,473	359,166
AA-	-	124,000
A	33,000	33,000
	<u>92,065</u>	<u>516,166</u>
Dividend receivable and accrued mark-up	<u>2,481</u>	<u>18,232</u>
Deposits, prepayments and other receivables	<u>2,600</u>	<u>2,600</u>

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.

25.3 Liquidity risk

'Liquidity risk' is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unit holder's redemptions at any time. The Fund manages the liquidity risk by maintaining maturities of financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets. The Fund's investments are considered to be readily realisable as they are all invested in equity securities, government securities, sukuk certificate and saving accounts. 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.

In accordance with the risk management policy of the Fund, the Fund manager monitors the liquidity position on a daily basis, which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

In accordance with regulation 58 (1)(k) of the NBFC Regulations, 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen percent of the net assets. However, no such borrowing has been obtained during the year ended June 30, 2020.

Further, the Fund is also allowed in accordance with regulation 57 (10) of the NBFC Regulations, 2008, to defer redemption requests to the next dealing day, had such requests exceed ten percent of the total number of units in issue.

In addition to unit holders' fund, the analysis below summarizes the Fund's financial liabilities into relevant maturity grouping as at June 30:

	2020				Total
	Maturity Up to			More than one year	
	Three months	Six months	One year		
Financial Liabilities	(Rupees in '000)				
Payable to Management Company	1,430	-	-	-	1,430
Payable to Trustee	70	-	-	-	70
Accrued expenses and other liabilities	1,446	-	-	-	1,446
	2,946	-	-	-	2,946
Unit holders' fund	310,399	-	-	-	310,399
	2019				
	Maturity Up to			More than one year	Total
	Three months	Six months	One year		
Financial Liabilities	(Rupees in '000)				
Payable to Management Company	3,286	-	-	-	3,286
Payable to Trustee	194	-	-	-	194
Accrued expenses and other liabilities	2,506	-	-	-	2,506
	5,986	-	-	-	5,986
Unit holders' fund	1,130,868	-	-	-	1,130,868

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

25.4 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and debt security prices.

i) Profit rate risk

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market profit rates. The Fund's profit rate is monitored on a quarterly basis by the board of directors.

As at 30 June 2020, the balances that may be exposed to profit rate risk are as follows:

	2020	2019
	------(Rupees in '000)-----	
Variable rate instruments		
Bank balances	114,118	273,417
Investments - At fair value through profit or loss	75,688	835,252
	<u>189,806</u>	<u>1,108,669</u>
Fixed rate instrument		
Certificate of Musharaka	25,592	-
Investments - At Amortised cost	-	193,749
	<u>25,592</u>	<u>193,749</u>

a) Sensitivity analysis for fixed rate instruments

As at June 30, 2020, the Fund hold GoP Ijarah Sukuk amounting to Rs. 9,215 million having sensitivity as follows:

	2020	2019
	------(Rupees in '000)-----	
Change in basis points		
100	(2,561)	-
(100)	(1,539)	-

b) Sensitivity analysis for variable rate instruments

As at June 30, 2020, the Fund hold's Term finance certificates and sukuk bonds 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:

	<u>Total Exposure</u>	
	2020	2019
	------(Rupees in '000)-----	
Term finance certificates and sukuk bonds	<u>66,473</u>	<u>516,166</u>

	<u>Effect on total comprehensive income and net assets</u>	
	2020	2019
	------(Rupees in '000)-----	
Change in basis points - Fair value interest rate risk		
100	2,386	-
(100)	4,303	-
Change in basis points - Cash flow interest rate risk		
100	101	789
(100)	(101)	(789)

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 / profit 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.

Mark-up rate (%)	2020					Total
	Maturity Up to			More than one year	Not exposed to profit rate risk	
	Three months	Six months	One year			
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	6 - 13.5	114,118	-	-	-	114,118
Certificate of Musharaka	11.1	25,592	-	-	-	25,592
Investments classified as:						
'At fair value through Profit or Loss'						
- Listed Equity securities		-	-	-	96,867	96,867
- Sukuk Certificates	KIBOR	-	-	66,473	-	66,473
	3M-6M					
	0.5 -1.0					
- GoP Ijarah Sukuks		-	-	-	9,215	9,215
Dividend receivable and accrued mark-up		-	-	-	2,481	2,481
Advances, deposits and other receivables		-	-	-	8,133	8,133
Total financial assets		139,710	-	-	66,473	116,696
Financial liabilities						
Payable to Management Company		-	-	-	1,430	1,430
Payable to Trustee		-	-	-	70	70
Accrued expenses and other liabilities		-	-	-	1,446	1,446
Total financial liabilities		-	-	-	2,946	2,946
On-balance sheet gap		139,710	-	-	66,473	113,750
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		-	-	-	-	-

Mark-up rate (%)	Maturity Up to			2019		Total
	Three months	Six months	One year	More than one year	Not exposed to profit rate risk	
	----- (Rupees in '000) -----					
On-balance sheet financial instruments						
Financial assets						
Bank balances	3.75 -13	273,417	-	-	-	273,417
Certificate of Musharaka		-	-	-	-	-
Investments classified as:						
'At fair value through Profit or Loss'						
- Listed Equity securities		-	-	-	319,086	319,086
- Sukuk Certificates	KIBOR	-	150,000	366,166	-	516,166
	3M-6M					
	0.5 -1.0					
'At amortised cost'						
- Commercial paper		193,749	-	-	-	193,749
Dividend receivable and accrued mark-up		-	-	-	18,232	18,232
Advances, deposits and other receivables		-	-	-	33,221	33,221
Total financial assets		<u>467,166</u>	<u>150,000</u>	<u>366,166</u>	<u>370,539</u>	<u>1,353,871</u>
Financial liabilities						
Payable to Management Company		-	-	-	3,286	3,286
Payable to Trustee		-	-	-	194	194
Accrued expenses and other liabilities		-	-	-	2,506	2,506
Total financial liabilities		<u>-</u>	<u>-</u>	<u>-</u>	<u>5,986</u>	<u>5,986</u>
On-balance sheet gap		<u>467,166</u>	<u>150,000</u>	<u>366,166</u>	<u>364,553</u>	<u>1,347,885</u>
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

ii) Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

ii) Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the Fund in which the investment is made, change in business circumstances of the Fund, industry environment and / or the economy in general. The Fund is not exposed to the risk as its constitutive documents prohibit it from investing in equity securities.

25.5 Unit holders' fund risk management (Capital risk management)

The Fund's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market conditions. Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

In order to maintain or adjust the unit holders' Fund structure, the Fund's policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and issuance; and
- The Fund Manager / Investment Committee members and Chief Executive of the management company critically track the movement of 'Assets under Management'. The Board of Directors is updated about the Fund yield and movement of NAV and total fund size at the end of each quarter.

26. FAIR VALUES 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.

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

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

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

The Fund's accounting policy on fair value measurements of investments is discussed in note 3.2 to these financial statements.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities traded.

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

Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2020			
	Number of unit holders	Units held	Investment amount (Rupees in '000)	Percent investr
Individuals	2,309	14,803,696	1,497,755	
Associated company	1	2,240,000	226,631	
Trust	7	786,708	79,595	
Insurance Companies	6	900,046	91,062	
Retirement funds	15	721,690	73,017	
Banks / DFIs	2	5,993,720	606,411	
Others	23	57,793,929	5,847,265	
	2,363	83,239,789	8,421,736	

	2019			
	Number of unit holders	Units held	Investment amount (Rupees in '000)	Percent investr
Individuals	1,802	6,292,045	635,476	
Director	1	110	11	
Associated company	2	2,241,746	226,409	
Trust	5	982,651	99,245	
Insurance Companies	3	308,817	31,190	
Retirement funds	9	164,356	16,599	
Banks / DFIs	1	9	1	
Others	14	409,755	41,385	
	1,837	10,399,489	1,050,316	

26.1 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.

26.2 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.

26.3 Net assets attributable to unitholders. 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 unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

27. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at July 1, 2019	23,653	235,617	259,270
Receivable against issuance of units	56,979	-	56,979
Payable against redemption of units	-	941,868	941,868
	56,979	941,868	998,847
Amount received on issuance of units	(80,632)	-	(80,632)
Amount paid on redemption of units	-	(1,177,485)	(1,177,485)
	(80,632)	(1,177,485)	(1,258,117)
Closing balance as at June 30, 2020	-	-	-

28. NON COMPLIANT INVESTMENTS DISCLOSURE

Type of investment / exposure	Value of investment (Rupees in '000)	Limit ----- (%) -----	Exposure
Shariah Compliant Listed Equity securities	96,867	30.00	31.21

28.1 These are the non compliances with respect to investments policy and restrictions as mentioned in the offering document of the Fund.

29. TOTAL EXPENSE RATIO

The Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated July 20, 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the financial statements of CIS / the Fund. As per S.R.O 639 (I)/2019, the limit towards expense ratio has been revised from 4.00% to 4.50% for Equity, Balanced, Asset Allocation and Capital protected (dynamic asset allocation-direct exposure) schemes. The total expense ratio of the Fund for the year ended June 30, 2020 is 3.53% (2019: 2.63%) which includes 0.48% (2019: 0.31%) representing Government Levy and SECP fee.

30. CORESPONDING FIGURES

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

31. GENERAL

31.1 Date of authorisation for issue

These financial statements were authorised for issue by Board of Directors of the Management Company on August 27, 2020.

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

 Chief Financial Officer

 Chief Executive Officer

 Director



HBL Islamic Stock Fund

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

Type and Category of Fund

Open end Equity Fund

Investment Objective and Accomplishment of Objective

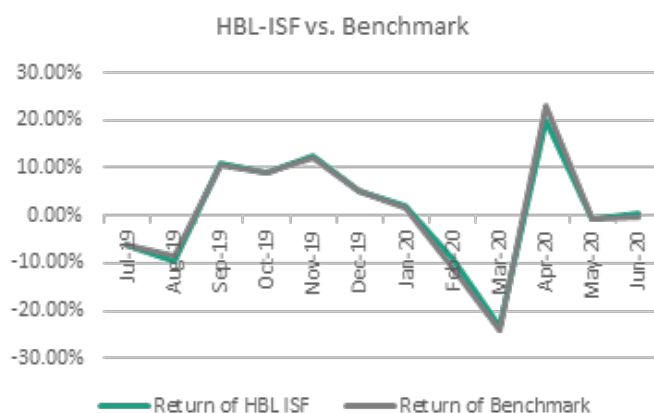
The investment objective of the Fund is to achieve long term capital growth by investing mainly in Shariah Complaint equity securities.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KMI-30 Index.

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

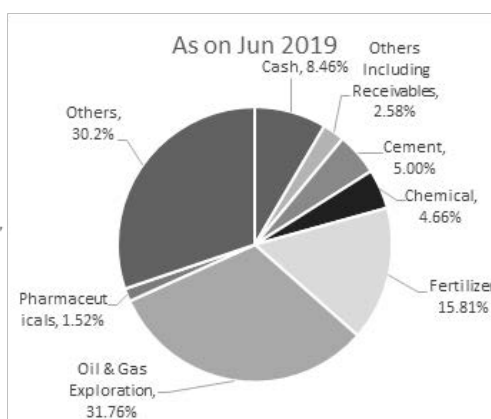
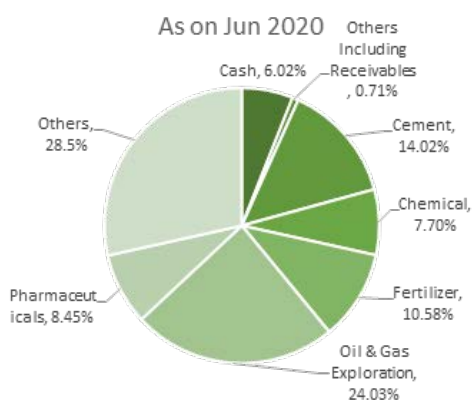
Month	Return of Fund	
	HBL-ISF	Benchmark
Jun-20	0.36%	-0.32%
May-20	-0.66%	-0.64%
Apr-20	20.09%	23.06%
Mar-20	-23.31%	-24.20%
Feb-20	-9.31%	-11.39%
Jan-20	2.03%	1.58%
Dec-19	5.24%	5.29%
Nov-19	12.48%	12.31%
Oct-19	8.88%	9.17%
Sep-19	11.00%	10.65%
Aug-19	-9.80%	-8.59%
Jul-19	-6.10%	-6.56%



Strategies and Policies employed during the Year

During the year under review, the Fund increased its exposure in equity from 89% of total assets as on June 30, 2019 to 93% of total assets as on June 2020. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in cements and pharmaceuticals was increased, while exposure in fertilizers and oil & gas exploration companies was decreased.

Asset Allocation



Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2020 and June 30, 2019:

Sector Name	As on Jun 2020	As on Jun 2019
Cash	6.02%	8.46%
Others Including Receivables	0.71%	2.58%
Cement	14.02%	5.00%
Chemical	7.70%	4.66%
Fertilizer	10.58%	15.81%
Oil & Gas Exploration	24.03%	31.76%
Pharmaceuticals	8.45%	1.52%
Others	28.5%	30.2%
Total	100.00%	100.00%

Fund Performance

The total and net income of the Fund was Rs. 32.25 million and Rs. 5.84 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) of the Fund was Rs. 93.6583 per unit as on June 30, 2020 as compared to Rs. 91.2924 per unit as on June 30, 2019, after incorporating dividend of Rs. 0.32 per unit, thereby giving a return of 2.95% during the year, against the benchmark return (KMI 30 Index) of 1.62%. The size of Fund was Rs. 0.56 billion as on June 30, 2020 as compared to Rs. 0.64 billion at the start of the year.

Review of Market invested in

The equity markets' performance during FY20 can be described as a tale of two halves.

1HFY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KMI30 index increased by 22% during 1HFY20 to close at 66,032 points on December 31, 2019.

2HFY20 continued with the same momentum as the benchmark KMI30 index made a high of 70,790 on January 10, 2020. However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KMI30 index as it fell to a low of 41,365 points on March 26, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KMI30 witnessed a sharp uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate), approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government's decision to ease off lockdown restrictions for certain industries. The KMI30 index closed the year at 54,995 points (up 1.62%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mm in FY19).

Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected

to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight 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.

Distribution

The Board of Directors approved Cash distribution of up to Rs. 0.32 Per unit to the unit holders for the year ended June 30, 2020.

Significant Changes in the State of Affairs

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

Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	136	4,845
101 – 500	66	16,038
501 – 1,000	30	21,484
100,1 – 10,000	95	328,321
10,001 – 100,000	42	1,233,816
100,001 – 500,000	9	1,782,138
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	1	2,539,414
5,000,001 and above	-	-
Total	379	5,925,966

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

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

PERFORMANCE TABLE - HBL ISLAMIC STOCK FUND

	2020	2019	2018	2017	2016	2015
Net assets at the period end(Rs'000)	555,017	635,161	2,541,942	1,043,544	784,634	783,608
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	93.6585	91.2924	111.8276	130.0225	128.0108	128.2681
Offer	95.7752	93.3556	111.8276	132.9611	131.3964	131.6903
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit	119.9859	94.186	111.4748	184.8553	137.7412	154.1646
Lowest offer price per unit	74.3357	93.0325	113.4852	131.9828	111.9416	126.7402
Highest redemption price per unit	117.3341	92.1044	109.0111	180.7699	134.1921	150.1584
Lowest redemption price per unit	72.6928	90.9764	110.9771	129.0659	109.0573	123.4188
RETURN (%)						
Total return	2.95%	-18.36%	-13.99%	24.51%	0.98%	11.63%
Income distribution	0.32%	0.00%	0.00%	29.00%	1.50%	19.00%
Capital growth	2.63%	-18.36%	-13.99%	-4.49%	-0.52%	-7.37%
DISTRIBUTION						
Final dividend distribution- Rs	0.32	-	-	29.00	1.50	19.00
Date of Income Distribution	26-Jun-20	-	-	22-Jun-17	28-Jun-16	30-Jun-15
Total dividend distribution for the year/ period	0.32	-	-	29.00	1.50	19.00
AVERAGE RETURNS (%)						
Average annual return 1 year	2.95%	-18.36%	-13.99%	24.51%	0.98%	11.63%
Average annual return 2 year	-8.32%	-16.21%	3.48%	12.15%	-	-
Average annual return 3 year	-10.25%	-4.38%	2.65%	12.03%	-	-
Weighted average portfolio during (No. of days)						
PORTFOLIO COMPOSITION - (%)						
Percentage of Total Assets as at 30 June:						
Bank Balances	6%	8%	22%	6%	6%	9%
GoP Ijarah Sukuks			-	-	-	-
Placement with Banks and DFIs			-	-	-	-
Corporate Sukuks			-	-	-	-
Stock / Equities	93%	89%	78%	92%	93%	90%
Others	1%	3%	0%	2%	1%	1%

Note:

The Launch date of the Fund is May 10, 2011

Disclaimer:

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

Summary of Actual Proxy voted by CIS

HBL ISF	Meetings	Resolutions	For	Against
Number	3	12	12	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Amreli Steels Limited	23/10/2018	
AGP Limited	17/4/2019	06-07-18
Dawood Hercules Corporation	(5/12/2018)(27/4/2019)(20/5/2019)	
Engro Corporation Ltd	(3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019)	(25/09/2018)(28/5/2019)
Engro Fertilizer Ltd	(2/10/2018)(26/11/2018)(28/3/2019)	27/5/2019
Engro Polymer & Chemicals Ltd	(18/09/2018)(1/4/2019)	
Fauji Fertilizer Co Ltd	(28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019)	
Hub Power Company Ltd	(5/10/2018)(30/4/2019)	(16/4/2019)
Hascol Petroleum	(18/09/2018)(19/11/2018)	10-10-18
International Industries Ltd	(28/09/2018)(22/3/2019)	
International Steels Limited	(25/09/2018)(22/3/2019)	
Kohat Cement Co Ltd	25/10/2018	29/6/2019
Kohinoor Textile Mill Ltd	27/10/2018)(21/3/2019)	
Lucky Cement Ltd	(28/09/2018)(27/10/2018)	
Lotte Chemical Pakistan Ltd	(18/4/2019)	
Maple Leaf Cement Factory	27/10/2018	
Mughal Iron & Steel Industries	27/10/2018	
Mari Petroleum Company Ltd	18/10/2018)(20/3/2019)	
Meezan Bank Ltd	2/10/2018)(28/3/2019)(20/5/2019)	17/11/2018
Mughal iron & Steel	27/10/2018	
Millat Tractors Limited	(8/3/2019)	
Nishat Mills Ltd	27/10/2018)(17/4/2019)	
Oil & Gas Development Co Ltd	(25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019)	
Pakgen Power Ltd	30/4/2019	
Pakistan Petroleum Ltd	26/10/2018	
Pakistan Oilfields Ltd	(25/09/2018)(20/3/2019)	
Pakistan State Oil Company Ltd	(02/10/2018)(16/10/2018)(19/6/2019)	
Sitara Chemical Ind.		20/6/2019
Sui Northern Gas Pipeline Ltd	23/5/2019	
Thal Limited	(22/10/2018)(20/3/2019)	
The Searle Company Ltd	22/11/2018	

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office

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
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

HBL ISLAMIC STOCK FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Stock Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 11, 2020





STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Stock Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2020. This has been duly confirmed by the Shariah Advisor of the Fund.

Mir Adil Rashid

Chief Executive Officer

Dated: August 27, 2020



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 Stock Fund (HBL-ISF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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



Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited

Suite 807, 8th Floor, Horizon Towers, Corn 2/6, Khayaban-e-Saadi,
Block 03 Clifton, Karachi
Tel : +92-21-35305931-37, Web: www.alhilal.com

INDEPENDENT AUDITORS' REPORT

To the unit holders of HBL Islamic Stock Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of HBL Islamic Stock Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

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

Key audit matter

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

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p>Valuation and existence of Investment</p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements and represent a</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> obtained understanding of relevant controls placed by the Management Company applicable to the balance;

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in equity securities; which is the main driver of the Fund's performance.</p> <p>Considering the above factors the valuation and existence are significant areas during our audit due to which we have considered this as a Key Audit Matter.</p>	<ul style="list-style-type: none"> independently verified existence of investments from the Central Depository Company (CDC) account statement; independently tested the valuations directly with the prices quoted on Pakistan Stock Exchange Limited (PSX); performed test of details on sale and purchase of investments on a sample basis; and any differences identified during our testing that were over our acceptable threshold were investigated further.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management Company and Those Charged with Governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



Deloitte Yousuf Adil
Chartered Accountants

Report on other legal and regulatory requirements

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

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


Chartered Accountants

Date: September 24, 2020
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

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

We have performed an independent assurance engagement of **HBL Islamic Stock Fund** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2020. Our engagement was carried out as under Trust Deed and Shariah Principles of the Fund.

Management Company's responsibility

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

Responsibility of an independent assurance provider

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

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

The procedures performed included:

- Checking compliance of specified guideline issued by the Shariah Advisor relating to charity, maintaining of bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2020 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with Shariah Principles in the Trust Deed and the guideline issued by the Shariah Advisor for the year ended June 30, 2020.


Chartered Accountants

Dated: September 29, 2020
Place: Karachi

	Note	2020 ------(Rupees in '000)-----	2019
Assets			
Bank balances	5	34,983	55,650
Investments	6	538,096	585,604
Dividend receivable and accrued mark-up	7	457	2,347
Advances and deposits	8	3,521	3,521
Receivable against sale of equity instruments		-	10,033
		577,057	657,155
Liabilities			
Payable to the Management Company	9	2,610	2,202
Payable to the Trustee	10	103	120
Payable to Securities and Exchange Commission of Pakistan	11	116	1,917
Payable against purchase of equity instruments		2,800	-
Dividend payable		815	-
Accrued expenses and other liabilities	12	15,597	17,755
		22,041	21,994
Net Assets		555,016	635,161
Unit Holders' Fund (as per statement attached)		555,016	635,161
Contingencies and Commitments	13	----- Number of units -----	
Number of units in issue	18	5,925,966	6,957,434
		----- Rupees -----	
Net assets value per unit	4.7	93.6583	91.2924

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Islamic Stock Fund

Income Statement

For the year ended June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Income			
Dividend income		22,387	79,594
Profit on bank deposits		5,409	23,000
Capital loss on sale of investments - net		(561)	(197,653)
Unrealised gain / (diminution) on remeasurement of investments classified at fair value through profit or loss		5,011	(108,566)
Total income / (loss)		32,246	(203,625)
Expenses			
Remuneration of the Management Company	9.1 & 9.2	12,775	45,616
Remuneration of the Trustee	10.1 & 10.2	1,306	3,362
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	116	1,917
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	1,795	2,018
Selling and marketing expense	9.3	4,751	8,074
Auditors' remuneration	14	370	352
Settlement and bank charges		505	1,058
Brokerage fees		2,911	7,480
Fee and subscription		231	224
Legal and professional charges		-	45
Charity		1,524	3,882
Total expenses		26,284	74,028
Net profit / (loss) from operating activities		5,962	(277,653)
Provision for Sindh Workers' Welfare Fund	12.3	(119)	-
Net profit / (loss) for the year before taxation		5,843	(277,653)
Taxation	15	-	-
Net profit / (loss) for the year after taxation		5,843	(277,653)
Allocation of net income for the year			
Net income / (loss) for the period		5,843	(277,653)
Income already paid on redemption of units		(83)	-
		5,760	(277,653)
Accounting income available for distribution:			
- Relating to capital gains		4,367	-
- Excluding capital gains		1,393	-
		5,760	(277,653)
Earnings per unit	17		

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

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

Chief Financial Officer

Chief Executive Officer

Director

	2020	2019
	----- (Rupees in '000) -----	
Net profit / (loss) for the year after taxation	5,843	(277,653)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u><u>5,843</u></u>	<u><u>(277,653)</u></u>

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Islamic Stock Fund
Statement of Movement in Unit Holders' Fund
For the year ended June 30, 2020

For the year ended June 30,

	2020				2019			
	Capital value	Undistributed income (Accumulated loss)	Unrealised income / (loss) on investment	Total	Capital value	Undistributed income (Accumulated loss)	Unrealised income / (loss) on investment	Total
Net assets at the beginning of the year	951,824	(316,663)	-	635,161	2,580,952	(40,603)	1,593	2,541,942
Adjustment on adoption of IFRS 9	-	-	-	-	-	1,593	(1,593)	-
Issue of units 10,701,011 (2019: 5,136,372 units)								
- Capital Value (at net asset value per unit at the beginning of the year)	976,938	-	-	976,938	574,388	-	-	574,388
- Element of income / (loss)	61,638	-	-	61,638	(2,546)	-	-	(2,546)
Total proceed on issuance of units	1,038,576	-	-	1,038,576	571,842	-	-	571,842
Redemption of 11,732,480 units (2019: 20,909,833 units)								
- Capital Value (at net asset value per unit at the beginning of the year)	(1,071,105)	-	-	(1,071,105)	(2,338,297)	-	-	(2,338,297)
- Element of income / (loss)	(51,453)	-	-	(51,453)	-	-	-	-
- Income already paid on redemption of units	-	(83)	-	(83)	137,327	-	-	137,327
Total payment on redemption of units	(1,122,558)	(83)	-	(1,122,641)	(2,200,970)	-	-	(2,200,970)
Net profit / (loss) for the year after taxation	-	5,843	-	5,843	-	(277,653)	-	(277,653)
Distribution during the year	-	(1,905)	-	(1,905)	-	-	-	-
Refund of capital	(18)	-	-	(18)	-	-	-	-
Total comprehensive income / (loss) for the year	(18)	3,938	-	3,920	-	(277,653)	-	(277,653)
Net assets at the end of the year	867,824	(312,808)	-	555,016	951,824	(316,663)	-	635,161
Undistributed loss brought forward								
- Realised		(208,097)				6,041		
- Unrealised		(108,566)				(46,644)		
		(316,663)				(40,603)		
Adjustment on adoption of IFRS 9						1,593		
Accounting (loss) / income available for distribution								
- Relating to capital gains		4,367				-		
- Excluding capital gains		1,393				(277,653)		
		5,760				(277,653)		
Distribution during the year		(1,905)				-		
Undistributed loss carried forward		(312,808)				(316,663)		
Undistributed (Loss) / income carried forward								
- Realised		(317,819)				(208,097)		
- Unrealised		5,011				(108,566)		
		(312,808)				(316,663)		
				(Rupees)				(Rupees)
Net assets value per unit at the beginning of the year				91.2924				111.8276
Net assets value per unit at the end of the year				93.6583				91.2924

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Islamic Stock Fund
Cash Flow Statement
For the year ended June 30, 2020

	2020	2019
Note	------(Rupees in '000)-----	
Cash Flows From Operating Activities		
Net income / (loss) for the year before taxation	5,843	(277,653)
Adjustments		
Capital loss on sale of investments - net	561	197,653
Unrealised gain / (diminution) on remeasurement of investments classified at fair value through profit or loss	(5,011)	108,566
Profit on bank deposits	(5,409)	(23,000)
Dividend income	(22,387)	(79,594)
	<u>(26,403)</u>	<u>(74,028)</u>
Decrease / (Increase) in assets		
Investments - net	51,958	1,330,804
Receivable against sale of equity instruments	10,033	(10,033)
Advances and deposits	-	(39)
	<u>61,991</u>	<u>1,320,732</u>
(Decrease) / Increase in liabilities		
Payable to the Management Company	408	(7,024)
Payable to the Trustee	(17)	(202)
Payable to Securities and Exchange Commission of Pakistan	(1,801)	301
Payable against purchase of equity instruments	2,800	(276,163)
Accrued expenses and other liabilities	(2,158)	(2,989)
	<u>(768)</u>	<u>(286,077)</u>
Mark-up received	5,583	24,205
Dividend received	24,103	81,813
Net cash generated from operating activities	<u>64,506</u>	<u>1,066,645</u>
Cash Flows From Financing Activities		
Amount received on issuance of units	1,038,576	571,842
Payment against redemption of units	(1,122,641)	(2,200,970)
Cash dividend paid	(1,108)	-
Net cash used in financing activities	<u>(85,173)</u>	<u>(1,629,128)</u>
Net decrease in cash and cash equivalents	<u>(20,667)</u>	<u>(562,483)</u>
Cash and cash equivalents at the beginning of the year	55,650	618,133
Cash and cash equivalents at the end of the year	<u>34,983</u>	<u>55,650</u>

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

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

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

1.7 COVID 19 Impact

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 / governments 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 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.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

- Provisions of and directives issued under the Companies Act, 2017; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Wherever provisions of and directives issued under the Companies Act, 2017, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRS, the provisions of and directives issued under the Companies Act, 2017, requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

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

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

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

3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	Effective from accounting periods beginning on or after:
IFRS 16 Leases	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019

**Effective from accounting periods
beginning on or after:**

Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019

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

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

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

**Effective from accounting periods
beginning on or after:**

Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs, which are not expected to have material effect on the financial reporting of the Fund.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

4. SIGNIFICANT ACCOUNTING POLICIES

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Cash and cash equivalents

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

4.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

4.2.1 Classification and measurement of financial assets

IFRS 9 contains three principal classification categories for financial assets:

- Measured at amortized cost ("AC"),
- Fair value through other comprehensive income ("FVTOCI") and
- Fair value through profit or loss ("FVTPL").

Financial asset at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Asset at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI, only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVOCI).

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss

4.2.1.1 Business Model Assessment

The business model is determined under IFRS 9 at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. It is not an instrument-by-instrument analysis; rather it can be performed at a higher level aggregation. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model; all relevant evidence that is available at the date of the assessment (including history of sales of the financial assets) are considered. Following three business models are defined under the IFRS 9:

- 1) Hold to collect business model
- 2) Hold to collect and sell business model
- 3) FVTPL business model

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

4.2.1.2 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.

4.2.1.3 Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

4.2.1.4 Impairment of financial assets

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance of an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

4.2.2 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). 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 aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

Basis of valuation of equity securities:

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs.

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

Basis of valuation of securities at amortised cost:

Subsequent to initial recognition, financial assets classified as amortised cost are carried at amortised cost using the effective interest method.

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

4.2.3 Financial liabilities

4.2.3.1 Classification and measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or the Fund has opted to measure them at fair value through profit or loss. The Fund does not have any financial liabilities designated as fair value through profit or loss.

4.2.4 Derecognition

4.2.4.1 Financial assets

The Fund derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in Income Statement.

4.2.4.2 Financial liabilities

The Fund derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Income Statement.

4.3 Offsetting of financial assets and liabilities

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

4.4 Provisions

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

4.5 Taxation

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

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

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

4.6 Net assets value per unit

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

4.7 Distribution to the unit holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

4.8 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the element of income / (loss) included in prices of units sold less those in units redeemed is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.

4.9 Revenue recognition

- Realised capital gain / (loss) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gain / (loss) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

- Dividend income from equity securities is recognised when the right to receive dividend is established.
- Mark up / return on Term finance certificates, bank deposits and investment in debt securities are recognised on a time apportionment basis using effective interest method

4.10 Expenses

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

	2020	2019
	------(Rupees in '000)-----	
5. BANK BALANCES		
Savings accounts	<u>34,983</u>	<u>55,650</u>
	<u>34,983</u>	<u>55,650</u>

5.1 This represent bank accounts held with different banks. Mark-up rates on these accounts range between 5% - 13.25% (June 30, 2019: 6% - 13.5%) per annum.

	Note	2020	2019
		------(Rupees in '000)-----	
6. INVESTMENTS			
Financial assets at fair value through profit or loss			
- Listed equity securities	6.1	<u>538,096</u>	<u>585,604</u>
		<u>538,096</u>	<u>585,604</u>

6.1 Listed equity securities - At fair value through profit or loss

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

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2020 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020		Total Investments	Net Assets	
AUTOMOBILE ASSEMBLER									
Sazgar Engineering Works Limited	-	165,300	-	165,300	-	-	-	-	0.00%
	-	165,300	-	165,300	-	-	-	-	-
AUTOMOBILE PARTS & ACCESSORIES									
Thal Limited (Par value Rs. 5 share)	53,050	37,800	-	48,400	42,450	13,794	2.56%	2.49%	0.05%
	53,050	37,800	-	48,400	42,450	13,794			
CEMENT									
Cherat Cement Company Limited.	-	211,000	-	81,000	130,000	11,332	2.11%	2.04%	0.07%
D G Khan Cement Company Limited.	-	33,000	-	-	33,000	2,816	0.52%	0.51%	0.01%
Kohat Cement Limited	172,690	71,000	-	185,500	58,190	7,998	1.49%	1.44%	0.03%
Lucky Cement Limited	59,550	107,000	-	69,800	96,750	44,658	8.30%	8.05%	0.01%
Maple Leaf Cement Factory	-	1,168,500	-	626,000	542,500	14,094	2.62%	2.54%	0.05%
	232,240	1,590,500	-	962,300	860,440	80,898			
COMMERCIAL BANK									
Meezan Bank Limited	286,740	234,500	-	321,000	200,240	13,787	2.56%	2.48%	0.02%
BankIslami Pakistan Limited	-	1,525,000	-	455,500	1,069,500	8,085	1.50%	1.46%	0.10%
	286,740	1,759,500	-	776,500	1,269,740	21,872			
CHEMICAL									
Engro Polymer & Chemicals Ltd	702,066	898,000	-	1,315,500	284,566	7,108	1.32%	1.28%	0.03%
Lotte Chemical Pakistan Ltd	204,000	1,162,500	-	1,366,500	-	-	-	-	-
ICI Pakistan Ltd	-	35,300	-	1,500	33,800	23,481	4.36%	4.23%	0.03%
Sitara Peroxide Limited	-	251,000	-	-	251,000	5,123	0.95%	0.92%	0.46%
Sitara Chemical Industries Limited	24,700	14,400	-	7,700	31,400	8,701	1.62%	1.57%	0.15%
	930,766	2,361,200	-	2,691,200	600,766	44,413			

HBL Islamic Stock Fund

Notes to the financial statements

For the year ended June 30, 2020

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2020 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company	
	As at July 1, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020		Total Investments	Net Assets		
ENGINEERING										
International Industries Ltd	-	51,500	-	51,500	-	-	-	-	-	
International Steels Limited	-	329,500	-	329,500	-	-	-	-	-	
Mughal Iron & Steel Inds Ltd	-	137,000	-	-	137,000	5,464	1.02%	0.98%	0.05%	
	-	518,000	-	381,000	137,000	5,464				
FERTILIZER										
Engro Corporation Limited	204,980	157,100	-	211,987	150,093	43,965	8.17%	7.92%	0.03%	
Engro Fertilizers Limited	397,000	382,000	-	685,000	94,000	5,666	1.05%	1.02%	0.01%	
Fauji Fertilizer Company Limited	277,500	324,400	-	498,000	103,900	11,428	2.12%	2.06%	0.01%	
	879,480	863,500	-	1,394,987	347,993	61,059				
GLASS & CERAMICS										
Tariq Glass Industries Ltd	-	38,000	-	38,000	-	-	-	-	-	
	-	38,000	-	38,000	-	-				
INVESTMENT BANKS/COs./SECURITIES										
Dawood Hercules Corporation Ltd	63,900	65,000	-	63,900	65,000	8,315	1.55%	1.50%	0.01%	
	63,900	65,000	-	63,900	65,000	8,315				
OIL & GAS EXPLORATION COMPANIES										
Mari Petroleum Company Limited	51,681	33,000	4,198	49,620	39,259	48,550	9.02%	8.75%	0.03%	
Oil & Gas Development Company Limited	504,300	674,000	-	710,900	467,400	50,947	9.47%	9.18%	0.01%	
Pakistan Oilfields Limited	87,770	44,800	-	101,770	30,800	10,799	2.01%	1.95%	0.01%	
Pakistan Petroleum Limited	380,655	563,700	91,731	709,200	326,886	28,367	5.27%	5.11%	0.01%	
	1,024,406	1,315,500	95,929	1,571,490	864,345	138,663				
OIL & GAS MARKETING COMPANIES										
Pakistan State Oil Company Limited	183,580	186,500	27,416	265,000	132,496	20,956	3.89%	3.78%	0.03%	
Sui Northern Gas Pipeline Limited	178,300	192,000	-	123,000	247,300	13,503	2.51%	2.43%	0.03%	
	361,880	378,500	27,416	388,000	379,796	34,459				
PHARMACEUTICALS										
AGP Limited	50,750	142,500	-	92,000	101,250	11,111	2.06%	2.00%	0.04%	
Highnoon Laboratories Limited	-	29,800	2,205	150	31,855	15,968	2.97%	2.88%	0.09%	
GlaxoSmithKline Pakistan Ltd	-	79,400	-	16,000	63,400	11,037	2.05%	1.99%	0.02%	
Abbott Laboratories (Pak) Ltd	-	16,500	-	16,500	-	-	-	-	-	
The Searle Company Limited	42,124	68,600	-	57,500	53,224	10,604	1.97%	1.91%	0.03%	
	92,874	336,800	2,205	182,150	249,729	48,720				
POWER GENERATION & DISTRIBUTION										
Hub Power Company Limited	732,441	423,000	-	733,600	421,841	30,583	5.68%	5.51%	0.03%	
K-Electric Limited (Par value Rs. 3.5 share)	2,955,000	1,575,000	-	3,293,000	1,237,000	3,723	0.69%	0.67%	0.00%	
	3,687,441	1,998,000	-	4,026,600	1,658,841	34,306				
TECHNOLOGY & COMMUNICATION										
Systems Limited	-	138,500	-	15,500	123,000	22,593	-	-	0.10%	
	-	138,500	-	15,500	123,000	22,593				
TEXTILE COMPOSITE										
Interloop Limited	385,250	137,000	-	393,500	128,750	5,655	1.05%	1.02%	0.01%	
Nishat Mills Ltd	163,800	229,500	-	205,200	188,100	14,674	2.73%	2.64%	0.08%	
	549,050	366,500	-	598,700	316,850	20,329				
TRANSPORT										
Pakistan National Shipping Corp Limited	56,000	67,500	-	81,000	42,500	3,211	0.60%	0.58%	0.03%	
	56,000	67,500	-	81,000	42,500	3,211				
	8,217,827	12,000,100	125,550	13,385,027	6,958,450	538,096				
Carrying Value of investments at June 30, 2020							533,084			

6.2.1 Investments include 86,000 shares of Engro Corporation Limited, 37,000 shares of Lucky Cement Limited, 5,000 shares of Mari Petroleum Company Limited and 150,000 shares of Oil & Gas Development Company Limited amounting to Rs.25.191 million, Rs. 17.078 million, Rs. 6.183 million and Rs. 16.350 million respectively (June 2019: 50,000 shares of Engro Corporation Limited, 55,000 shares of Lucky Cement Limited and 150,000 shares of Oil & Gas Development Company Limited amounting to Rs.13.280 million, Rs. 20.925 million, and Rs. 19.723 million respectively) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP.

6.2.2 These includes gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 % is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.498 million at June 30, 2020 (June 2019: Rs. 0.388 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

	Note	2020 ------(Rupees in '000)-----	2019
6.2.3			
Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss			
Market value of investments		538,096	585,604
Less: carrying value of investments before mark to market		(533,085)	(694,170)
		<u>5,011</u>	<u>(108,566)</u>
7.			
DIVIDEND RECEIVABLE AND ACCRUED MARK-UP			
Dividend receivable		138	1,854
Mark-up accrued on deposits with banks		319	493
		<u>457</u>	<u>2,347</u>
8.			
ADVANCES AND DEPOSITS			
Security deposit with:			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
Advance tax		921	921
		<u>3,521</u>	<u>3,521</u>

	Note	2020 ------(Rupees in '000)-----	2019
9. PAYABLE TO THE MANAGEMENT COMPANY			
Management fee	9.1	909	1,065
Sindh Sales Tax	9.2	118	139
Sales load payable		116	20
Selling and marketing payable	9.3	1,217	925
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	250	53
		2,610	2,202

9.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The management fee expense charged by the asset Management Company varied between 1.7% to 2% during the year. Currently, the management fee is charged at the rate of 2% of average annual net assets of the fund.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (June 30, 2019: 13%) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

9.3 SECP vide SRO 639(I)/2019 dated June 20, 2019 has removed cap of 0.4 percent (of average net assets, calculated on daily basis), on charging of selling and marketing expenses which are charged by Asset Management Companies to all categories of open-end mutual funds (except fund of funds). Resultantly, Management Company has charged selling and marketing expenses to the Fund. The selling and marketing expenses charged by the asset Management Company varied between 0.4% to 1.05% during the year. Currently, the selling and marketing expense is charged at the rate of 1.05% of average annual net assets of the fund.

9.4 In accordance with Regulation 60 of the NBFC Regulations, the Management Company has charged expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS). The expense charged by the asset Management Company varied between 0.1% to 0.55% during the year. Currently, the expense is charged at the rate of 0.55% of average annual net assets of the fund.

	Note	2020 ------(Rupees in '000)-----	2019
10. PAYABLE TO THE TRUSTEE			
Trustee fee	10.1	91	106
Sindh Sales Tax	10.2	12	14
		103	120

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

The tariff structure applicable to the Fund is as follows:

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Upto Rs 1,000 million	0.20% per annum of NAV
Exceeding Rs 1,000 million	Rs 2 million plus 0.10% per annum of NAV exceeding 1 billion.

10.2 The Sindh Government had levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the Central Depository Company of Pakistan through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2015.

11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2020 ------(Rupees in '000)-----	2019
Annual fee	11.1	<u>116</u>	<u>1,917</u>

11.1 In accordance with Regulation 62 of the NBFC Regulations, uptill June 19, 2019, the Fund was required to pay SECP an amount at the rate of 0.095% per annum of the average daily net assets of the fund. SECP vide SRO 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee at 0.02% of the net assets of the fund and accordingly such fee has been charged at the rate of 0.02% percent during the year.

12. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020 ------(Rupees in '000)-----	2019
Charity payable	12.1	1,524	3,882
Federal Excise Duty	12.2	6,785	6,785
Provision for Sindh Workers' Welfare Fund	12.3	6,431	6,312
Withholding tax payable		173	143
Auditors' remuneration		276	263
Payable to brokers		235	184
Others		173	186
		<u>15,597</u>	<u>17,755</u>

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

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

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

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

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, has made a provision on FED on remuneration of the Management Company with effect from June 13, 2013 till June 30, 2016, aggregating to Rs. 6.793 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 1.145 (2019: Rs. 0.975) per unit.

12.3 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs. 0.5 million in a tax year, were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF. In this regard, a constitutional petition was filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

During 2013 and 2014, judgements were made by Sindh High Court (SHC) and Peshawar High Courts respectively in favor of and against amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008.

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

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

The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. On a query raised by Mutual Funds Association of Pakistan (MUFAP) on applicability of SWWF, SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 8.274 million and started recognising provision for SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 34.381 million (2019: Rs. 34.381 million). Had the provision not been made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 1.0853 (June 30, 2019: Rs. 0.9072) per unit.

13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at June 30, 2020 and June 30, 2019.

14. AUDITORS' REMUNERATION	Note	2020 ------(Rupees in '000)-----	2019
Annual audit fee		271	253
Fee for half yearly review		42	40
Shariah Compliance Audit Fee		-	5
Out of pocket		57	54
		<u>370</u>	<u>352</u>

15. TAXATION

The Fund's income is exempt from Income Tax as per Clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. During the year on June 28, 2020, Management Company has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

16. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2020 is 4.26%, which includes 0.32% (June: 2019 is 3.70%, which includes 0.43%) representing government levy and SECP fee.

17. EARNINGS PER UNIT

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

18. NUMBER OF UNITS IN ISSUE	Note	2020 ------(Rupees in '000)-----	2019
Opening units in issue		6,957,434	22,730,895
Units issued during the year		10,701,012	5,136,372
Less: Units redeemed during the year		(11,732,480)	(20,909,833)
Total units in issue at the end of the year		<u>5,925,966</u>	<u>6,957,434</u>

19. FINANCIAL INSTRUMENTS BY CATEGORY

	----- As at June 30, 2020 -----		
	At Fair value through profit or loss	At Amortised Cost	Total
	-----Rupees in '000'-----		
Financial Assets			
Bank balances	-	34,983	34,983
Investments	538,096	-	538,096
Dividend and profit receivable	-	457	457
Deposits and other receivables	-	2,600	2,600
	538,096	38,040	576,136

Financial Liabilities

Payable to the Management Company	-	2,610	2,610
Payable to Trustee	-	103	103
Payable against purchase of equity instruments	-	2,800	2,800
Dividend payable	-	815	815
Accrued expenses and other liabilities	-	2,208	2,208
Net assets attributable to redeemable units	-	555,016	555,016
	-	563,551	563,551

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

	----- As at June 30, 2019 -----		
	At Fair value through profit or loss	At Amortised Cost	Total
	-----Rupees in '000'-----		
Financial Liabilities			
Payable to the Management Company	-	2,202	2,202
Payable to Trustee	-	120	120
Accrued expenses and other liabilities	-	4,515	4,515
Net assets attributable to redeemable units	-	635,161	635,161
		641,998	641,998

20. TRANSACTIONS / BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

20.1	2020	2019
Transactions during the year	------(Rupees in '000)-----	
HBL Asset Management Limited - Management Company		
Management Fee including sales tax thereon	<u>12,775</u>	<u>45,616</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>1,795</u>	<u>2,018</u>
Selling and marketing	<u>4,751</u>	<u>8,074</u>
Issue of 1,030,320 units (2019: Nil units)	<u>100,000</u>	<u>-</u>
Redemption of 1,194,402 units (2019: 50,979 units)	<u>108,335</u>	<u>5,500</u>
MCBFSL Trustee - HBL Islamic Financial Planning Fund - Active Allocation Plan - Associate		
Issue of 22,212 units (2019: 53,665 units)	<u>1,933</u>	<u>5,400</u>
Redemption of 226,956 units (2019: 623,587 units)	<u>21,503</u>	<u>65,214</u>
Reinvestment of dividend of 648 units (2019: Nil units)	<u>60</u>	<u>-</u>
MCBFSL Trustee - HBL Islamic Financial Planning Fund - Conservative Allocation Plan - Associate		
Issue of 6,980 units (2019: 6,245 units)	<u>578</u>	<u>633</u>
Redemption of 9,701 units (2019: 9,057 units)	<u>850</u>	<u>952</u>
MCBFSL Trustee - HBL Islamic Financial Planning Fund - Associate - Strategic Allocation Plan - Associate		
Issue of Nil units (2019: 865,348 units)	<u>-</u>	<u>100,000</u>
Redemption of Nil units (2019: 11,180,346 units)	<u>-</u>	<u>1,166,961</u>
Habib Bank Limited - Sponsor		
Bank charges paid	<u>43</u>	<u>44</u>
Profit on bank deposits earned	<u>777</u>	<u>573</u>
Profit on bank deposits received	<u>720</u>	<u>601</u>
Redemption of Nil units (2019: 3,659,439 units)	<u>-</u>	<u>357,740</u>

	2020	2019
	------(Rupees in '000)-----	
Executives and their relatives		
Issue of 24,877 units (2019: 79,393 units)	<u>2,470</u>	<u>7,902</u>
Redemption of 27,509 units (2019: 47,167 units)	<u>2,555</u>	<u>4,831</u>
Dividend paid	<u>2</u>	<u>-</u>
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration	<u>1,306</u>	<u>3,362</u>
Service charges	<u>77</u>	<u>203</u>
20.2 Balances outstanding as at year end		
HBL Asset Management Limited - Management Company		
Management fee	<u>909</u>	<u>1,065</u>
Sindh Sales Tax	<u>118</u>	<u>139</u>
Sales load payable	<u>116</u>	<u>20</u>
Selling and marketing payable	<u>1,217</u>	<u>925</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>250</u>	<u>53</u>
Investment held in the Fund : Nil units (2019: 164,082 units)	<u>-</u>	<u>14,979</u>
Habib Bank Limited - Sponsor		
Investment held in the Fund: 2,539,414 units (2019: 2,539,414 units)	<u>237,838</u>	<u>231,829</u>
Bank balances	<u>14,029</u>	<u>7,006</u>
Mark-up receivable on deposits with banks	<u>76</u>	<u>19</u>
Dividend payable	<u>813</u>	<u>-</u>
MCBFSL Trustee - HBL Islamic Financial Planning Fund - Active Allocation Plan - Associate		
Investment held in the Fund : 188,994 units (2019: 393,090 units)	<u>17,701</u>	<u>35,886</u>
MCBFSL Trustee - HBL Islamic Financial Planning Fund - Conservative Allocation Plan - Associate		
Investment held in the Fund : Nil units (2019: 2,721 units)	<u>-</u>	<u>248</u>
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable including sales tax thereon	<u>103</u>	<u>120</u>
Security deposit	<u>100</u>	<u>100</u>
Executives and their relatives		
Investment held in the Fund : 5,941 units (2019: 49,299 units)	<u>556</u>	<u>4,501</u>

21. FINANCIAL RISK MANAGEMENT

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

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

The Fund primarily invests in equity instruments that are carried at fair value through profit and loss.

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

21.1 Market risk

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

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

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

21.1.1 Currency risk

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

21.1.2 Interest rate risk

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

a) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 0.350 million (2019: Rs. 0.557 million) had the interest rates on savings accounts with the banks increased / (decreased) by 100 basis points.

b) Fair value interest rate risk

Presently, the Fund does not hold any fixed rate instruments at June 30, 2020, that could expose the Fund to fair value interest rate risk.

21.1.3 Price risk

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

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

In case of 5% increase / (decrease) in the fair value of the Fund's equity securities on June 30, 2020, net assets of the Fund would have increased / (decreased) by Rs. 26.905 million (2019: Rs. 29.280 million). In case of gains / (losses) on equity securities in "fair value through profit and loss" category, the corresponding effect will be reported in profit and loss.

21.2 Credit risk

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

Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial c+B102 contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2020:

Name of the bank	Balance as at June 30, 2020	Latest available published rating as at June 30, 2020	Rating agency
Rupees in '000'			
Savings Account			
Habib Bank Limited	7,362	AAA	JCR-VIS
Habib Bank Limited	6,667	AAA	JCR-VIS
Al-Baraka Bank Limited	11	A+	PACRA
Dubai Islamic Bank	1,803	AA	JCR-VIS
BankIslami Pakistan Limited	19,140	A+	JCR-VIS
	34,983		

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

	2020	2019
	------(Rupees in '000)-----	
Dividend and profit receivable	<u>457</u>	<u>2,347</u>
Deposits and other receivables	<u>2,600</u>	<u>2,600</u>

The maximum exposure to credit risk before considering any collateral as at June 30, 2020 and June 30, 2019 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

Concentration of credit risk

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

The Fund's major bank balance is held with three Banks. Management believes that these banks are reputed institutions.

21.3 Liquidity risk

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

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

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

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. However, no such instances were witnessed by the Fund during the current year.

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

----- As at June 30, 2020 -----

Upto three months	More than three months and upto one year	More than one year	Total
-------------------	--	--------------------	-------

----- Rupees in '000 -----

Financial Liabilities

Payable to the Management Company	2,610	-	-	2,610
Payable to the Trustee	103	-	-	103
Payable against purchase of equity instruments	2,800	-	-	2,800
Dividend Payable	815	-	-	815
Accrued expenses and other liabilities	2,208	-	-	2,208
	8,535	-	-	8,535

----- As at June 30, 2019 -----

Upto three months	More than three months and upto one year	More than one year	Total
-------------------	--	--------------------	-------

----- Rupees in '000 -----

Financial Liabilities

Payable to the Management Company	2,202	-	-	2,202
Payable to the Trustee	120	-	-	120
Accrued expenses and other liabilities	4,515	-	-	4,515
	6,837	-	-	6,837

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

		June 30, 2020						
		Carrying amount			Fair Value			
		At Fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Financial instruments		----- (Rupees in '000) -----						
Financial assets measured at fair value								
Investments - Listed equity securities		538,096	-	538,096	538,096	-	-	538,096
		538,096	-	538,096	538,096	-	-	538,096
Financial assets not measured at fair value		22.1						
Bank balances		-	34,983	34,983				
Dividend receivable and accrued mark-up		-	457	457				
Advances and deposits		-	2,600	2,600				
		-	38,040	38,040				
Financial liabilities not measured at fair value		22.1						
Payable to Management Company		-	2,610	2,610				
Payable to Trustee		-	103	103				
Payable against purchase of equity instruments		-	2,800	2,800				
Dividend payable		-	815	815				
Accrued expenses and other liabilities		-	2,208	2,208				
Net assets attributable to redeemable units		-	555,016	555,016				
		-	563,551	563,551				

June 30, 2019

	Carrying amount			Fair Value			
	At Fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Financial instruments	----- (Rupees in '000) -----						
Financial assets measured at fair value							
Investments - Listed equity securities	585,604	-	585,604	585,604	-	-	585,604
	585,604	-	585,604	585,604	-	-	585,604
Financial assets not measured at fair value	22.1						
Bank balances	-	55,650	55,650				
Dividend receivable and accrued mark-up	-	2,347	2,347				
Advances and deposits	-	2,600	2,600				
	-	60,597	60,597				
Financial liabilities not measured at fair value	22.1						
Payable to Management Company	-	2,202	2,202				
Payable to Trustee	-	120	120				
Accrued expenses and other liabilities	-	4,515	4,515				
Net assets attributable to redeemable units	-	635,161	635,161				
	-	641,998	641,998				

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

22.2 Transfers during the year

During the year ended June 30, 2020, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 financial instruments.

23. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

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

Top ten brokers during the year ended June 30, 2020

- 1 EFG Hermes Pakistan Limited
- 2 Next Capital Limited
- 3 Summit Capital (Pvt) Ltd
- 4 Taurus Securities Ltd.
- 5 AKD Securities Limited
- 6 Intermarket Securities Ltd.
- 7 IGI Finex Securities Limited
- 8 Ismail Iqbal Securities (Pvt) Limited
- 9 AL Falah Securities (Pvt) Ltd.
- 10 DJM Securities (Pvt) Ltd

25. PARTICULARS OF THE INVESTMENT COMMITTEE

Details of members of the Investment Committee of the Fund as on June 30, 2020 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	21 + years
2	Adeel Abdul Wahab	Head of Equity	ACCA	12+ years
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+ years
4	Karim Khawaja	Head of Risk	MBA, CMA	17 + years

26. PATTERN OF UNIT HOLDING

Category	Number of unit holders	Number of unit Held	Investment amount	Percentage investment
(Rupees in '000)				
Individuals	371	2,841,859	266,164	48.0%
Associated Companies	1	2,539,413	237,837	42.9%
Retirement Funds	2	80,488	7,538	1.4%
Trust	1	188,995	17,701	3.2%
Others	2	8,719	817	0.2%
Foreign Investors (Individual)	2	266,491	24,959	4.50%
	379	5,925,965	555,016	100%

-----As at June 30, 2019-----

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

27. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 29,2019 ,October 29,2019, February 13, 2020 ,March 02,2020 and April 29, 2020 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Farid Ahmed Khan ¹	1	1	0	4
2	Mr. Mir Adil Rashid ²	4	4	0	1
3	Ms. Ava A. Cowasjee	5	5	0	-
4	Mr. Rayomond H. Kotwal	5	5	0	-
5	Mr. Rizwan Haider	5	5	0	-
6	Mr. Shabbir Hussain Hashmi	5	5	0	-
7	Mr. Shahid Ghaffar	5	5	0	-
8	Mr. Aamir Hasan Irshad ⁵	5	5	0	-
9	Mr. Atif Aslam Bajwa ^{3,4}	2	1	1	3

- 1 Resigned on September 15, 2019.
- 2 Appointed on September 16, 2019.
- 3 Appointed on October 29, 2019.
- 4 Resigned on February 24, 2020.
- 5 Resigned on May 14, 2020.

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 27, 2020 by the Board of Directors of the Management Company.

29. CORRESPONDING FIGURES

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

30. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

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

Chief Financial Officer

Chief Executive Officer

Director



HBL Islamic Income Fund

NAME OF FUND	HBL ISLAMIC INCOME FUND
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	BOD Ebrahim & Co. Chartered Accountants
NAME OF SHARIAH ADVISORS	Al - Hilal Shariah Advisors (Pvt.) Limited
NAME OF BANKERS	Bank Islami Pakistan Limited Bank Al Baraka Limited Faysal Bank Limited Habib Bank Limited Dubai Islamic Bank Limited Askari Bank Limited Bank Al Habib Limited Soneri Al Tijarah Summit Bank MCB Islamic Bank Limited

Type and Category of Fund

Open end Shariah Compliant Income Fund

Investment Objective and Accomplishment of Objective

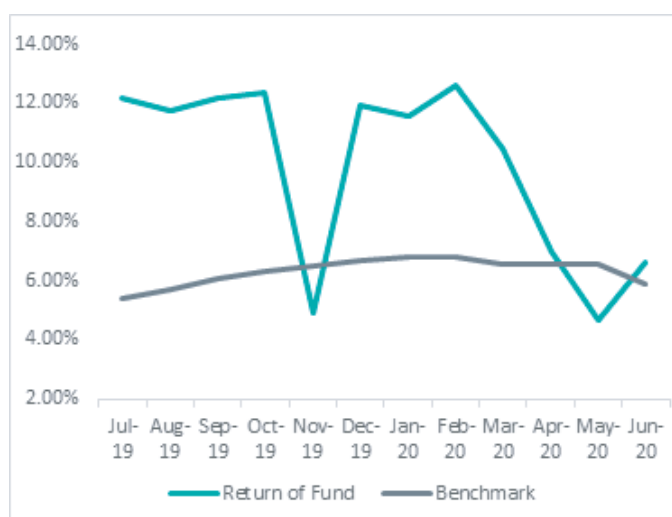
The objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations. The investment objective is achieved.

Benchmark and Performance Comparison with Benchmark

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

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

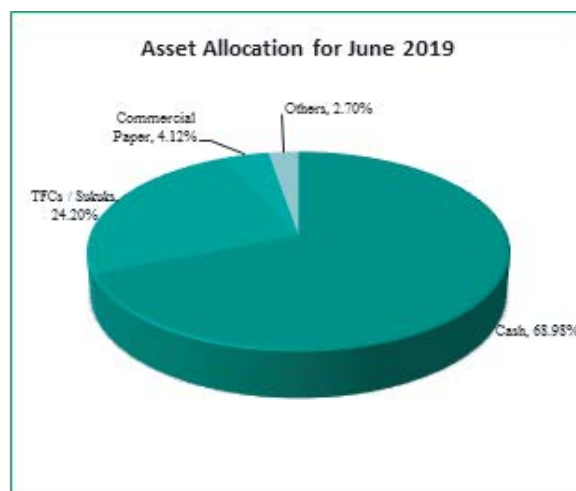
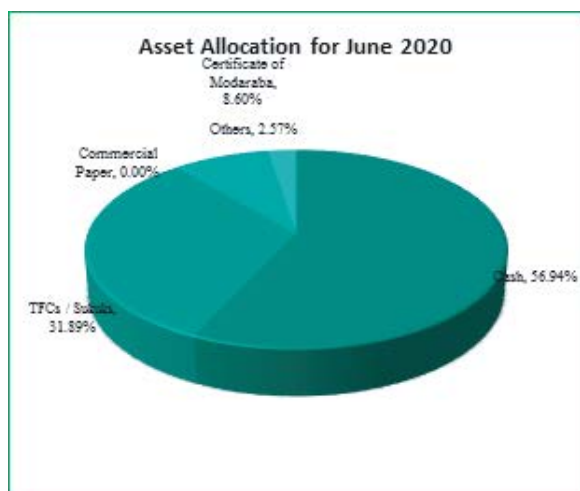
Month	Return of Fund	Benchmark
Jun-20	6.60%	5.89%
May-20	4.64%	6.59%
Apr-20	6.97%	6.57%
Mar-20	10.45%	6.58%
Feb-20	12.58%	6.82%
Jan-20	11.54%	6.80%
Dec-19	11.95%	6.70%
Nov-19	4.92%	6.50%
Oct-19	12.35%	6.32%
Sep-19	12.18%	6.09%
Aug-19	11.77%	5.71%
Jul-19	12.19%	5.42%



Strategies and Policies employed during the Year

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

Asset Allocation



Fund Performance

The total income and net income of the Fund was Rs. 198.51 million and Rs. 161.68 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) of the Fund was Rs. 101.5299 per unit as on June 30, 2020 as compared to Rs. 101.4883 per unit as on June 30, 2019, after incorporating dividend of Rs. 10.45 per unit, thereby giving an annualized return of 10.31%. During the same year the benchmark return (6 Month bank deposit rates) was 6.33%. The size of Fund was Rs. 1.42 billion as on June 30, 2020 as compared to Rs. 3.10 billion at the start of the year.

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.

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.

Distribution

The Fund has distributed cash dividend up-to Rs. 10.45 per unit for the year ended June 30, 2020.

Significant Changes in the State of Affairs

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

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	159	4,142
101 – 500	100	25,366
501 – 1,000	38	26,087
1,001 – 10,000	235	1,047,040
10,001 – 100,000	165	5,000,198
100,001 – 500,000	14	2,965,090
500,001 – 1,000,000	3	1,821,458
1,000,001 – 5,000,000	1	3,073,207
5,000,001 and above	-	-
Total	715	13,962,587

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

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

PERFORMANCE TABLE - HBL ISLAMIC INCOME FUND

	2020	2019	2018	2017	2016	2015
Net assets at the period end (Rs'000)	1,417,621	3,103,484	4,041,526	4,461,245	226,967	359,343
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	101.5299	101.4883	106.3013	101.0691	100.7401	100.3876
Offer	103.2508	103.2085	108.1031	102.7823	102.2512	101.8934
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit - Class C		103.2085	108.1031	107.3662	106.7245	109.6756
Lowest offer price per unit - Class C		102.6902	102.6902	102.2990	101.9324	101.5694
Highest offer price per unit - Class D		110.9432	108.1031	107.3662	106.7245	109.6756
Lowest offer price per unit - Class D		103.0902	102.6902	102.2990	101.9324	101.5694
Highest redemption price per unit		109.0941	106.3013	105.5767	105.1473	108.0548
Lowest redemption price per unit		101.3719	100.9786	100.7872	100.4260	100.0684
RETURN (%)						
Total return	10.31%	7.85%	5.18%	5.52%	4.82%	8.37%
Income distribution	10.45%	7.75%	5.00%	5.20%	4.50%	8.00%
Capital growth	-0.14%	0.10%	0.18%	0.32%	0.32%	0.37%
DISTRIBUTION						
First Interim dividend distribution						
Second Interim dividend distribution						
Third Interim dividend distribution						
First Interim dividend distribution (Rs)		-	-	4.85	4.50	8.00
Date of Income Distribution		-	-	22-Jun-17	24-Jun-16	24-Jun-15
Final Interim dividend distribution (Rs)	10.45%	7.75%	5.00	0.35	-	-
Date of Income Distribution	26-Jun-20	26-Jun-19	4-Jul-18	30-Jun-17	-	-
Total dividend distribution for the year (Rs)	0.10	0.08	5.00	5.20	4.50	8.00
AVERAGE RETURNS (%)						
Average annual return 1 year						
Average annual return 2 year						
Average annual return 1 year	10.31%	7.85%	5.18%	5.52%	4.82%	8.37%
Average annual return 2 year	9.07%	6.50%	5.35%	5.18%	6.59%	8.45%
Average annual return 3 year	7.76%	6.18%	5.18%	6.24%	6.71%	-
PORTFOLIO COMPOSITION - (%)						
Percentage of Net Assets as at 30 June:						
Bank Balances	56.94%	68.98%	47.62%	50%	82%	65%
GoP Ijarah Sukuks		0.00%	0%	33%	-	22%
TFCs /Sukuks	31.89%					
Certificate of Modaraba	8.60%					
Placement with Banks and DFIs		0.00%	17.43%	14%	-	0%
Corporate Sukuks		24.20%	33.39%	3%	16%	11%
Others	2.57%	2.70%	1.56%	-	2%	2%
Weighted average portfolio during (No. of days)	371	618	618	481	187	198

Note:

The Launch date of the Fund is May 29, 2014

Disclaimer:

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

HBL ISLAMIC INCOME FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Income Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 24, 2020



STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Income Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2020. This has been duly confirmed by the Shariah Advisor of the Fund.



Mir Adil Rashid

Chief Executive Officer

Dated: August 27, 2020





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 Income Fund (HBL-IIF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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



Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Baridukda, CFA
Chief Executive



Tel: +92 21 3568 3030
 Fax: +92 21 3568 4239
 www.bdo.com.pk

2nd Floor, Block-C
 Lakson Square, Building No.1
 Senwar Shaheed Road
 Karachi-74200
 Pakistan



INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of HBL Islamic Income Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Existence and valuation of investments</p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2020, the investments held by the Fund comprised of debt instruments which represent 40% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We evaluated the design and implementation of key controls of investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. Further, the Fund is required to be compliant with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) with respect to investments.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> We performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of debt instruments valuations on the basis of prices at the Mutual Fund Association of Pakistan (MUFAP) as at June 30, 2020 and matching the valuation of investment with that appearing in the financial statements. We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance. We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the NBFC Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.
2.	<p>Recognition, measurement and presentation of 'Element of Income'</p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.</p> <p>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed.</p> <p>The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realized or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.</p> <p>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the NBFC Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter.</p>	<ul style="list-style-type: none"> We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss. We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund. We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.

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

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



BDO



Responsibilities of the Management Company and its Board of Directors

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.
- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

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BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



BDO



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

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI

DATED: 27 AUG 2020


BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS



Tel: +92 21 3568 3030
Fax: +92 21 3568 4239
www.bdo.com.pk

2nd Floor, Block-C
Lakson Square, Building No.1
Sarwar Shaheed Road
Karachi-74200
Pakistan

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

Scope of our Work

We have performed an independent assurance engagement of HBL Islamic Income Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2020. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

Applicable Criteria

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

Management Company's responsibility

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

Our Independence and Quality Control

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. The firms apply International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, And Other Assurance and Related Services Engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of independent assurance providers

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



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

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2020 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2020.

KARACHI

DATED: SEPTEMBER 23, 2020

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

	Note	2020 ------(Rupees in '000)-----	2019
ASSETS			
Bank balances	5	827,655	2,164,208
Investments	6	588,517	888,592
Profit receivable	7	29,616	76,919
Deposits and prepayments	8	7,828	7,798
TOTAL ASSETS		1,453,616	3,137,517
LIABILITIES			
Payable to the Management Company	9	2,863	7,001
Payable to the Trustee	10	104	407
Payable to Securities and Exchange Commission of Pakistan	11	328	3,049
Payable against redemption of units		1,495	199
Dividend payable		257	3,864
Accrued expenses and other liabilities	12	30,947	19,513
TOTAL LIABILITIES		35,994	34,033
NET ASSETS		1,417,621	3,103,484
UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)		1,417,621	3,103,484
CONTINGENCIES AND COMMITMENTS			
	13	----- Number of units -----	
Number of units in issue	14	13,962,587	30,579,719
		----- Rupees -----	
Net assets value per unit		101.5299	101.4883

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC INCOME FUND

Income Statement

For the year ended June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Income			
Capital loss on sale of investment - net		(3,582)	(711)
Income from Government securities		97	-
Income from Corporate Sukuk Bonds		76,820	140,764
Income from commercial papers and term deposit receipts		14,388	80,361
Profit on bank deposits		115,817	171,920
		<u>204,421</u>	<u>392,334</u>
Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.3	(5,913)	(12,157)
		<u>198,508</u>	<u>380,177</u>
Expenses			
Remuneration of the Management Company	9.1	20,828	39,448
Sindh Sales Tax on remuneration of the Management Company	9.2	2,708	5,128
Remuneration of the Trustee	10.1	1,230	4,305
Sindh Sales Tax on remuneration of the Trustee	10.3	160	560
Annual fee to Securities and Exchange Commission of Pakistan	11.1	328	3,049
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	2,054	4,065
Selling and marketing expense	9.4	4,935	7,454
Amortisation of preliminary expenses and flotation costs		-	740
Auditors' remuneration	15	237	236
Fee and subscription		366	377
Security transaction costs and settlement charges		154	918
Bank charges		314	271
Shariah advisory charges		214	210
		<u>33,528</u>	<u>66,761</u>
Net income for the year from operating activities		<u>164,980</u>	<u>313,416</u>
Provision for Sindh Worker's Welfare Fund	12.2	(3,300)	(6,268)
Net income for the year before taxation		<u>161,680</u>	<u>307,148</u>
Taxation	16	-	-
Net income for the year after taxation		<u>161,680</u>	<u>307,148</u>
Allocation of net income for the year			
Income already paid on redemption of units		70,247	190,292
Accounting income available for distribution:			
Relating to capital gains		-	-
Excluding capital gains		91,433	116,856
		<u>91,433</u>	<u>116,856</u>
		<u>161,680</u>	<u>307,148</u>
Earnings per unit	17		

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

	2020	2019
	----- (Rupees in '000) -----	
Net income for the year after taxation	161,680	307,148
Other comprehensive income	-	-
Total comprehensive income for the year	<u>161,680</u>	<u>307,148</u>

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC INCOME FUND
Statement Of Movement In Unitholders' Fund
For the year ended June 30, 2020

	2020			2019		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	------(Rupees in '000)-----					
Net assets at beginning of the year	3,049,443	54,041	3,103,484	3,947,620	93,906	4,041,526
Issuance of 33,076,633 units (2019: 50,089,542 units)						
Capital value (at net asset value per unit at the beginning of the year)	3,357,013	-	3,357,013	5,074,137	-	5,074,137
Element of income	150,997	-	150,997	151,746	-	151,746
Total proceeds on issuance of units	3,508,010	-	3,508,010	5,225,883	-	5,225,883
Redemption of 49,693,765 units (2019: 57,529,346 units)						
Capital value (at net asset value per unit at the beginning of the year)	(5,043,400)	-	(5,043,400)	(5,827,800)	-	(5,827,800)
Income already paid on redemption of units	-	(70,247)	(70,247)	-	(190,292)	(190,292)
Element of loss	(108,400)	-	(108,400)	(30,869)	-	(30,869)
Total payments on redemption of units	(5,151,800)	(70,247)	(5,222,047)	(5,858,669)	(190,292)	(6,048,961)
Total comprehensive income for the year	-	161,680	161,680	-	307,148	307,148
Annual distribution Rs. 5 per unit declared on July 04, 2018 as cash dividend						
Refund of capital	-	-	-	(145,445)	-	(145,445)
Distribution during the year	-	-	-	-	(44,653)	(44,653)
Interim distribution						
Rs. 7.75 per unit declared on June 25, 2019 as cash dividend						
Refund of capital	-	-	-	(119,946)	-	(119,946)
Distribution during the year	-	-	-	-	(112,068)	(112,068)
Rs. 10.45 per unit declared on June 26, 2020 as cash dividend						
Refund of capital	(42,383)	-	(42,383)	-	-	-
Distribution during the year	-	(91,124)	(91,124)	-	-	-
	(42,383)	70,556	28,173	(265,391)	150,427	(114,964)
Net assets at end of the year	1,363,270	54,350	1,417,621	3,049,443	54,041	3,103,484
Undistributed income brought forward						
Realised income		66,198			106,089	
Unrealised loss		(12,157)			(12,183)	
		54,041			93,906	
Accounting income available for distribution						
Relating to capital		-			-	
Excluding capital gains		91,433			116,856	
		91,433			116,856	
Distributions during the year:						
Annual distribution of Rs. 5 per unit declared on July 04, 2018 as cash dividend		-			(44,653)	
Interim distribution of Rs. 7.75 per unit declared on June 25, 2019 as cash dividend		-			(112,068)	
Interim distribution of Rs 10.45 per unit declared on June 26, 2020 as cash dividend		(91,124)			-	
		(91,124)			(156,721)	
Undistributed income carried forward		54,350			54,041	
Undistributed income carried forward						
Realised income		60,263			66,198	
Unrealised loss		(5,913)			(12,157)	
		54,350			54,041	
				(Rupees)		(Rupees)
Net assets value per unit at beginning of the year			101.4883			106.3013
Net assets value per unit at end of the year			101.5299			101.4883

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

2020 2019
------(Rupees in '000)-----

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the year before taxation	161,680	307,148
Adjustments for:		
Capital loss on sale of investments - net	3,582	711
Income from Government securities	(978)	-
Income from corporate sukuk bonds	(76,820)	(140,764)
Income from commercial papers and term deposit receipts	(14,388)	(80,361)
Profit on bank deposits	(115,817)	(171,920)
Amortisation of preliminary expenses and floatation costs	-	740
Unrealised diminution on re-measurement of investments classified as financial asset at fair value through profit or loss - net	5,913	12,157
	(36,828)	(72,289)
Decrease / (Increase) in assets		
Investments - net	290,580	494,668
Receivable against sale of investments - net	-	10,156
Deposits and prepayments	(30)	(3,348)
	290,550	501,476
Increase / (Decrease) in liabilities		
Payable to the Management Company	(4,138)	3,693
Payable to the Trustee	(303)	(14)
Payable to Securities and Exchange Commission of Pakistan	(2,721)	(282)
Accrued expenses and other liabilities	11,435	9,898
	4,273	13,295
Cash generated from operations	257,995	442,482
Income received from Government securities	978	-
Income received from corporate sukuk bonds	85,887	138,915
Income received from commercial papers and term deposit receipts	11,323	77,006
Profit received on bank deposits	157,118	132,288
	255,306	348,209
Net cash generated from operating activities	513,301	790,691
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units	3,508,010	5,225,883
Payments against redemption of units	(5,220,751)	(6,150,759)
Dividend paid	(137,113)	(418,268)
Net cash used in financing activities	(1,849,854)	(1,343,144)
Net decrease in cash and cash equivalents	(1,336,553)	(552,453)
Cash and cash equivalents at the beginning of the year	2,164,208	2,716,661
Cash and cash equivalents at the end of the year	827,655	2,164,208

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

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

JCR-VIS Credit Rating Company has assigned a management quality rating of 'AM2+' (AM Two Plus) to the Management Company and assigned stability rating of A+(f) to the Fund as at December 31, 2019 and December 30, 2019, respectively.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

These financial statements have been prepared under accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

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

2.4 Use of judgments and estimates

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

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

Classification and valuation of investments

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

Impairment of investment

For details please refer notes 4.2.1.2 to these financial statements.

Provision for taxation

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

Other assets

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

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

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

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

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

Conceptual Framework for Financial Reporting 2018 - Original Issue

IFRS 7 Financial Instruments : Disclosures - additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 July 01, 2018

IFRS 9 Financial Instruments - reissue to incorporate a hedge accounting chapter and permit the early application of the requirements for presenting in other comprehensive income the 'own credit' gains or losses on financial liabilities designated under the fair value option without early applying the other requirements of IFRS 9 July 01, 2018

IFRS 9 Financial Instruments - finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition July 01, 2018

IAS 39 Financial Instruments: Recognition and Measurements-amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception July 01, 2018

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

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard and are not relevant to the fund:

IFRS 2 Share-based Payment - amendments to clarify the classification and measurement of share-based payment transactions January 01, 2018

IFRS 4 Insurance Contracts - amendments regarding the interaction of IFRS 4 and IFRS 9 January 01, 2018

IFRS 5 Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9 July 01, 2018

IFRS 8 Amendments regarding the interaction of IFRS 4 and IFRS 9 January 01, 2018

IFRS 15 Original issue July 01, 2018

IFRS 15 Clarifications to IFRS 15 July 01, 2018

IAS 40 Investment Property - amendments to clarify transfers of property to, or from, investment property January 01, 2018

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

Annual Improvements to IFRSs (2014 – 2016) Cycle:		Effective date (annual periods beginning on or after)
IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2018
IAS 28	Investments in Associates and Joint Ventures	January 01, 2018

3.3 Amendments not yet effective

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

	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 3	Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 8	Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities negative compensation and modifications of financial liabilities	January 01, 2019
IAS 1	Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 19	Employee benefits - amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 17	Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - amendments regarding long-term interests in associates and joint ventures	January 01, 2019

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

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

3.4 Standards or interpretations not yet effective

The following new standards have been issued by the International Accounting Standards Board (IASB), which have been adopted locally by the Securities and Exchange Commission of Pakistan effective from the dates mentioned against the respective standard:

IFRS 16	Leases	January 01, 2019
---------	--------	------------------

The Funds expects that the adoption of IFRS 16 will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

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

The Funds expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Funds's financial statements in the period of initial application.

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied unless otherwise stated.

4.1 Cash and cash equivalents

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

4.2 Financial instruments

4.2.1 Financial assets

4.2.1.1 Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in 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 (refer note 4.2.1.2). Interest 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. Interest 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.

4.2.1.2 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly investment, deposits, dividend and profit receivable, receivable against sale of investment and bank balances.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012 dated October 24, 2012 in relation to impairment of debt securities.

4.2.1.3 Regular way contracts

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

4.2.1.4 Derecognition

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

4.2.2 Financial liabilities

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

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

4.2.3 Offsetting of financial assets and liabilities

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

4.3 Provisions

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

4.4 Taxation

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

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

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

4.5 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

4.6 Issue and redemption of units

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

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

4.7 Element of income

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

4.8 Net assets value per unit

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

4.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Profit / return on Government securities, bank profits and investment in debt securities are recognized at a time apportionment basis using the effective interest method.

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

4.10 Expenses

All expenses including NAV based expenses are recognised in the 'income statement' on a time apportionment basis.

4.11 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

4.12 Transactions with related parties / connected persons

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

5	BANK BALANCES	Note	2020 ------(Rupees in '000)-----	2019
	Cash at bank			
	In savings accounts	5.1	800,624	2,164,187
	In current accounts		27,031	21
			<u>827,655</u>	<u>2,164,208</u>
5.1	These accounts carry profit at rates ranging between 7.50% and 13.50% (2019: 6.50% and 12.5%) per annum. This includes an amount held by a related party (Habib Bank Limited) amounting to Rs. 30.8 million (2019: Rs. 144.066 million) on which return is earned at 7.74% (2019: 8.00%) per annum.			
6	INVESTMENTS			
	Financial assets:			
	At fair value through profit or loss	6.1	463,517	759,168
	At amortised cost	6.2	125,000	129,424
			<u>588,517</u>	<u>888,592</u>
6.1	Financial assets at fair value through profit or loss			
	Government Securities			
	GOP Ijarah Sukuk Certificate	6.1.5	-	-
	Corporate Sukuk Bonds	6.1.1	463,517	759,168
			<u>463,517</u>	<u>759,168</u>

6.1.1 Financial assets at fair value through profit or loss - Corporate Sukuk Bonds

Name of the investee company	Note	Number of units				Market value as at June 30, 2020	Carrying value as at June 30, 2020	Un-realised diminution on re-measurement of investment	Market value as a percentage of	
		As at July 1, 2019	Purchases made during the year	Sales during the year	As at June 30, 2020				Total investments	Net assets
----- (Rupees in '000) -----										
Corporate Sukuk Bonds - listed										
International Brands Limited		1,100	-	-	1,100	77,796	76,327	1,469	13.22%	5.49%
Dawood Hercules Corporation Limited *		450	-	100	350	28,510	27,930	580	4.84%	2.01%
Dawood Hercules Corporation Limited *		751	357	751	357	25,238	24,990	248	4.29%	1.78%
		2,301	357	851	1,807	131,544	129,247	2,297	22%	9.28%
Corporate Sukuk Bonds - unlisted										
AGP Limited		2,642	-	1,650	992	39,738	39,680	58	6.75%	2.80%
Dubai Islamic Bank Limited		190	-	136	54	55,417	54,000	1,417	9.42%	3.91%
Ghani Gases Limited		1,530	-	-	1,530	66,818	76,500	(9,682)	11.35%	4.71%
Agha Steel Industries Limited	6.1.3	95	-	-	95	95,000	95,000	-	16.14%	6.70%
Hub Power Company Limited 190320	6.1.3	-	350	-	350	35,000	35,000	-	5.95%	2.47%
Hub Power Company Limited 190520	6.1.3	-	400	-	400	40,000	40,000	-	0.07	2.82%
		4,457	750	1,786	3,421	331,972	340,180	(8,207)	56%	23%
Total - as at June 30, 2020		6,758	1,107	2,637	5,228	463,517	469,427	(5,913)	79%	32.70%
Total - as at June 30, 2019		42,040	127,224	162,506	6,758	759,168	771,325	(12,157)	85%	24.46%

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

6.1.2 These Corporate Sukuk Bonds carry profit at the rates ranging from 9.14 % to 14.93 % (2019: 5.97% to 10.46%) per annum.

6.1.3 These Sukuks are in the process of listing. Therefore, market value of these Sukuks are not yet available, however, Management believes that the fair value of these Sukuks are approximately equal to its cost.

6.1.4 Significant terms and conditions of Corporate Sukuk Bonds as at June 30, 2020 are as follows:

Name of the investee company	Remaining principal (per sukuk bond)	Profit rate (per annum)	Issue date	Maturity date
Corporate Sukuk Bonds - listed				
International Brands Limited		12 Month Kibor + 0.50%	15-Nov-17	15-Nov-21
Dawood Hercules Corporation Limited		3 Month Kibor + 1%	16-Nov-17	16-Nov-22
Dawood Hercules Corporation Limited		3 Month Kibor + 1%	01-Mar-18	01-Mar-23
Corporate Sukuk Bonds - unlisted				
AGP Limited		3 Month Kibor + 1.30%	09-Jun-17	09-Jun-22
Dubai Islamic Bank Limited		6 Month Kibor + 0.50%	14-Jul-17	14-Jul-27
Ghani Gases Limited		3 Month Kibor + 1%	05-Feb-17	02-Feb-23
Agha Steel Industries Limited		3 Month Kibor + 1%	09-Oct-18	09-Oct-24
Hub Power Company Limited 19/03/20		3 Month Kibor + 1.90%	19-Mar-20	22-Aug-23
Hub Power Company Limited 19/05/20		3 Month Kibor + 1.90%	19-May-20	22-Aug-23

6.1.5 Financial assets at fair value through profit or loss - GoP Ijara Sukuk Certificates

Issue details	Tenure	Face value				Market value as at June 30, 2020	Carrying value as at June 30, 2020	Un-realised appreciation / (diminution) on re-measurement of investment	Market value as a percentage of total investments	Market value as a percentage of net assets
		As at July 1, 2019	Purchases during the year	Sales / matured during the year	As at June 30, 2020					
----- Rupees in '000 -----										
GOP Ijarah Sukuk		-	187,500	187,500	-	-	-	-	-	-
Total - as at June 30, 2020		-	187,500	187,500	-	-	-	-	-	-

	Note	2020 ------(Rupees in '000)-----	2019
6.2 Financial assets at amortised cost			
Commercial Papers	6.2.1	-	129,424
Term Deposit Receipts (TDRs)	6.2.3	125,000	-
		125,000	129,424

6.2.1 Financial assets at amortised cost - Commercial papers

Name of investee company	As at July 1, 2019	Placement made during the year	Income accrued	Matured during the year	As at June 30, 2020	Percentage of total of investments	Percentage of net assets
----- (Rupees in '000) -----							
Karachi Electric (6.2.2)	-	116,177	8,823	125,000	-	-	-
Hascol Petroleum Limited (6.2.2)	129,424	-	576	130,000	-	-	-
Total - as at June 30, 2020	129,424	116,177	9,399	255,000	-	-	-

6.2.2 As at June 30, 2020, Commercial paper issued by Hascol Petroleum Limited and Karachi Electric had a carrying value of Rs. Nil (2019: Rs. 129.424 million). It matured on July 15, 2019 and March 19, 2020 respectively.

6.2.3 Financial assets at amortised cost - Term Deposit Receipts

Name of investee company	As at July 1, 2019	Placements made during the year	Matured during the year	As at June 30, 2020	Percentage of total of investments	Percentage of net assets
----- (Rupees in '000) -----						
Bank Islami Pakistan Limited	-	165,000	165,000	-	-	-
First Habib Modarba (6.2.4)	-	125,000	-	125,000	21%	9%
Total - as at June 30, 2020	-	290,000	165,000	125,000	21%	9%

6.2.4 This carries profit at the rate of 11.1% (2019: Nil) and will be matured on July 3, 2020.

	Note	2020 ------(Rupees in '000)-----	2019
6.3 Net unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net			
Market value of investments		463,517	759,168
Less: Carrying value of investments		(469,427)	(771,325)
		(5,913)	(12,157)
7 PROFIT RECEIVABLE			
Profit receivable on:			
Bank deposits	7.1	11,011	52,312
Corporate Sukuk Bonds	7.2	15,540	24,607
Term Deposit Receipts		3,065	-
		29,616	76,919

7.1 This includes Rs. 3.27 million (2019: Rs. 0.09 million) receivable from Habib Bank Limited, which is a related party.

7.2 This includes Rs. 0.451 million (2019: Rs. 1.588 million) receivable from Dawood Hercules Corporation Limited, which is a related party due to common directorship.

	Note	2020 ------(Rupees in '000)-----	2019
8	DEPOSITS AND PREPAYMENTS		
	Security deposits with:		
	Central Depository Company of Pakistan Limited	100	100
	National Clearing Company of Pakistan Limited	7,499	7,499
		7,599	7,599
	Prepaid rating fee	229	199
		<u>7,828</u>	<u>7,798</u>
9	PAYABLE TO THE MANAGEMENT COMPANY		
	Remuneration payable to the Management Company	9.1 1,409	3,889
	Sindh Sales Tax payable on Management Company's remuneration	9.2 505	505
	Sales load payable	38	104
	Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3 122	341
	Selling and marketing expense payable	9.4 789	2,162
		<u>2,863</u>	<u>7,001</u>

9.1 As per the regulation 61 of the NBFC Regulations, the Management Company shall charge a fee, subject to maximum limit of 1.5% per annum of average annual net assets of the fund. During the year, the management fee has been charged at the rate ranging between 0.5% to 1.385% of the average annual net assets of the Fund. The fee is being charged at the rate of 1.385% from October 1, 2019 onwards. The fee is payable monthly in arrears.

9.2 The Sindh Government has levied Sindh Sales Tax (SST) at the rate of 13% (2019: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

9.3 As per Regulation 60(3)(s) of the NBFC Regulations, fee and expenses related to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS. Previously, such expenses were chargeable maximum upto 0.1% of the average annual net assets of the Scheme or the actual cost, whichever is lower.

However, SECP, vide S.R.O. 639(I)/2019, dated June 20, 2019, has removed the maximum limit of 0.1%. During the year, the fee has been charged at the rate ranging between 0.1% to 0.3% of the average annual net assets of the Fund. The fee is being charged at the rate of 0.1% from October 1, 2019 onwards.

9.4 As per SECP vide its circular No. SCD/PRDD/Circular/361/2016, dated December 30, 2016, selling and marketing expenses was chargeable to open end equity, upto maximum 0.4% of the average annual net assets of the Scheme or the actual cost, whichever is lower.

However, circular No. SCD/PRDD/Circular/04/2019, dated July 5, 2019, issued by SECP, supersedes all previous circulars issued with respect to selling and marketing expenses, according to which, selling and marketing expenses is allowed all categories of open end mutual funds, except fund of funds with no cap. During the year, the fee has been charged at the rate ranging between 0.2% to 0.75% of the average annual net assets of the Fund. The fee is being charged at the rate of 0.2% from October 1, 2019 onwards.

10	PAYABLE TO THE TRUSTEE	Note	2020 ------(Rupees in '000)-----	2019
	Trustee fee payable	10.1	92	360
	Sindh Sales Tax payable on remuneration of the Trustee	10.3	12	47
			<u>104</u>	<u>407</u>

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

10.2 Earlier, the tariff structure applicable to the Fund was as follows:

Upto Rs. 1 billion	0.17% p.a. of net assets
Rs. 1 billion to Rs. 5 billion	Rs. 1.7 million plus 0.085% p.a. of net assets exceeding Rs. 1 billion
Over Rs. 5 billion	Rs. 5.1 million plus 0.07% p.a. of net assets exceeding Rs. 5 billion

However, CDC, vide notification CDC/CEO/L-112/02/2019, dated June 27, 2019, has revised the rates of the Trustee fee, with effect from July 1, 2019, according to which, Trustee fee shall be charged at the rate of 0.075% of the average annual net assets of the Fund. During the year, Management Company has charged the Trustee fee accordingly.

10.3 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

11	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2020 ------(Rupees in '000)-----	2019
	Annual fee payable	11.1	<u>328</u>	<u>3,049</u>

11.1 Under the regulation 62 of the NBFC Regulations, a Collective Investment Scheme (CIS) categorised as an income scheme is required to pay as annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the Scheme. However, SECP, vide S.R.O. 685 (I)/2019, dated June 28, 2019, has reduced the rate of the fee to 0.02% of the average annual net assets for all categories of CIS(s), with effect from July 1, 2019. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

12 ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for Federal Excise Duty	12.1	1,344	1,344
Provision for Sindh Workers' Welfare Fund	12.2	15,309	12,010
Withholding tax payable		13,542	5,461
Auditors' remuneration		168	169
Printing charges		217	238
Brokerage payable		49	83
Other payables		318	208
		<u>30,947</u>	<u>19,513</u>

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

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

The Finance Act, 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision has been charged for the years ended June 30, 2020, June 30, 2019, June 30, 2018 and June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, has retained a provision of FED on remuneration of Management Company, aggregating to Rs. 1.344 million (2019: Rs. 1.344 million). Had the provision not been provided for, the net asset value per unit as at June 30, 2020 would have been higher by Re. 0.096 (2019: Re. 0.044) per unit.

12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund

The legal status of applicability of Worker's Welfare Fund and Sindh Workers' Welfare Fund is the same as disclosed in note 12.2 to the annual audited financial statements of the Fund for the year ended June 30, 2019 and a constitutional petition filed by certain CISs, through their trustees, in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, is pending adjudication.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 15.309 million (2019: Rs. 12.010 million). Had the provision not being made, the net asset value per unit as at June 30, 2020 would have been higher by Re. 1.096 (2019: Re. 0.393) per unit.

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2020 (2019: Nil).

14 NUMBER OF UNITS IN ISSUE

	2020	2019
Note	-----Number of Units-----	
Total units in issue at the beginning of the year	30,579,719	38,019,523
Add: Units issued during the year	33,076,634	50,089,542
Less: Units redeemed during the year	(49,693,765)	(57,529,346)
Total units in issue at the end of the year	13,962,588	30,579,719

15 AUDITORS' REMUNERATION

	2020	2019
Note	----- (Rupees in '000) -----	
Annual audit fee	140	140
Fee for half yearly review	60	60
Other certifications and out of pocket expenses	37	36
	237	236

16 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current period, as the Management Company has distributed at least 90% of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) for the year ending June 30, 2020 to its unit holders.

17 EARNINGS PER UNIT

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

18 FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	----- As at June 30, 2020 -----		
	Fair value through profit or loss	Amortized cost	Total
Financial assets	-----Rupees in '000'-----		
Bank balances	-	827,655	827,655
Investments			
Corporate Sukuk Bonds	463,517	-	463,517
Term Deposit Receipts	-	125,000	125,000
Profit receivable	-	29,616	29,616
Deposits	-	7,599	7,599
	<u>463,517</u>	<u>989,870</u>	<u>1,453,387</u>

Particulars	----- As at June 30, 2020 -----		
	Fair value through profit or loss	Amortized cost	Total
Financial liabilities	-----Rupees in '000'-----		
Payable to the Management Company	-	2,358	2,358
Payable to the Trustee	-	92	92
Payable against redemption of units	-	1,495	1,495
Dividend payable	-	257	257
Accrued expenses and other liabilities	-	638	638
	-	<u>4,841</u>	<u>4,841</u>

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

Particulars	----- As at June 30, 2019 -----		
	Fair value through profit or loss	Amortized cost	Total
Financial liabilities	-----Rupees in '000'-----		
Payable to the Management Company	-	6,496	6,496
Payable to the Trustee	-	360	360
Payable against redemption of units	-	199	199
Dividend payable	-	3,864	3,864
Accrued expenses and other liabilities	-	574	574
	-	<u>11,493</u>	<u>11,493</u>

19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

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

19.1	Transactions during the year	2020	2019
		------(Rupees in '000)-----	
	HBL Asset Management Limited - Management Company		
	Remuneration of the Management Company	20,828	39,448
	Sindh Sales Tax on remuneration of the Management Company	2,708	5,128
	Sales load	38	836
	Allocation of expenses related to registrar services, accounting, operation and valuation services	2,054	4,065
	Selling and marketing expense	4,935	7,454
	Issue of Nil (2019: 245,246) units	-	25,000
	Redemption of Nil (2019: 245,246) units	-	25,096
	Central Depository Company of Pakistan Limited - Trustee		
	Remuneration of the trustee	1,230	4,305
	Sindh Sales Tax on remuneration of the trustee	160	560
	CDS service charges	24	147
	Habib Bank Limited - Sponsors		
	Bank charges paid	238	728
	Profit on bank deposit account	16,097	137
	Issue of Nil (2019: 119,554) units	-	12,111
	Redemption of Nil (2019: 2,541,753) units	-	269,961
	Dividend paid	-	7,151
	Directors and executives of the Management Company		
	Issue of 32,790 units (2019: 336,976 units)	3,454	35,282
	Redemption of 62,917 units (2019: 517,269 units)	6,679	54,439
	Dividend income	57	954
	Dividend Paid	14	1,471
	HBL Asset Management Limited - Employees' Gratuity Fund		
	Issue of 479 (2019: 534) units	49	54
	Dividend paid	49	43
	HBL Asset Management Limited - Employees' Provident Fund		
	Issue of 2,577 (2019: 2,873) units	262	291
	Dividend paid	262	222
	MCBFSL Trustee HBL Islamic Financial Planning Fund		
	Active Allocation Plan - Fund under common management		
	Issue of 163,913 (2019: 613,241) units	16,904	64,287
	Redemption of 535,144 (2019: 692,711) units	55,856	72,687
	Dividend paid	4,162	3,901
	MCBFSL Trustee HBL Islamic Financial Planning Fund		
	Conservative Allocation Plan - Fund under common management		
	Issue of 87,252 (2019: 30,112) units	9,399	3,071
	Redemption of 223,101 (2019: 163,827) units	24,019	16,984
	Dividend paid	93	1,007

	2020	2019
	------(Rupees in '000)-----	
MCBFSL Trustee HBL Islamic Financial Planning		
Fund Strategic Allocation Plan - Fund under common management		
Issue of 55,353 (2019: 25,662,538) units	5,733	2,696,594
Redemption of 21,259,349 (2019: 24,849,835) units	2,168,358	2,654,035
Dividend paid	-	69,591
Archroma Pakistan Limited Employees' Gratuity Fund - Associated company due to common Directorship		
Issue of 64,855 (2019: 630,163) units	6,585	68,311
Dividend paid	6,585	89
Dawood Hercules Corporation Limited - Associated company due to common Directorship		
Purchase of 357 (2019: 450) Corporate Sukuk Bonds	24,990	44,316
Sale of 851 (2019: 4,569) Corporate Sukuk Bonds	73,791	498,673
Dewan Petroleum (Private) Limited		
Issue of 3,073,207 (2019: Nil) units	315,610	-
Dividend Paid	25,792	-
Jubilee Life Insurance Company Limited - Associated Company due to common Directorship		
Sale of GOP Ijarah sukuk	87,500	
19.2 Balances outstanding as at year end		
HBL Asset Management Limited - Management Company		
Remuneration payable to the Management Company	1,409	3,889
Sindh Sales Tax payable on Management Company's remuneration	505	505
Sales load payable	38	104
Allocation of expenses related to registrar services, accounting, operation and valuation services	122	341
Selling and marketing expense payable	789	2,162
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	104	407
Security deposit	100	100
Habib Bank Limited - Sponsor		
Bank balances	30,805	144,066
Accrued profit on bank balances	3,270	92
HBL Asset Management Limited - Employees' Gratuity Fund		
Units held: 5,137 (2019: 4,658)	522	473
HBL Asset Management Limited - Employees' Provident Fund		
Units held: 27,619 (2019: 25,042)	2,804	2,541
MCBFSL Trustee HBL Islamic Financial Planning Fund		

	2020	2019
	------(Rupees in '000)-----	
Active Allocation Plan - Fund under common management		
Units held: 467,209 (2019: 838,440)	47,436	85,092
MCBFSL Trustee HBL Islamic Financial Planning Fund		
Conservative Allocation Plan - und under common management		
Units held: 52,179 (2019: 14,026)	5,298	14,211
MCBFSL Trustee HBL Islamic Financial Planning		
Fund Strategic Allocation Plan - Fund under common management		
Units held: Nil (2019: 21,203,996)	-	2,151,958
Directors and executives of the Management Company		
Units held: 5,989 units (2019: 23,111) units	608	5,685
Archroma Pakistan limited Employees Gratuity Fund		
Associated company due to common Directorship		
Units held: 695,019 (2019: 630,163)	70,565	63,954
Dawood Hercules Corporation Limited -		
Associated company due to common Directorship		
Investment in Corporate Sukuk Bonds:		
707 (2019: 1,201) certificates	53,748	112,278
Profit receivable on Corporate Sukuk Bonds	451	502
Dewan Petroleum (Private) Limited		
Units held: 3,073,207 (2019: Nil)	312,022	-

20 FINANCIAL RISK MANAGEMENT

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

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

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

20.1 Market risk

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

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund

and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

20.1.1 Currency risk

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

20.1.2 Interest rate risk

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

a) Cash flow interest rate risk

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 7.50% to 14.93% per annum, and against investments in Term Deposit Receipt and Corporate Sukuk Bonds, the interest rate on which range between 10.50% to 11.10% and 19.14% to 14.93%, respectively.

In case of 100 basis points increase / decrease in interest rates on June 30, 2020, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 13.76 million (2019: Rs. 27.48 million).

b) Fair value interest rate risk

The Fund's investment in Corporate Sukuk Bonds expose it to fair value interest rate risk.

In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan on June 30, 2020, with all other variables held constant, the net income for the year and the net assets would be lower by Rs. 4.635 million (2019: Rs. 7.592 million). In case of 100 basis points decrease in rates announced by the Financial Market Association of Pakistan on June 30, 2020, with all other variables held constant, the net income for the year and the net assets would be higher by Rs. 4.635 million (2019: Rs. 7.592 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

		2020				
Particulars	Effective yield / interest rate	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
-----Rupees in '000'-----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	7.50 - 13.50	800,624	-	-	27,031	827,655
Investments						
Corporate Sukuk Bonds	19.14 - 14.93	-	-	463,517	-	463,517
Term Deposit Receipts		125,000	-	-	-	125,000
Profit receivable		-	-	-	29,616	29,616
Deposits		-	-	-	7,599	7,599
Sub total		925,624	-	463,517	64,246	1,453,387
Financial liabilities						
Payable to the Management Company		-	-	-	2,358	2,358
Payable to the Trustee -		-	92	92	-	-
Payable against redemption of units		-	-	-	1,495	1,495
Dividend payable		-	-	-	257	257
Accrued expenses and other liabilities		-	-	-	638	638
Sub total		-	-	-	4,841	4,841
On-balance sheet gap (a)		925,624	-	463,517	59,405	1,448,546
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		925,624	-	463,517	59,405	1,448,546
Cumulative interest rate sensitivity gap		925,624	-	463,517	-	-
-----Rupees in '000'-----						
2019						
		Exposed to Yield / Interest rate risk				
Particulars	Effective yield / interest rate	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk	Total
-----Rupees in '000'-----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	6.5 - 12.5	2,164,187	-	-	21	2,164,208
Investments						
Corporate Sukuk Bonds	5.97 - 10.46	-	-	759,168	-	759,168
Commercial Paper	12.26	129,424	-	-	-	129,424
Profit receivable		-	-	-	76,919	76,919
Receivable against sale of investments		-	-	-	-	-
Deposits		-	-	-	7,599	7,599
		2,293,611	-	759,168	84,518	3,137,318
Financial liabilities						
Payable to the Management Company		-	-	-	6,496	6,496
Payable to the Trustee		-	-	-	360	360
Payable against redemption of units		-	-	-	199	199
Dividend payable		-	-	-	3,864	3,864
Accrued expenses and other liabilities		-	-	-	591	591
		-	-	-	11,510	11,510
On-balance sheet gap (a)		2,293,611	-	759,168	73,008	3,125,808
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		2,293,611	-	759,168	73,008	3,125,808
Cumulative interest rate sensitivity gap		2,293,611	-	759,168	-	-

20.1.3 Price risk

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

20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to investment in debt securities, loan and receivable and bank balances. Risk attributable to investments in securities issue by the government is limited, while the bank balances are maintained with bank with a reasonably high credit rating.

20.2.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2020 and June 30, 2019:

Name of investee company	Balances held by the Fund as at June 30, 2020	Latest available published rating as at June 30, 2020	Rating agency
-----Rupees in '000'-----			
Balances with banks by rating category			
Bank Islami Pakistan Limited	4,272	A-1	PACRA
Al Baraka Bank Limited	11	A-1	PACRA
Habib Bank Limited	30,805	A-1+	JCR-VIS
Soneri Bank Limited	784,758	A-1+	PACRA
Dubai Islamic Bank Limited	605	A-1+	JCR-VIS
Faysal Bank Limited	42	A-1+	PACRA
Summit Bank Limited	110	Suspended	JCR-VIS
Bank Al Habib Limited	775	A-1+	PACRA
MCB Islamic Bank Limited	6,276	A-1+	PACRA
	827,655		
Investments by rating category			
Name of investee company	Balances held by the Fund as at June 30, 2020	Latest available published rating as at June 30, 2020	Rating agency
-----Rupees in '000'-----			
Corporate Sukuks - Listed			
International Brands Limited	77,796	AA	JCR-VIS
Dawood Hercules Corporation Limited	25,238	AA	PACRA
Dawood Hercules Corporation Limited	28,510	AA	PACRA
	131,544		
Corporate Sukuks - Unlisted			
AGP Limited	39,738	A+	PACRA
Dubai Islamic Bank Limited	55,417	AA-	JCR-VIS
Ghani Gasses Limited	66,818	A-	PACRA
Agha Steel Industries Limited	95,000	A	JCR-VIS
Hub Power Company Limited - 190320	35,000	AA+	PACRA
Hub Power Company Limited - 190520	40,000	AA+	PACRA
	331,972		
Term Deposit Receipts			
First Habib Modarba	125,000	AA+	PACRA
Total Investments	588,517		

Balances with banks by rating category

Name of investee company	Balances held by the Fund as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
-----Rupees in '000'-----			
Balances with banks by rating category			
Bank Islami Pakistan limited	500,425	A-1	PACRA
Al Baraka bank Limited	37	A-1	PACRA
United Bank Limited	19	A-1+	JCR-VIS
Habib Bank Limited	144,066	A-1+	JCR-VIS
Soneri Bank Limited	157	A-1+	PACRA
Dubai Islamic Bank Limited	1,516,850	A-1+	JCR-VIS
Askari Bank Limited	131	A-1+	PACRA
Faysal Bank Limited	1,660	A-1+	PACRA
Summit Bank Limited	62	Suspended	JCR-VIS
Bank Al Habib Limited	711	A-1+	PACRA
MIB Limited	91	A-1	PACRA
	2,164,208		

Investments by rating category

Name of investee company	Balances held by the Fund as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
-----Rupees in '000'-----			
Corporate Sukuks - Listed			
International Brands Limited	107,745	A	JCR-VIS
Dawood Hercules Corporation Limited	67,368	AA	PACRA
Corporate Sukuks - Unlisted			
Dawood Hercules Corporation Limited	44,910	AA	PACRA
AGP Limited	158,520	A+	PACRA
Dubai Islamic Bank Limited	190,000	AA-	JCR-VIS
Ghani Gasses Limited	95,625	A	PACRA
Agha Steel Industries Limited	95,000	A+	JCR-VIS
	584,055		
Commercial Paper			
Hascol Petroleum Limited	129,424	A-3	JCR-VIS
Total Investmevnts	888,592		

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

	2020	2019
	----- (Percentage) -----	
Rating by rating category		
A-1+	99.47	76.87
A-1	0.52	23.13
Suspended		

Concentration of credit risk

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

20.3 Liquidity risk

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

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

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to 15% of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings was made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. However, no such instances were witnessed by the Fund during the current year.

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

	-----As at June 30, 2020 -----			Total
	Upto three months	More than three months and upto one year	More than one year	
------(Rupees in '000)-----				
Financial liabilities				
Payable to the Management Company	2,358	-	-	2,358
Payable to the Trustee	92	-	-	92
Payable against redemption of units	1,495	-	-	1,495
Dividend payable	257	-	-	257
Accrued expenses and other liabilities	638	-	-	638
	<u>4,841</u>	<u>-</u>	<u>-</u>	<u>4,841</u>

	-----As at June 30, 2019 -----			Total
	Upto three months	More than three months and upto one year	More than one year	
	------(Rupees in '000)-----			
Financial liabilities				
Payable to the Management Company	6,496	-	-	6,496
Payable to the Trustee	360	-	-	360
Payable against redemption of units	199	-	-	199
Dividend payable	3,864	-	-	3,864
Accrued expenses and other liabilities	574	-	-	574
	<u>11,493</u>	<u>-</u>	<u>-</u>	<u>11,493</u>

21 UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

		June 30, 2020						
		Carrying amount			Fair Value			
		At fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Note		------(Rupees in '000)-----						
Financial assets measured at fair value								
Investments								
Corporate Sukuk Bonds	22.1	463,517	-	463,517	-	368,517	95,000	463,517
		<u>463,517</u>	<u>-</u>	<u>463,517</u>	<u>-</u>	<u>368,517</u>	<u>95,000</u>	<u>463,517</u>
Financial assets not measured at fair value								
Bank balance		-	827,655	827,655				
Term Deposit Receipts		-	125,000	125,000				
Deposits		-	7,599	7,599				
		<u>-</u>	<u>960,254</u>	<u>960,254</u>				
Financial liabilities not measured at fair value								
Payable to the Management Company	22.2	-	2,358	2,358				
Payable to the Trustee		-	92	92				
Payable against redemption of units		-	1,495	1,495				
Dividend payable		-	257	257				
Accrued expenses and other liabilities		-	638	638				
		<u>-</u>	<u>4,841</u>	<u>4,841</u>				
		June 30, 2019						
		Carrying amount			Fair Value			
		At fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
Note		------(Rupees in '000)-----						
Financial assets measured at fair value								
Investments								
Corporate Sukuk Bonds	22.1	759,168	-	759,168	-	664,168	95,000	759,168
		<u>759,168</u>	<u>-</u>	<u>759,168</u>	<u>-</u>	<u>664,168</u>	<u>95,000</u>	<u>759,168</u>
Financial assets not measured at fair value								
Bank balance	22.2	-	2,164,187	2,164,187				
Investment:								
Commercial Paper		-	129,424	129,424				
Profit receivable		-	76,919	76,919				
Deposits		-	7,599	7,599				
		<u>-</u>	<u>2,378,129</u>	<u>2,378,129</u>				
Financial liabilities not measured at fair value								
Payable to the Management Company	22.2	-	6,496	6,496				
Payable to the Trustee		-	360	360				
Payable against redemption of units		-	199	199				
Dividend payable		-	3,864	3,864				
Accrued expenses and other liabilities		-	591	591				
		<u>-</u>	<u>11,510</u>	<u>11,510</u>				

22.1 Valuation techniques

For level 2 investments at fair value through profit or loss - investment in respect of Corporate Sukuk Bonds, Fund uses rates which are prescribed by MUFAP at reporting date in accordance with the methodology prescribed by SECP vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012 at reporting date.

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

22.3 Transfers during the year

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

23. LIST OF BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

Brokers during the year ended June 30, 2020

- 1 Next Capital Limited
- 2 JS Global Capital Limited
- 3 Optimus Markets (Private) Limited
- 4 Summit Capital (Private) Limited
- 5 BMA Capital Management Limited

Brokers during the year ended June 30, 2019

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

24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2020 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	Bsc	21+
2	Muhammad Wamiq Sakrani	Acting Head of Fixed Income	MBA	10+
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+
4	Karim Khawaja	Head of Risk	MBA, CMA	17+

25 PATTERN OF UNIT HOLDING

Pattern of unit holding as at June 30, 2020 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Individuals	680	7,769,755	788,863	55.65%
Associated Companies	3	32,757	3,326	0.23%
Insurance Companies	4	903,256	91,708	6.47%
Trust	3	520,544	52,851	3.73%
Retirement Funds	13	1,248,257	126,735	8.94%
Other corporate	9	3,475,068	352,823	24.89%
Individual Foreign	3	12,951	1,315	0.09%
	715	13,962,587	1,417,621	100.00%

Pattern of unit holding as at June 30, 2019 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Individuals	516	5,531,816	561,415	18.09%
Associated Companies and Directors	3	29,700	3,014	0.10%
Banks and DFIs	4	392,744	39,859	1.28%
Insurance Companies	5	22,204,774	2,253,525	72.61%
Trust	13	1,186,939	120,460	3.88%
Retirement Funds	12	1,233,482	125,184	4.03%
Other corporate	1	264	27	0.00%
	554	30,579,719	3,103,484	100.00%

26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Five meetings of the Board of Directors were held on August 29, 2019 , October 29, 2019, February 13, 2020, March 02, 2020 and April 29, 2020 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave	
1	Mr. Farid Ahmed Khan *	1	1	-	-
2	Mr. Mir Adil Rashid **	4	4	-	-
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad****	5	5	-	-
9	Mr. Atif Aslam Bajwa ***	2	2	-	-

* Resigned on September 15, 2019.

** Appointed on September 16, 2019.

*** Appointed on October 29, 2019 and resigned on February 24, 2020.

**** Resigned on May 14, 2020.

27 TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2020 is 2.24% (2019: 1.80%) which includes 0.39% (2019: 0.37%) representing Government levy and SECP fee.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 27, 2020 by the Board of Directors of the Management Company.

29 CORRESPONDING FIGURES

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

30 GENERAL

30.1 Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

30.2 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 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.

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

Chief Financial Officer

Chief Executive Officer

Director



HBL Islamic Equity Fund

NAME OF FUND	HBL ISLAMIC EQUITY FUND
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	BOD Ebrahim & Co. Chartered Accountants
NAME OF SHARIAH ADVISORS	AI - Hilal Shariah Advisors (Pvt.) Limited
NAME OF BANKERS	Bank Islami Pakistan Limited Bank Al Baraka Limited MCB Bank Limited Faisal Bank Limited Habib Bank Limited

Type and Category of Fund

Open end Equity Fund

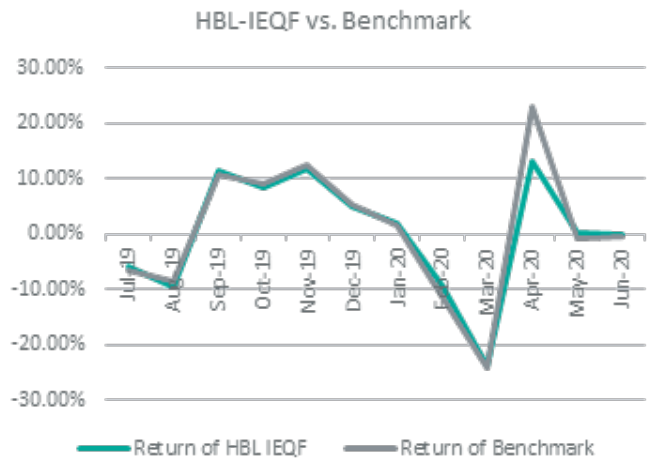
Investment Objective and Accomplishment of Objective

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

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KMI 30 Index.

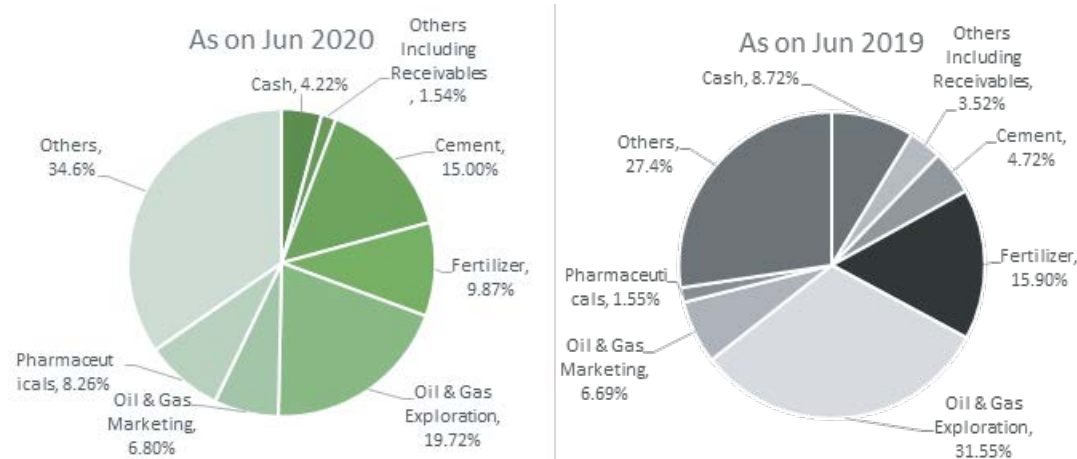
Month	Return of Fund	
	HBL-IEQF	Benchmark
Jun-20	0.04%	-0.32%
May-20	0.33%	-0.64%
Apr-20	13.05%	23.06%
Mar-20	-23.73%	-24.20%
Feb-20	-9.43%	-11.39%
Jan-20	1.78%	1.58%
Dec-19	4.99%	5.29%
Nov-19	11.86%	12.31%
Oct-19	8.49%	9.17%
Sep-19	11.25%	10.65%
Aug-19	-9.74%	-8.59%
Jul-19	-5.88%	-6.56%



Strategies and Policies employed during the Year

During the year under review, the Fund increased its exposure in equity from 88% of total assets as on June 30, 2019 to 94% of total assets as on June 2020. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in cements and pharmaceuticals was increased, while exposure in fertilizers and oil & gas exploration companies was decreased.

Asset Allocation



Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2020 and June 30, 2019:

Sector Name	As on Jun 2020	As on Jun 2019
Cash	1.38%	5.85%
Others Including Receivables	27.32%	8.27%
Cement	13.47%	4.99%
Fertilizer	10.33%	16.83%
Oil & Gas Exploration	15.40%	29.85%
Oil & Gas Marketing	5.07%	6.86%
Pharmaceuticals	9.50%	1.86%
Others	17.5%	25.5%
Total	100.00%	100.00%

Fund Performance

The total and net income of the Fund was Rs. 51.12 million and Rs. 33.19 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) of the Fund was Rs. 77.5699 per unit as on June 30, 2020 as compared to Rs. 76.7854 per unit as on June 30, 2019, after incorporating dividend of Rs. 0.10 per unit, thereby giving a return of 1.15% during the year, against the benchmark return (KMI 30 Index) of 1.62%. The size of Fund was Rs. 0.23 billion as on June 30, 2020 as compared to Rs. 0.26 billion at the start of the year.

Market Review

The equity markets' performance during FY20 can be described as a tale of two halves.

1HFY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KMI30 index increased by 22% during 1HFY20 to close at 66,032 points on December 31, 2019.

2HFY20 continued with the same momentum as the benchmark KMI30 index made a high of 70,790 on January 10, 2020. However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KMI30 index as it fell to a low of 41,365 points on March 26, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KMI30 witnessed a sharp uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate), approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government's decision to ease off lockdown restrictions for certain industries. The KMI30 index closed the year at 54,995 points (up 1.62%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mn in FY19).

Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight 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.

Distribution

The Board of Directors approved dividend distribution of up to Rs. 0.10 per unit to the unit holders for the year ended June 30, 2020.

Significant Changes in the State of Affairs

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

Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	18	709
101 – 500	29	7,010
501 – 1,000	23	16,259
100,1 – 10,000	61	209,093
10,001 – 100,000	21	555,249
100,001 – 500,000	2	710,309
500,001 – 1,000,000	2	1,448,206
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
Total	156	2,946,835

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

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

PERFORMANCE TABLE - HBL ISLAMIC EQUITY FUND

	2020	2019	2018	2017	2016	2015
Net assets at the period end(Rs'000)	228,586	265,464	1,317,899	789,907	348,924	229,129
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	77.5699	76.7854	92.4834	105.4755	106.4735	116.4714
Offer	79.3230	78.5208	94.5735	107.8590	109.6677	119.9655
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit	100.1572	98.3553	109.3377	152.2625	132.6151	127.8777
Lowest offer price per unit	61.1836	75.3913	85.5229	102.5189	104.4090	91.8137
Highest redemption price per unit	97.9437	96.1816	106.9213	148.8974	132.6151	127.8777
Lowest redemption price per unit	59.8314	73.7251	83.6328	100.2532	104.4090	91.8137
RETURN (%)						
Total return	1.15%	-16.97%	-12.32%	24.42%	10.96%	24.49%
Income distribution	0.10%	0.00%	0.00%	27.00%	23.00%	9.00%
Capital growth	1.05%	-16.97%	-12.32%	-2.58%	-12.04%	15.49%
DISTRIBUTION						
Final dividend distribution- Cash		-	-	26.00	3.00	9.00
Date of Income Distribution		-	-	20-Jun-17	24-Jun-16	23-Jun-15
Final dividend distribution- Bonus	0.10	-	-	1.00	20.00	-
Date of Income Distribution	26-Jun-20	-	-	20-Jun-17	24-Jun-16	23-Jun-15
Total dividend distribution for the year/ period	0.10	-	-	27.00	23.00	9.00
AVERAGE RETURNS (%)						
Average annual return 1 year	1.15%	-16.97%	-12.32%	24.42%	10.96%	24.49%
Average annual return 2 year	-8.36%	-14.68%	4.45%	17.50%	17.53%	12.07%
Average annual return 3 year	-9.70%	-3.24%	6.58%	19.79%	11.70%	-
Weighted average portfolio during (No. of days)						
PORTFOLIO COMPOSITION - (%)						
Percentage of Net Assets as at 30 June:						
Bank Balances	4.22%	8.72%	11.91%	23%	29%	5%
GoP Ijarah Sukuks		-	-	-	-	-
Placement with Banks and DFIs		-	-	-	-	-
Corporate Sukuks		-	-	-	-	-
Stock / Equities	94.24%	87.76%	87.46%	77%	70%	88%
Others	1.54%	3.52%	0.63%	-	1%	7%

Note:

The Launch date of the Fund is May 29, 2014

Disclaimer:

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

PROXY VOTING DISCLOSURE

As at June 30, 2020

Summary of Actual Proxy voted by CIS

HBL ISQF	Meetings	Resolutions	For	Against
Number	2	7	7	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
AGP Limited	05-May-20	
BankIslami Pakistan	07-May-20	
Engro Corporation Ltd	12-May-20	
Engro Fertilizer Ltd	08-05-20	
Engro Polymer & Chemicals Ltd	23-04-20	
Fauji Fertilizer Co Ltd	16-03-20	
GlaxoSmithKline Pakistan Ltd	21-05-20	
Highnoon Lab	12-05-20	
ICI Pakistan Ltd	24-04-20	
K-Electric Limited	30 Jul 2019;	
Kohat Cement Co Ltd	28-10-19	
Lucky Cement Ltd	27-09-19	
Meezan Bank Ltd	26-03-20	
Nishat Mills Ltd	31/03/2020 28 oct 2019	
Oil & Gas Development Co Ltd	24-10-19	
Pakistan National Shipping Corp.	28-10-19	
Pakistan Petroleum Ltd	04-10-19	
Pakistan State Oil Company Ltd	28-Oct-19	
Systems Limited	29-05-20	
Sitara Chemical Ind.	28-10-19	
Sui Northern Gas Pipeline Ltd	23-Jun-20	
Thal Limited	26-10-19	
The Searle Company Ltd	18-May-20	

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

HBL ISLAMIC EQUITY FUND

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Equity Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 11, 2020







ASSET MANAGEMENT LTD.
ايسيت مينجمنت لميٹڈ

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

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



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 Equity Fund (HBL-IEF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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



Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited

Suite 807, 8th Floor, Horizon Towers, Corn 2/6, Khayaban-e-Saadi,
Block 03 Clifton, Karachi
Tel : +92-21-35305931-37, Web: www.alhilal.ae.com



Tel: +92 21 3568 3030
 Fax: +92 21 3568 4239
 www.bdo.com.pk

2nd Floor, Block-C
 Lakson Square, Building No.1
 Sanwar Shaheed Road
 Karachi-74200
 Pakistan



INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

Report on the audit of the financial statements

Opinion

We have audited the financial statements of HBL Islamic Equity Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2020, and its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

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

Key Audit Matters

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

Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Existence and valuation of investments</p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2020, the investments held by the Fund comprised of listed equity securities which represent 94% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We evaluated the design and implementation of key controls of investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. Further, the Fund is required to be compliant with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) with respect to investments.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> We performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange Limited as at June 30, 2020 and matching the valuation of investment with that appearing in the financial statements. We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance. We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the NBFC Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.
2.	<p>Recognition, measurement and presentation of 'Element of Income'</p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p> <p>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed". We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed.</p> <p>The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realized or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.</p> <p>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the NBFC Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter.</p>	<ul style="list-style-type: none"> We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund. We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.

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

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

Responsibilities of the Management Company and its Board of Directors

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



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

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

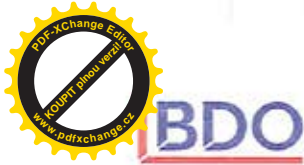
Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.
- Conclude on the appropriateness of the Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI

DATED: 27 AUG 2020



BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS



Tel: +92 21 3568 3030
Fax: +92 21 3568 4239
www.bdo.com.pk

2nd Floor, Block-C
Lakson Square, Building No.1
Sarwar Shaheed Road
Karachi-74200
Pakistan

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

Scope of our Work

We have performed an independent assurance engagement of HBL Islamic Equity Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2020. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

Applicable Criteria

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

Management Company's responsibility

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

Our Independence and Quality Control

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. The firms apply International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, And Other Assurance and Related Services Engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Responsibility of independent assurance providers

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

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BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



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

The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2020 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2020.

KARACHI

DATED: SEPTEMBER 23, 2020

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

	Note	2020 ------(Rupees in '000)-----	2019
ASSETS			
Bank balances	5	10,190	24,030
Investments	6	227,483	241,786
Dividend and profit receivable	7	698	1,640
Receivable against sale of investments - net		5	5,002
Advances, deposits and prepayments	8	3,001	3,001
TOTAL ASSETS		241,377	275,459
LIABILITIES			
Payable to the Management Company	9	955	915
Payable to the Trustee	10	43	65
Payable to Securities and Exchange Commission of Pakistan	11	72	663
Payable against redemption of units		2,804	-
Dividend payable		93	-
Accrued expenses and other liabilities	12	8,824	8,352
TOTAL LIABILITIES		12,791	9,995
NET ASSETS		228,586	265,464
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		228,586	265,464
CONTINGENCIES AND COMMITMENTS			
	13	----- Number of units -----	
Number of units in issue	14	2,946,835	3,457,222
		----- Rupees -----	
Net assets value per unit		77.5699	76.7854

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Islamic Equity Fund

Income Statement

For the year ended June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Income			
Capital gain / (loss) on sale of investments - net		37,229	(93,590)
Dividend income		14,748	24,415
Profit on bank deposits		3,343	7,356
		55,320	(61,819)
Unrealised diminution on remeasurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.1.3	(4,198)	(44,108)
		51,122	(105,927)
Expenses			
Remuneration of the Management Company	9.1	7,041	13,963
Sindh Sales Tax on remuneration of the Management Company	9.2	915	1,815
Remuneration of the Trustee	10.1	715	1,361
Sindh Sales Tax on remuneration of the Trustee	10.2	93	177
Annual fee to Securities and Exchange Commission of Pakistan	11.1	72	663
Allocation of fee and expenses related to registrar services, accounting, operation and valuation services	9.3	696	699
Selling and marketing expenses	9.4	2,663	2,793
Amortisation of preliminary expenses and flotation costs		-	183
Auditors' remuneration	15	235	236
Fee and subscription		27	74
Securities transaction costs and settlement charges		4,137	3,096
Bank charges		446	534
Shariah advisory services		212	227
		17,252	25,821
Net income / (loss) for the year from operating activities		33,870	(131,748)
Provision for Sindh Workers' Welfare Fund	12	(677)	-
Net income / (loss) for the year before taxation		33,193	(131,748)
Taxation	16	-	-
Net income / (loss) for the year after taxation		33,193	(131,748)
Allocation of net income for the year			
Income already paid on redemption of units		9,957	-
Accounting income available for distribution:			
Relating to capital gains		23,236	-
Excluding capital gains		-	-
		23,236	-
		33,193	-
Earnings per unit	17		

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

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

Chief Financial Officer

Chief Executive Officer

Director

	2020	2019
	------(Rupees in '000)-----	
Net income / (loss) for the year after taxation	33,193	(131,748)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	<u><u>33,193</u></u>	<u><u>(131,748)</u></u>

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Islamic Equity Fund
Statement of Movement in Unitholders' Fund
For the year ended June 30, 2020

	2020			2019		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
----- Rupees in '000' -----						
Net assets at beginning of the year	481,681	(216,217)	265,464	1,402,368	(84,469)	1,317,899
Issuance of 12,154,616 units (2019: 730,985 units)						
Capital value (at net asset value per unit at the beginning of the year)	933,298	-	933,298	67,603	-	67,603
Element of income	57,597	-	57,597	213	-	213
Total proceeds on issuance of units	990,895	-	990,895	67,816	-	67,816
Redemption of 12,665,003 units (2019: 11,523,886 units)						
Capital value (at net asset value per unit at the beginning of the year)	(972,487)	-	(972,487)	(1,065,769)	-	(1,065,769)
Income already paid on redemption of units	-	(9,957)	(9,957)	-	-	-
Element of (loss) / income	(78,227)	-	(78,227)	77,266	-	77,266
Total payments on redemption of units	(1,050,714)	(9,957)	(1,060,671)	(988,503)	-	(988,503)
Total comprehensive income / (loss) for the year	-	33,193	33,193	-	(131,748)	(131,748)
Interim distribution of Rs. 0.1 per unit declared on June 26, 2020 as cash dividend						
Refund of capital	(19)	-	(19)	-	-	-
Distribution during the year	-	(276)	(276)	-	-	-
	(19)	32,917	32,898	-	(131,748)	(131,748)
Net assets at end of the year	421,843	(193,257)	228,586	481,681	(216,217)	265,464
Accumulated loss brought forward						
Realised loss		(172,109)			(40,048)	
Unrealised loss		(44,108)			(44,421)	
		(216,217)			(84,469)	
Accounting income available for distribution						
Relating to capital gains		23,236			-	
Excluding capital gains		-			-	
		23,236			-	
Total comprehensive loss for the year		-			(131,748)	
Interim distribution of Rs. 0.1 per unit declared on June 26, 2020 as cash dividend		(276)			-	
Accumulated loss carried forward		(193,257)			(216,217)	
Accumulated loss carried forward						
Realised loss		(189,059)			(172,109)	
Unrealised loss		(4,198)			(44,108)	
		(193,257)			(216,217)	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			76.7854			92.4834
Net assets value per unit at end of the year			77.5699			76.7854

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

Note	2020 ------(Rupees in '000)-----	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	33,193	(131,748)
Adjustments for:		
Capital (gain) / loss on sale of investments - net	(37,229)	93,590
Dividend income	(14,748)	(24,415)
Profit on bank deposits	(3,343)	(7,356)
Amortisation of preliminary expense and flotation costs	-	183
Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	4,198	44,108
	(17,929)	(25,638)
Decrease in assets		
Investments - net	52,331	785,892
(Decrease) / increase in liabilities		
Payable to the Management Company	40	(4,394)
Payable to the Trustee	(22)	(377)
Payable to Securities and Exchange Commission of Pakistan	(591)	(531)
Accrued expenses and other liabilities	472	(2,410)
	(101)	(7,712)
Cash generated from operations	34,301	752,542
Dividend received	15,328	25,605
Profit received on bank deposits	3,705	7,561
	19,033	33,166
Net cash generated from operating activities	53,334	785,708
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issue of units	990,895	67,816
Payment against redemption of units	(1,057,869)	(988,508)
Dividend paid	(200)	(93)
Net cash used in financing activities	(67,174)	(920,785)
Net decrease in cash and cash equivalents during the year	(13,841)	(135,077)
Cash and cash equivalents at beginning of the year	24,030	159,107
Cash and cash equivalents at end of the year	10,190	24,030

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

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

Chief Financial Officer

Chief Executive Officer

Director

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

The objective of HBL Islamic Equity Fund is to provide the maximum total return to the unit holders from investment in 'Shariah Compliant' equity investments for the given level of risk.

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

These financial statements have been prepared by following accrual basis of accounting except for cash flow information.

2.3 Functional and presentation currency

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

2.4 Use of judgments and estimates

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

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

Classification and valuation of investment

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

Impairment of investment

For details please refer note 4.2.1.2 to these financial statements.

Provision for taxation

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

Other assets

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

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

3.1 Standards / amendments that are effective in current year and relevant to the Fund

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

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

IFRS 9 Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities January 01, 2019

IFRIC 23 Uncertainty over Income Tax Treatments January 01, 2019

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

Annual improvements to IFRSs (2015 – 2017) Cycle:

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

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

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard and are not relevant to the Fund.

IFRS 8 Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities January 01, 2019

IFRS 16 Leases - Original issue January 01, 2019

IAS 19 Employee benefits - Amendments regarding plan amendments, curtailments or settlements January 01, 2019

IAS 28 Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures January 01, 2019

IFRS 14 Regulatory Deferral Accounts - Original issue July 01, 2019

3.3 Amendments not yet effective

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

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

IFRS 3 Business Combinations - Amendments to clarify the definition of a business, 2020 January 01, 2020

IFRS 3 Business Combinations - Amendments updating a reference to the Conceptual Framework January 01, 2022

	Effective date (annual periods beginning on or after)
IFRS 4 Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 7 Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9 Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9 Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 16 Leases - Amendments to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification	January 01, 2020
IFRS 17 Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1 Presentation of Financial Statements - Amendments regarding the definition of materiality	January 01, 2020
IAS 1 Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of materiality	January 01, 2020
IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 39 Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

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

Annual improvements to IFRSs (2018 – 2020) Cycle:

IFRS 1 First-time Adoption of International Financial Reporting Standards	January 01, 2022
IFRS 9 Financial Instruments	January 01, 2022
IFRS 41 Agriculture	January 01, 2020

3.4 Standards or interpretations not yet effective

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

The Funds expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied, unless otherwise stated.

4.1 Cash and cash equivalents

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

4.2 Financial instruments

4.2.1 Financial assets

4.2.1.1 Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified and measured at: amortised cost, fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model on which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in 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 (refer note 4.2.1.2). Interest 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. Interest 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.

4.2.1.2 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly investment, deposits, dividend and profit receivable, receivable against sale of investment and bank balances.

4.2.1.3 Regular way contracts

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

4.2.1.4 Derecognition

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

4.2.2 Financial liabilities

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

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

4.2.3 Offsetting of financial assets and liabilities

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

4.3 Provisions

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

4.4 Taxation

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

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

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

4.5 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

4.6 Issue and redemption of units

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

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

4.7 Element of income

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

4.8 Net assets value per unit

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

4.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income from equity securities is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on a time apportionment basis.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

4.10 Expenses

All expenses including NAV based expenses are recognised in the income statement on a time apportionment basis.

4.11 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

4.12 Transactions with related parties

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

5	BANK BALANCES	Note	2020 ------(Rupees in '000)-----	2019
	Cash at bank			
	In savings accounts	5.1	8,746	22,595
	In current accounts		1,444	1,435
			<u>10,190</u>	<u>24,030</u>

5.1. These accounts carry profit at the rate ranging between 8% to 13.5% (2019: 6.5% and 13.5%) per annum. This includes an amount held in Habib Bank Limited (a related party) amounting to Rs. 3.648 million (2019: Rs. 0.648 million) on which profit is earned at 13.6% (2019: 13.6%) per annum.

6 INVESTMENTS

	Financial assets at fair value through profit or loss			
	Listed equity securities	6.1	<u>227,483</u>	<u>241,786</u>

6.1 Financial assets at fair value through profit or loss - Listed equity securities

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

Name of investee companies (Sector wise)	Number of shares					Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised appreciation / (diminution) on re-measurement of investments	Market value as a percentage of total investments	Market value as a percentage of net assets	Par value as a percentage of issued capital of the investee company
	As at July 1, 2019	Purchases made during the year	Bonus / right issues	Sales made during the year	As at June 30, 2020						
Rupees in 000											
Investment Banks											
Daewood Hercules Corporation Limited	26,400	13,100	-	39,500	-	-	-	-	0.00%	0.00%	0.00%
Automobile Assembler											
Sagar Engineering Works Limited	-	168,000	-	93,000	75,000	9,675	9,344	(331)	4.11%	4.09%	0.03%
Automobiles Parts and Accessories											
Thal Limited (Par value Rs 5 per share)	21,950	126,400	-	135,400	12,950	4,143	4,208	65	1.85%	1.84%	0.02%
Cement											
Kohat Cement Limited (6.1.1)	55,210	122,500	-	146,000	31,710	2,058	4,359	2,301	1.92%	1.91%	0.02%
Lucky Cement Limited (6.1.1)	25,300	129,900	-	117,100	38,100	16,990	17,586	596	7.73%	7.69%	0.01%
Maple Leaf Cement Factory Limited	-	661,500	-	328,500	333,000	9,387	8,651	(736)	3.80%	3.78%	0.06%
Cherat Cement Company Limited (6.1.1)	-	107,500	-	56,500	51,000	3,588	4,446	858	1.95%	1.95%	0.03%
D.G.Khan Cement Company Limited	-	13,500	-	-	13,500	1,168	1,152	(16)	0.51%	0.50%	0.00%
	80,510	1,034,900	-	648,100	467,310	33,191	36,194	3,003	15.91%	15.83%	
Chemicals											
Engro Polymer & Chemicals Limited	294,452	1,722,500	-	1,927,000	89,952	2,868	2,247	(621)	0.99%	0.98%	0.01%
Lotte Chemical Pakistan Limited	100,000	764,000	-	864,000	-	-	-	-	0.00%	0.00%	0.00%
Sitara Chemicals Industries Limited	-	37,600	-	29,000	8,600	2,194	2,383	189	1.05%	1.04%	0.04%
ICI Pakistan Limited	-	14,250	-	500	13,750	9,609	9,552	(57)	4.20%	4.18%	0.01%
Sitara Peroxide Industries Limited	-	104,000	-	-	104,000	2,377	2,123	(254)	0.93%	0.93%	0.02%
	394,452	2,642,350	-	2,820,500	216,302	17,048	16,305	(743)	7.17%	7.13%	
Commercial Banks											
Meezan Bank Limited (6.1.1)	124,675	464,500	-	504,000	85,175	6,627	5,864	(763)	2.58%	2.57%	0.01%
Bank Islami Pakistan Limited	-	987,000	-	550,000	437,000	4,829	3,304	(1,525)	1.45%	1.45%	0.08%
	124,675	1,451,500	-	1,054,000	522,175	11,456	9,168	(2,288)	4.03%	4.01%	
Engineering											
International Steels Limited	-	256,000	-	234,000	22,000	1,173	1,136	(37)	0.50%	0.50%	0.01%
International Industries Limited	-	34,500	-	22,100	12,400	1,325	1,137	(188)	0.50%	0.50%	0.01%
Mughal Iron & Steel Industries Limited	-	57,500	-	-	57,500	2,419	2,293	(126)	1.01%	1.00%	0.02%
	-	348,000	-	256,100	91,900	4,917	4,566	(351)	2.01%	2.00%	
Fertilizers											
Engro Corporation Limited (6.1.1)	85,530	259,100	-	282,500	62,130	18,888	18,199	(689)	8.00%	7.96%	0.01%
Engro Fertilizers Limited	168,500	622,000	-	770,500	20,000	1,162	1,205	43	0.53%	0.53%	0.00%
Fauji Fertilizer Company Limited (6.1.1)	118,000	384,600	-	462,500	40,100	3,998	4,411	413	1.94%	1.93%	0.00%
	372,030	1,265,700	-	1,515,500	122,230	24,048	23,815	(233)	10.47%	10.42%	
Glass and Ceramics											
Tariq Glass Industries Limited	-	37,000	-	37,000	-	-	-	-	0.00%	0.00%	0.00%
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited (6.1.2)	21,715	46,320	3,817	54,380	17,472	19,453	21,607	2,154	9.50%	9.45%	0.02%
Oil & Gas Development Company Limited (6.1.1)	207,800	820,800	-	831,500	197,100	24,918	21,484	(3,434)	9.44%	9.40%	0.00%
Pakistan Oilfields Limited	36,720	95,800	-	119,620	12,900	4,591	4,523	(68)	1.99%	1.98%	0.01%
Pakistan Petroleum Limited	157,580	801,500	82,076	1,041,156	-	-	-	-	0.00%	0.00%	0.00%
	423,815	1,764,420	85,893	2,046,656	227,472	48,962	47,614	(1,348)	20.93%	20.83%	
Oil and Gas Marketing Companies											
Pakistan State Oil Company Limited (6.1.1 and 6.1.2)	77,940	325,300	24,588	366,900	60,928	10,245	9,636	(609)	4.24%	4.22%	0.02%
Sui Northern Gas Pipeline Limited	74,800	357,500	-	308,000	124,300	9,233	6,787	(2,446)	2.98%	2.97%	0.02%
	152,740	682,800	24,588	674,900	185,228	19,478	16,423	(3,055)	7.22%	7.18%	
Power Generation and Distribution											
The Hub Power Company Limited (6.1.1)	303,987	842,500	-	974,500	171,987	14,052	12,469	(1,583)	5.48%	5.45%	0.01%
K-Electric Limited (Par value Rs 3.5 per share)	1,257,000	4,650,500	-	5,907,500	-	-	-	-	-	-	0.00%
	1,560,987	5,493,000	-	6,882,000	171,987	14,052	12,469	(1,583)	5.48%	5.45%	
Pharmaceuticals											
AGP Limited	20,500	155,000	-	175,500	-	-	-	-	0.00%	0.00%	0.00%
The Searle Company Limited (6.1.2)	18,443	114,500	-	131,700	1,243	216	248	32	0.11%	0.11%	0.00%
Abbott Laboratories (Pakistan) Limited	-	15,000	-	15,000	-	-	-	-	0.00%	0.00%	0.00%
Highnoon Laboratories Limited	-	24,500	1,950	6,500	19,950	9,336	10,001	665	4.40%	4.38%	0.00%
Glaxosmithkline Pakistan Limited	-	114,100	-	58,400	55,700	10,280	9,696	(584)	4.26%	4.24%	0.02%
	38,943	423,100	1,950	387,100	76,893	19,832	19,945	113	8.77%	8.73%	
Vanaspati and Allied Industries											
Unity Food Limited	-	830,000	-	360,000	470,000	5,709	5,241	(468)	2.30%	2.29%	0.09%
Textile Composite											
Nishat Mills Limited (6.1.1)	67,800	339,800	-	350,100	57,500	5,328	4,486	(842)	1.97%	1.96%	0.02%
Interloop Limited	162,250	452,000	-	536,500	77,750	3,652	3,415	(237)	1.50%	1.49%	0.89%
	230,050	791,800	-	886,600	135,250	8,980	7,901	(1,079)	3.47%	3.46%	
Transport											
Pakistan National Shipping Corporation	23,500	109,500	-	133,000	-	-	-	-	0.00%	0.00%	0.00%
Technology and Communication											
Systems Limited (6.1.2)	3,300	79,000	-	4,500	77,800	10,190	14,290	4,100	6.28%	6.25%	0.07%
Avanceon Limited	-	125,000	-	125,000	-	-	-	-	0.00%	0.00%	0.00%
	3,300	204,000	-	129,500	77,800	10,190	14,290	4,100	6.28%	6.25%	
As at June 30, 2020	3,453,352	17,385,570	112,431	18,098,856	2,852,497	231,681	227,483	(4,198)	100%	99.52%	
As at June 30, 2019	14,161,262	7,973,974	159,653	18,841,537	3,453,352	285,894	241,786	(44,108)	100%	91.08%	

6.1.1 As at June 30 2020, the Fund has pledged shares with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the SECP of following companies :

- Oil and Gas Development Company Limited (139,400 shares having market value of Rs. 15.195 million).
- The Hub Power Company Limited (170,000 share having market value of Rs. 12.325 million).
- Meezan Bank Limited (60,000 shares having market value of Rs. 4.131 million).
- Lucky Cement Limited (20,000 shares having market value of Rs. 9.232 million).
- Kohat Cement Limited (31,210 shares having market value of Rs. 4.290 million).
- Cherat Cement Company Limited (10,000 shares having market value of Rs. 0.872 million).
- Pakistan State Oil Company Limited (50,000 shares having market value of Rs. 7.908 million).
- Fauji Fertilizers Company Limited (10,000 shares having market value of Rs. 1.010 million).
- Nishat Mills Limited (30,000 shares having market value of Rs. 2.340 million).
- Engro Corporation Limited (55,000 shares having market value of Rs. 16.111 million).

6.1.2 These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5% is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee companies have withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 1.117 million at June 30, 2020 (2019: Rs. 0.719 million) and not yet deposited on CDC account of department of Income tax. The final outcome of the case is pending, however management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

During the year ended June 30, 2018, the Supreme Court of Pakistan passed a judgment on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued/entertained on the condition that a minimum of 50% of the tax calculated by the tax authorities is deposited with the authorities. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the previous year.

Subsequent to the year ended June 30, 2019, the CISs have filed a fresh constitutional petition via CP4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honorable High Court of Sindh has issued notices to the relevant parties and has ordered that no 3rd party interest on bonus shares issued to the Funds in lieu of their investments be created in mean time. The matter is still pending at Jurisdiction and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitution petition will be in favor of the CISs.

Finance Act, 2018 effective from July 01, 2018 has omitted Section 236M of the ITO, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold 5% of the bonus shares to be issued. Accordingly, post July 01, 2018 shares are not being withheld at the time of bonus issue.

	Note	2020 ------(Rupees in '000)-----	2019
6.1.3	Net unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss'		
	Market value of investments	227,483	241,786
	Less: Carrying value of investments	(231,681)	(285,894)
		(4,198)	(44,108)

7 DIVIDEND AND PROFIT RECEIVABLE

Dividend receivable		385	965
Profit receivable on savings accounts	7.1	313	675
		698	1,640

7.1 This includes an amount receivable from Habib Bank Limited (a related party) amounting to Rs. 0.238 million (2019: Nil) on which profit is earned at 13.6% (2019: 13.6%) per annum.

8 ADVANCES, DEPOSITS AND PREPAYMENTS

Security deposit with:			
National Clearing Company of Pakistan Limited		2,500	2,500
Central Depository Company of Pakistan Limited		100	100
		2,600	2,600
Advance tax	8.1	279	279
Prepaid listing fee		122	122
		3,001	3,001

8.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001.

The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol. II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 150 of ITO 2001. The management is confident that the same shall be refunded after filing refund application.

	Note	2020 ------(Rupees in '000)-----	2019
9	PAYABLE TO THE MANAGEMENT COMPANY		
	Remuneration payable to the Management Company	381	448
	Sindh Sales Tax payable on Management Company's remuneration	50	59
	Allocation of fee and expenses related to registrar, accounting, operation and valuation services	472	386
	Selling and marketing expenses payable	31	22
	Sales load payable	21	-
		955	915

9.1 As per the amendment introduced through SRO 639(I)/2019, dated June 20, 2019, in regulation 61 of the NBFC regulation, the Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document, further subject to the guidelines as may be issued by the Commission from time to time. During the year, the fee has been charged, accordingly, at the rate ranging between 1.7% to 2% of average annual net assets of the Fund. The fee is being charged at the rate of 2% from October 1, 2019 onwards. The fee is payable monthly in arrears.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.

9.3 As per Regulation 60(3)(s) of the amended NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1% of the average annual net assets or the actual cost whichever is lower.

However, SECP vide S.R.O. 639(I)/2019 dated June 20, 2019 has removed the maximum limit of 0.1%. During the year, the fee has been charged at the rate ranging between 0.1% to 0.5% of the daily annual net assets of the Fund. The fee is being charged at the rate of 0.161% from October 1, 2019 onwards.

9.4 As per SECP vide its circular No. SCD/PRDD/Circular/361/2016, dated December 30, 2016, selling and marketing expenses was chargeable to open end equity, asset allocation and index funds only, upto maximum 0.4% of the average annual net assets of the fund or the actual expense, whichever is lower.

However, circular No. SCD/PRDD/Circular/04/2019, dated July 5, 2019, issued by SECP, supersedes all previous circulars issued with respect to selling and marketing expenses, according to which, selling and marketing expenses is allowed on all categories of open end mutual funds, except fund of funds with no cap. During the year, the fee has been charged at the rate ranging between 0.4% to 0.75% of the daily annual net assets of the Fund. The fee is being charged at the rate of 0.75% from July 8, 2019 onwards.

10	PAYABLE TO THE TRUSTEE	Note	2020 ------(Rupees in '000)-----	2019
	Trustee fee payable	10.1	38	58
	Sindh Sales Tax on remuneration of the Trustee	10.2	5	7
			43	65

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

Earlier the tariff structure applicable to the Fund were as follows:

Up to Rs. 1 billion Rs 0.7 million or 0.20% per annum of net assets whichever is higher
 Over Rs. 1 billion Rs 2.0 million plus 0.10% per annum of net assets, on amount exceeding Rs 1 billion

CDC vide notification CDC/CEO/L-112/02/2019, dated June 27, 2019, has revised the rates of the Trustee fee, with effect from July 1, 2019, according to which, Trustee fee shall be charged by permanently eliminating the minimum fee component as mentioned in the offering documents. During the year, Management Company has charged the Trustee fee accordingly.

10.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

11	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	2020 ------(Rupees in '000)-----	2019
	Annual fee payable	11.1 <u>72</u>	<u>663</u>

11.1 Under the regulation 62 of the NBFC Regulations, a Collective Investment Scheme (CIS) categorised as an equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average net assets of the Scheme. However, SECP, vide S.R.O. 685 (I)/2019, dated June 28, 2019, has reduced the rate of the fee to 0.02% of the average annual net assets applicable on all categories of CIS(s), with effect from July 1, 2019. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

12	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020 ------(Rupees in '000)-----	2019
	Provision for Federal Excise Duty	12.1	3,268	3,268
	Provision for Sindh Workers' Welfare Fund	12.2	3,871	3,194
	Donation payable		1,069	1,359
	Withholding tax payable		108	58
	Auditors' remuneration		166	169
	Printing charges		153	195
	Brokerage payable		144	79
	Others		45	30
			<u>8,824</u>	<u>8,352</u>

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

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

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

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained a provision on FED on remuneration of Management Company, aggregating to Rs. 3.268 million (2019: Rs. 3.268 million). Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2020 would have been higher by Rs. 1.109 per unit (2019: Re. 0.9454 per unit).

12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund

The legal status of applicability of Workers' Welfare Fund and Sindh Workers' Welfare Fund is the same as disclosed in note 13.2 to the annual audited financial statements of the Fund for the year ended June 30, 2019 and a constitutional petition filed by certain CISs, through their trustees, in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, is pending adjudication.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 3.871 million (2019: Rs. 3.194 million). Had the provision not being made, the net asset value per unit as at June 30, 2020 would have been higher by Rs. 1.3136 per unit (2019: Re. 0.9238 per unit).

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2020 (2019: Nil).

14 NUMBER OF UNITS IN ISSUE	Note	2020	2019
		------(Number of units)-----	
Total units in issue at the beginning of the year		3,457,222	14,250,123
Add: Units issued during the year		12,154,616	730,985
Less: Units redeemed during the year		(12,665,003)	(11,523,886)
Total units in issue at the end of the year		<u>2,946,835</u>	<u>3,457,222</u>

15 AUDITORS' REMUNERATION	Note	2020	2019
		------(Rupees in '000)-----	
Annual audit fee		135	135
Fee for half yearly review		60	60
Shariah compliance audit fee		5	5
Other certifications and out of pocket expenses		35	36
		<u>235</u>	<u>236</u>

16 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current year, as the Management Company has distributed at least 90% of the Fund's accounting income, as reduced by the capital gains, whether realised or unrealised, for the year ended June 30, 2020, to its unit holders.

17 EARNINGS PER UNIT

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

18 FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	----- As at June 30, 2020 -----		
	At fair value through profit or loss	Amortised cost	Total
-----Rupees in '000'-----			
Financial assets			
Bank balances	-	10,190	10,190
Investments	227,483	-	227,483
Dividend and profit receivable	-	698	698
Receivable against sale of investments - net	-	5	5
Deposits	-	2,600	2,600
	<u>227,483</u>	<u>13,493</u>	<u>240,976</u>

Particulars	----- As at June 30, 2020 -----		
	At fair value through profit or loss	Amortised cost	Total
-----Rupees in '000'-----			
Financial liabilities			
Payable to the Management Company	-	905	905
Payable to the Trustee	-	38	38
Payable against redemption of units	-	2,804	2,804
Dividend payable	-	93	93
Accrued expenses and other liabilities	-	1,550	1,550
	<u>-</u>	<u>5,390</u>	<u>5,390</u>

Particulars	----- As at June 30, 2019 -----		
	At fair value through profit or loss - Held for trading	Amortised cost	Total
-----Rupees in '000'-----			
Financial assets			
Bank balances	-	24,030	24,030
Investments	241,786	-	241,786
Dividend and profit receivable	-	1,640	1,640
Receivable against sale of investments	-	5,002	5,002
Deposits	-	2,600	2,600
	<u>241,786</u>	<u>33,272</u>	<u>275,058</u>

Particulars	----- As at June 30, 2019 -----		
	At fair value through profit or loss	Amortised cost	Total
-----Rupees in '000'-----			
Financial liabilities			
Payable to the Management Company	-	856	856
Payable to the Trustee	-	58	58
Accrued expenses and other liabilities	-	1,819	1,819
	<u>-</u>	<u>2,732</u>	<u>2,732</u>

19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

Transactions and balances with parties who were connected persons due to holding 10% or more units in the comparative year and not in the current year are not disclosed in the comparative year.

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

19.1	Note	2020 ------(Rupees in '000)-----	2019
HBL Asset Management Limited - Management Company			
		7,041	13,963
Remuneration of the Management Company			
Sindh Sales Tax on remuneration of the Management Company		915	1,815
Allocation of expenses related to registrar services, accounting, operation and valuation services		696	699
Selling and marketing expenses		2,663	2,793
Issue of 5,951,992 (2019: Nil) units		490,332	-
Redemption of 6,435,641 (2019: 431,313) units		554,802	39,500
Central Depository Company of Pakistan Limited - Trustee			
Remuneration of the Trustee		715	1,361
Sindh Sales Tax on remuneration of the Trustee		93	177
CDS charges		107	105
Habib Bank Limited - Sponsor			
Dividend income		238	-
Bank charges		13	8
Director and Executives of the Management Company			
Issue of 13,253 (2019: 19,251) units		1,117	1,698
Redemption of 16,826 (2019: 31,059) units		1,325	2,773
MCB Bank Limited - connected person due to holding of more than 10% units			
Dividend paid		92	-
MCBFSL Trustee HBL Islamic Financial Planning Fund Strategic Allocation Plan - Fund under common management			
Issue of 129,551 (2019: Nil) units		10,000	-
Redemption of 129,551 (2019: 10,424,876) units		11,138	890,118

a) Cash flow interest rate risk

The Fund is exposed to cash flow interest rate risk for balances in certain savings account, the interest rates on which range between 6.5% to 13.5% per annum.

In case of 100 basis points increase / (decrease) in interest rates on June 30, 2020 with all other variable held constant, the net income for the year and the net assets would have been higher / lower by Re. 0.0875 million (2019: Re. 0.226 million)

b) Fair value interest rate risk

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

	As at June 30, 2020					Total
	Effective yield / interest rate	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)						
On-balance sheet financial instruments						
Financial assets						
Bank balances	6.5 - 13.5	8,746	-	-	1,444	10,190
Investments						
Listed equity securities		-	-	-	227,483	227,483
Dividend and profit receivable		-	-	-	698	698
Receivable against sale of investment - net		-	-	-	5	5
Deposits		-	-	-	2,600	2,600
Sub total		8,746	-	-	232,230	240,976
Financial liabilities						
Payable to the Management Company		-	-	-	905	905
Payable to the Trustee		-	-	-	38	38
Payable against redemption of units		-	-	-	2,804	2,804
Dividend payable		-	-	-	93	93
Accrued expenses and other liabilities		-	-	-	1,550	1,550
Sub total		-	-	-	5,390	5,390
On-balance sheet gap (a)		8,746	-	-	226,840	235,586
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		8,746	-	-	226,840	235,586
Cumulative interest rate sensitivity gap		8,746	-	-	-	-

	As at June 30, 2019					Total
	Effective yield / interest rate	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)						
On-balance sheet financial instruments						
Financial assets						
Bank balances	6.5 - 13.5	22,595	-	-	1,435	24,030
Investments						
Listed equity securities		-	-	-	241,786	241,786
Dividend and profit receivable		-	-	-	1,640	1,640
Receivable against sale of investments - net		-	-	-	5,002	5,002
Deposits		-	-	-	2,600	2,600
Sub total		22,595	-	-	252,463	275,058
Financial liabilities						
Payable to the Management Company		-	-	-	856	856
Payable to the Trustee		-	-	-	58	58
Accrued expenses and other liabilities		-	-	-	1,819	1,819
Sub total		-	-	-	2,732	2,732
On-balance sheet gap (a)		22,595	-	-	249,731	272,326
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		22,595	-	-	249,731	272,326
Cumulative interest rate sensitivity gap		22,595	-	-	-	-

20.1.3 Price risk

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

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified as financial assets at 'fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document and NBFC Regulations also limit investment in individual equity securities to no more than 15% of net assets of the Fund, or issued capital of the investee company respectively.

In case of 5% increase / decrease in price of all shares held by Fund at the year end, net income for the year would increase / decrease by Rs 11.374 million (2019: Rs 12.089 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable bank balances and credit exposure arising as a result of dividend receivable on equity securities.

Management of credit risk

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

20.2.1 The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2020 and June 30, 2019:

Name of the bank	Balances held by the Fund as at June 30, 2020	Latest available published rating as at June 30, 2020	Rating agency
Rupees in '000'			
Balances with banks by rating category			
MCB Bank Limited	1,435	A-1+	PACRA
Habib Bank Limited	3,657	A-1+	JCR-VIS
Bank Islami Pakistan Limited	5,087	A-1	PACRA
AlBaraka Bank Limited	11	A-1	PACRA
	10,190		

Name of the bank	Balances held by the Fund as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
Rupees in '000'			
Balances with banks by rating category			
MCB Bank Limited	1,435	A-1+	PACRA
Faysal Bank Limited	9	A-1+	PACRA
Habib Bank Limited	656	A-1+	JCR-Vis
Bank Islami Pakistan Limited	21,793	A-1	PACRA
AlBaraka Bank Limited	124	A-1	PACRA
United Bank Limited	13	A-1+	JCR-VIS
	24,030		

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

Rating by rating category	2020	2019
	----- (Percentage) -----	
A-1+	49.97	8.79
A-1	50.03	91.21

Concentration of credit risk

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

20.3 Liquidity risk

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

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

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to 15% of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings were made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. However, no such instance were witnessed by the Fund during the current year.

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

	As at June 30, 2020			Total
	Upto three months	More than three months and upto one year	More than one year	
	Rupees in '000			
Financial liabilities				
Payable to the Management Company	905	-	-	905
Payable to the Trustee	38	-	-	38
Payable against redemption of units	2,804	-	-	2,804
Dividend payable	93	-	-	93
Accrued expenses and other liabilities	1,550	-	-	1,550
	<u>5,390</u>	<u>-</u>	<u>-</u>	<u>5,390</u>

As at June 30, 2019			
Upto three months	More than three months and upto one year	More than one year	Total
Rupees in '000			
Payable to the Management Company	856	-	856
Payable to the Trustee	58	-	58
Accrued expenses and other liabilities	1,819	-	1,819
	<u>2,733</u>	<u>-</u>	<u>2,733</u>

Financial liabilities

21 UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

As per the requirements of IFRS 13 (Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

		June 30, 2020						
		Carrying amount			Fair Value			
Note		Fair value through profit or loss - Held for trading	Amortized cost	Total	Level 1	Level 2	Level 3	Total
		------(Rupees in '000)-----						
Financial assets measured at fair value								
	Listed equity securities	227,483	-	227,483	227,483	-	-	227,483
Financial assets not measured at fair value								
	Bank balances	-	10,190	10,190				
	Dividend and profit receivable	-	698	698				
	Receivable against sale of investments - net	-	5	5				
	Deposits - net	-	2,600	2,600				
		-	13,493	13,493				
Financial liabilities not measured at fair value								
	Payable to the Management Company	-	905	905				
	Payable to the Trustee	-	38	38				
	Payable against redemption of units	-	2,804	2,804				
	Dividend payable	-	93	93				
	Accrued expenses and other liabilities	-	1,550	1,550				
		-	5,390	5,390				
		------(Rupees in '000)-----						
		June 30, 2019						
		Carrying amount			Fair Value			
Note		Fair value through profit or loss - Held for trading	Amortized cost	Total	Level 1	Level 2	Level 3	Total
		------(Rupees in '000)-----						
Financial assets measured at fair value								
	Listed equity securities	241,786	-	241,786	241,786	-	-	241,786
Financial assets not measured at fair value								
	Bank balances	-	24,030	24,030				
	Dividend and profit receivable	-	1,640	1,640				
	Receivable against sale of investments - net	-	5,002	5,002				
	Deposits	-	2,600	2,600				
		-	33,272	33,272				
Financial liabilities not measured at fair value								
	Payable to the Management Company	-	856	856				
	Payable to the Trustee	-	58	58				
	Payable to the Trustee	-	1,819	1,819				
	Accrued expenses and other liabilities	-	2,732	2,732				

22.1 Valuation techniques

For level 1 investments at fair value through profit or loss - Investment in respect of equity securities, the Fund uses daily quotation rates which are taken from Pakistan Stock Exchange Limited at the reporting date.

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

22.3 Transfers during the year

No transfer were made between various levels of fair value hierarchy during the year.

23 LIST OF TOP TEN BROKERS / DEALERS

Top ten brokers during the year ended June 30, 2020

- 1 AKD Securities Limited
- 2 Foundation Securities (Private) Limited
- 3 Fortune Securities Limited
- 4 Habib Metropolitan Financial Services Limited
- 5 Al Habib Capital Markets (Private) Limited
- 6 EFG Hermes Pakistan Limited
- 7 Intermarket Securities Limited
- 8 Ismail Iqbal Securities (Private) Limited
- 9 Moonaco Securities (Private) Limited
- 10 Aba Ali Habib Securities (Private) Limited

Top ten brokers during the year ended June 30, 2019

- 1 AKD Securities Limited
- 2 Arif Habib Limited
- 3 BMA Capital Management Limited
- 4 DJM Securities (Private) Limited
- 5 EFG Hermes Pakistan Limited
- 6 Intermarket Securities Limited
- 7 JS Global Capital Limited
- 8 Next Capital Limited
- 9 Optimus Capital Management (Private) Limited
- 10 Topline Securities (Private) Limited

24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2020 are as follow:

Name	Designation	Qualification	Experience in years
Mir Adil Rashid	Chief Executive Officer	Bsc	21 + years
Adeel Abdul Wahab	Head of Equity	ACCA	12+ years
Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+ years
Karim Khawaja	Head of Risk	MBA, CMA	17 + years

25 PATTERN OF UNITHOLDING

Pattern of unit holding at June 30, 2020 is as follows:

Category	2020			
	No. of unit holders	Number of Units held	Investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	151	1,258,613	97,630.52	42.71%
Trust	3	727,609	56,441	24.69%
Banks and DFIs	1	916,259	71,074	31.09%
Other corporate	1	44,354	3,441	1.51%
	<u>156</u>	<u>2,946,835</u>	<u>228,586</u>	<u>100%</u>

Pattern of unit holding at June 30, 2019 is as follows:

Category	2019			
	No. of unit holders	Number of Units held	Investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	141	564,088	43,314	16.32%
Associated Companies and Directors	1	483,649	37,137	13.99%
Insurance Companies	2	343,215	26,354	9.93%
Banks and DFIs	1	916,259	70,355	26.50%
Others	3	1,150,011	88,304	33.26%
	<u>148</u>	<u>3,457,222</u>	<u>265,464</u>	<u>100%</u>

26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Five meetings of the Board of Directors were held on August 29, 2019, October 29, 2019, February 13, 2020, March 02, 2020 and April 29, 2020 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Farid Ahmed Khan *	1	1	-	-
2	Mr. Mir Adil Rashid **	4	4	-	-
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad****	5	5	-	-
9	Mr. Atif Aslam Bajwa ***	2	2	-	-

1 * Resigned on September 15, 2019.

2 ** Appointed on September 16, 2019.

3 *** Appointed on October 29, 2019 and resigned on February 24, 2020.

4 **** Resigned on May 14, 2020.

27 TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2020 is 5.02% (2019: 3.27%) which includes 0.63% (2019: 0.43%) representing government levy and SECP fee. This exceeds the limit of 4% for equity funds, specified by 60(5) of NBFC Regulation.

28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 27, 2020 by the Board of Directors of the Management Company.

29 CORRESPONDING FIGURES

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

30 GENERAL

30.1 Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

30.2 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 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.

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

Chief Financial Officer

Chief Executive Officer

Director



HBL Islamic Financial Planning Fund

FUND INFORMATION

NAME OF FUND	HBL ISLAMIC FINANCIAL PLANNING FUND
NAME OF TRUSTEE	MCB Financial Services Limited
NAME OF AUDITORS	KPMG Taseer Hadi & Co., Chartered Accountants
NAME OF SHARIAH ADVISORS	Al - Hilal Shariah Advisors (Pvt.) Limited
NAME OF BANKERS	Habib Bank Limited Dubai Islamic Bank Limited Bank Islami Pakistan Limited

Category of Fund

Open end Shariah Compliant Fund of Funds Scheme

Investment Objective

The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the Investor.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark for Conservative Allocation Plan, Active Allocation Plan and Strategic Allocation plan is as follows:

Conservative Allocation Plan

- 20% KMI 30 index
- Six(6) months average deposit rates of three(3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- Three(3) months average deposit rates of three(3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

B and c will be based on actual proportion of investment in Islamic Income and Islamic Money Market Funds / Cash and near cash instruments.

Active Allocation Plan & Strategic Allocation Plan

- KMI 30 index
- Six(6) months average deposit rates of three(3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- Three(3) months average deposit rates of three(3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

Based on actual proportion in Equity Fund and Income / Money Market Funds and/or in cash And/or near cash instruments in each allocation plan.

Islamic Capital Preservation Plan

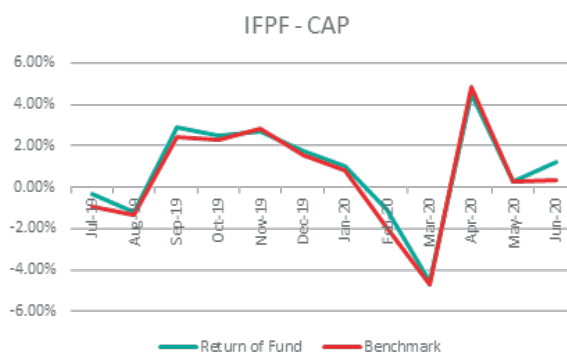
- KMI 30 index
- Six (6) months average deposit rates of three (3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- Three (3) months average deposit rates of three (3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

Based on actual proportion of investment in Islamic Dedicated Equity Fund, Shariah compliant saving accounts and term deposits and Islamic Money Market Funds / cash and near cash instruments.

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

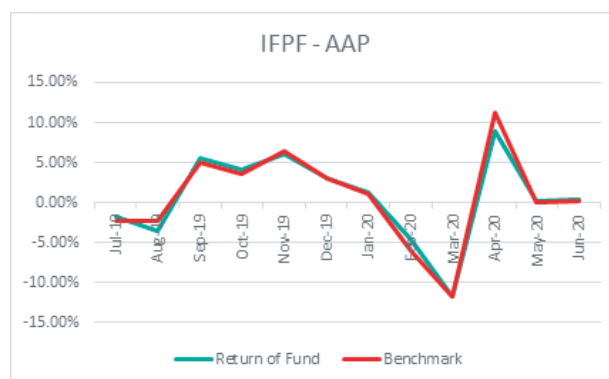
Conservative Allocation Plan

Month	Return of Fund	Benchmark
Jul-19	-0.30%	-0.95%
Aug-19	-1.20%	-1.32%
Sep-19	2.92%	2.46%
Oct-19	2.47%	2.26%
Nov-19	2.70%	2.80%
Dec-19	1.78%	1.54%
Jan-20	1.03%	0.81%
Feb-20	-1.09%	-1.94%
Mar-20	-4.54%	-4.69%
Apr-20	4.48%	4.88%
May-20	0.29%	0.30%
Jun-20	1.21%	0.36%



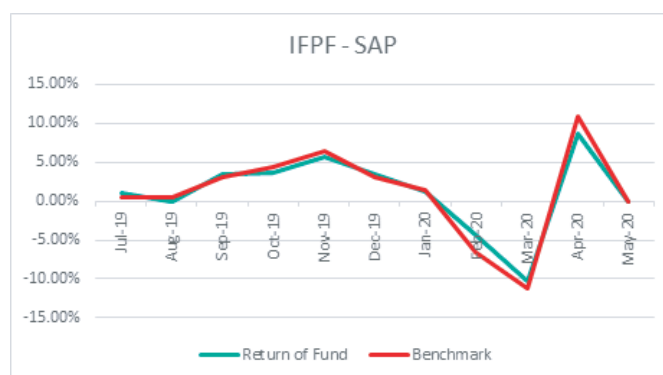
Active Allocation Plan

Month	Return of Fund	Benchmark
Jul-19	-1.83%	-2.29%
Aug-19	-3.56%	-2.34%
Sep-19	5.51%	4.98%
Oct-19	4.14%	3.57%
Nov-19	6.09%	6.49%
Dec-19	3.06%	3.13%
Jan-20	1.36%	1.13%
Feb-20	-4.62%	-5.95%
Mar-20	-11.68%	-11.67%
Apr-20	8.88%	11.25%
May-20	0.13%	-0.02%
Jun-20	0.32%	0.14%



Strategic Allocation Plan

Month	Return of Fund	Benchmark
Jul-19	1.08%	0.46%
Aug-19	0.01%	0.48%
Sep-19	3.44%	3.05%
Oct-19	3.61%	4.37%
Nov-19	5.78%	6.43%
Dec-19	3.41%	3.17%
Jan-20	1.28%	1.46%
Feb-20	-4.31%	-6.53%
Mar-20	-10.34%	-11.24%
Apr-20	8.70%	10.90%
May-20	0.01%	0.00%
Jun-20	NA	NA



Islamic Capital Preservation Plan

Month	Return of Fund	Benchmark
Jul-19	-0.73%	-1.32%
Aug-19	-2.49%	-1.74%
Sep-19	5.04%	4.23%
Oct-19	3.04%	3.44%
Nov-19	6.06%	6.45%
Dec-19	3.07%	2.95%
Jan-20	1.19%	1.20%
Feb-20	-3.30%	-4.02%
Mar-20	-4.24%	-5.51%
Apr-20	4.23%	4.88%
May-20	0.20%	0.31%
Jun-20	0.37%	0.34%



Strategies and Policies employed during the Year

During this period, Active Allocation Plan asset allocation remained evenly invested in fixed income and equity funds. Conservative allocation plan invested the funds in fixed income fund and cash to the tune of 80% while 20% was invested in equity funds. Strategic Allocation Plan matured in June 2020 when it was evenly invested in fixed income and equity funds. Islamic Capital Preservation Plan exposure is mainly focused on cash which accounted for around 91% during the period while investment in equity funds contributed the remaining portion.

Asset Allocation



*Matured in June 2020.

Fund Performance

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

The Fund as a whole earned a total and net income of Rs. 86.79 million and Rs. 78.18 million respectively during the year under review. The fund size of the fund stood at Rs. 0.45 billion. Performance review for plan is given below:

Active Allocation Plan

During the year under review, the Active allocation plan earned a total and net income of Rs. 8.98 million and Rs. 8.30 million respectively. The net assets of the Active allocation plan stood at Rs. 94 million representing Net Asset Value (NAV) of Rs. 95.3020 per unit as at June 30, 2020 as compared to Rs. 93.3275 as at June 30, 2019, after incorporating dividend of Rs. 3.80 per unit. The plan earned a return of 6.21% for the year under review against the benchmark return of 6.63%. The plan is invested to the extent of 49% in equity funds & 50% in fixed income funds.

Conservative Allocation Plan

During the year under review, the Conservative allocation plan earned total and net income of Rs. 1.39 million and Rs. 1.29 million respectively. The net assets of the Conservative allocation plan stood at Rs. 7 million representing Net Asset Value (NAV) of Rs. 109.3637 per unit as at June 30, 2020 as compared to Rs. 101.4641 as at June 30, 2019, after incorporating dividend of Rs. 2.10 per unit. The plan earned a return of 9.86% for the year under review against the benchmark return of 6.33%. The plan is invested to the extent of 19% in equity funds & 77% in fixed income funds.

Strategic Allocation Plan

During the period from July 01, 2019 to June 16, 2020, the Strategic allocation plan earned a total and net income of Rs. 17.53 million and Rs. 16.74 million respectively. The plan marked its maturity on June 16, 2020.

Islamic Capital Preservation Plan

During the year under review, the Islamic Capital Preservation Plan earned a total income and net income of Rs. 58.90 million and Rs. 51.85 million respectively. The net assets of the Islamic Capital Preservation Plan stood at Rs. 350 million representing Net Asset Value (NAV) of Rs. 105.1185 per unit as at June 30, 2020 as compared to Rs. 98.4840 per unit as at June 30, 2019, after incorporating dividend of Rs. 6.80 per unit. The plan earned a return of 12.50% for the year under review against the benchmark return of 10.99%. The plan is invested to the extent of 8% in equity funds & others in cash.

Money Market Review

FY20 was a tale of two halves 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.

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 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 equity markets' performance during FY20 can be described as a tale of two halves.

1HFY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KMI30 index increased by 22% during 1HFY20 to close at 66,032 points on December 31, 2019.

2HFY20 continued with the same momentum as the benchmark KMI30 index made a high of 70,790 on January 10, 2020. However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KMI30 index as it fell to a low of 41,365 points on March 26, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KMI30 witnessed a sharp uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate), approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government's decision to ease off lockdown restrictions for certain industries. The KMI30 index closed the year at 54,995 points (up 1.62%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mn in FY19). Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight 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.

Distribution

The Board of Directors approved cash distribution of up to Rs. 3.80, 2.10 & 6.80 in Active Allocation Plan, Conservative Allocation plan and Islamic Capital Preservation Plan respectively for the year ended June 30, 2020.

Significant Changes in the State of Affairs

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

Breakdown of Unit Holding by Size

From – To (Number of units)	Active Allocation Plan		Conservative Allocation Plan		Islamic Capital Preservation Plan	
	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held
1 – 100	2	152	2	64	1	43
101 – 500	3	379	1	500	10	2,180
501 – 1,000	3	1,847	-	-	4	2,574
1,001 – 10,000	23	95,551	2	10,246	27	114,290
10,001 – 100,000	213	515,025	2	50,380	21	537,817
1,000,001 – 5,000,000	3	368,837	-	-	5	748,931
500,001 – 1,000,000	-	-	-	-	1	863,565
1,000,001 – 5,000,000	-	-	-	-	1	1,057,975
5,000,001 and above	-	-	-	-	-	-
Total	47	981,790	7	61,190	70	3,327,376

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

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

PERFORMANCE TABLE - HBL ISLAMIC FINANCIAL PLANNING FUND

	2020				2019				2018			2017		
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan
Net assets at the period end (Rs'000)	93,567	6,692		349,769					246,911	36,546	4,282,358	194,204	58,338	4,225,557
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES														
Redemption	95.302	109.3637		104.5929	93.3275	101.4641	100.7694	98.4892	101.5389	101.7102	102.0918	100.0133	100.0178	100.0143
Offer	97.4558	111.8353			95.4367	103.7572	N/A	N/A	103.8337	104.0089	N/A	103.0137	103.0183	N/A
OFFER / REDEMPTION DURING THE PERIOD - RUPEES														
Highest offer price per unit	112.141	114.3264		100.0445	96.8993	106.4610	N/A	N/A	103.0454	103.7672	N/A	103.0671	103.3839	N/A
Lowest offer price per unit	89.3647	101.5362			96.0748	106.0787	N/A	N/A	101.8979	103.4005	N/A	100.0000	100.0000	N/A
Highest redemption price per unit	109.6626	111.7997			94.7578	104.1082	100.5869	99.3666	100.7680	101.4739	101.4450	100.0651	100.3727	100.2155
Lowest redemption price per unit	87.3897	99.2922			93.9515	103.7343	100.6652	98.8378	99.6459	101.1153	100.4952	100.0000	100.0000	100.0000
RETURN (%)														
Total return	6.21%	9.86%		12.50%	-7.06%	2.07%	-0.71%	-0.52%	0.40%	1.40%	1.36%	0.17%	0.34%	0.51%
Income distribution	3.80%	2.10%		6.80%	0.00%	2.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.16%	0.32%	0.37%
Capital growth	2.41%	7.76%		5.70%	-7.06%	0.02%	-0.71%	-0.52%	0.40%	1.40%	1.36%	0.01%	0.02%	0.14%
DISTRIBUTION														
First Interim dividend distribution														
Second Interim dividend distribution														
Third Interim dividend distribution														
Final dividend distribution- Rs	3.80	3.80		6.80	-	2.05	-	-	-	-	-	0.16	0.32	0.37
Date of Income Distribution	26-Jun-20	26-Jun-20		26-Jun-20	-	28-Jun-19	-	-	-	-	-	29-Jun-17	29-Jun-17	29-Jun-17
Total dividend distribution for the year (Rs)	3.80	3.80		6.80	-	2.05	-	-	-	-	-	0.16	0.32	0.37
AVERAGE RETURNS (%)														
Average annual return 1 year	6.21%	9.86%		12.50%	-7.06%	2.07%	-0.71%	-0.52%	0.40%	1.40%	1.36%	0.17%	0.34%	0.51%
Average annual return 2 year	-0.64%	5.89%		5.79%	-3.40%	1.73%	0.32%	N/A	0.29%	0.87%	0.93%	N/A	N/A	N/A
Average annual return 3 year	-0.30%	4.37%		NA	-2.22%	1.27%	0.38%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
PORTFOLIO COMPOSITION - (%)														
Percentage of Total Assets as at 30 June:														
Bank Balances	0.48%	3.33%		91.75%	0.51%	0.30%	0.11%	73.40%	0.71%	0.54%	0.02%	11.03%	7.76%	0.05%
Equity Funds	49.28%	19.46%		7.70%	40.79%	18.81%	0.00%	25.57%	59.85%	19.90%	49.38%	8.13%	16.78%	5.04%
Income Funds	50.11%	76.80%		0.00%	58.65%	79.32%	99.89%	0.03%	39.40%	79.45%	50.53%	66.69%	58.46%	91.18%
Others	0.13%	0.41%		0.55%	0.05%	1.57%	0.00%	1.00%	0.04%	0.11%	0.07%	14.16%	17.00%	3.74%

Note:

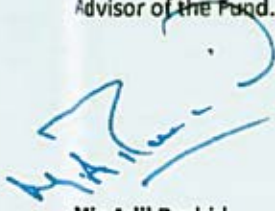
The Launch date of the Active, Conservative & Strategic Allocation Plan is June 19, 2017 whereas the launch date of Islamic Capital Preservation Plan is October 02, 2018.

Disclaimer:

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

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Financial Planning Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2020. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid****Chief Executive Officer****Dated: August 27, 2020**



MCB FINANCIAL SERVICES LIMITED

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS


HBL ISLAMIC FINANCIAL PLANNING FUND

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

HBL Islamic Financial Planning Fund, an open-end Scheme established under a Trust Deed dated March 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund commenced its operations from June 17, 2017.

1. HBL Asset Management Company Limited, the Management Company of HBL Islamic Financial Planning Fund has, in all material respects, managed HBL Islamic Financial Planning Fund during the year ended 30th June 2020 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

Karachi: September 21, 2020


Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

4th Floor, Perdesi House, 2/1, R-Y-16, Old Queens Road, Karachi - 74200
Direct Nos. 021-32430485, 32415454, 32415204, 32428731 PABX No. 021-32419770, Fax No. 021-32416371
Website: <http://www.mcbfsl.com.pk>

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 Financial Planning Fund (HBL-IFPF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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



Mufti Irshad Ahmad Aijaz
Member Shariah Council




Faraz Younus Bandukda, CFA
Chief Executive



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 Unit holders of HBL Islamic Financial Planning Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **HBL Islamic Financial Planning Fund** ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.



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Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended June 30, 2020 but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

Board of Directors are responsible for overseeing the Fund's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are



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considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them



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all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

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


Other Matter

The Financial Statements of the Fund for the year ended 30 June 2019 were audited by another firm of auditors whose report dated 26 August 2019 expressed an unmodified opinion.

The engagement partner on the audit resulting in this independent auditors' report is Zeeshan Rashid.

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 Reasonable Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of Directors of HBL Asset Management Limited, Management Company of HBL Islamic Financial Planning Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Management Company 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 Management Company

The Management Company 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 Management Company 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

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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

HBL ISLAMIC FINANCIAL PLANNING FUND

Statement of Assets and Liabilities

As at June 30, 2020

	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
Note (Rupees in '000)										
ASSETS										
Bank balances	454	230	2,513	326,728	329,925	737	53	2,440	334,719	337,949
Investments	94,081	6,640	-	27,437	128,158	144,173	17,570	2,150,707	116,720	2,429,170
Profit receivable	3	1	1	1,740	1,745	3	4	11	3,406	3,424
Preliminary expenses and flotation costs	34	9	-	160	203	51	13	-	1,152	1,216
Advances and other receivable	92	18	-	41	151	26	264	-	-	290
TOTAL ASSETS	94,664	6,898	2,514	356,106	460,182	144,990	17,904	2,153,158	455,997	2,772,049
LIABILITIES										
Payable to the Management Company	22	133	6	2,223	2,384	13	2	413	2,216	2,644
Payable to the Trustee	8	1	1	29	39	13	2	211	38	264
Payable to Securities and Exchange Commission of Pakistan	22	2	22	84	130	191	23	3,910	334	4,458
Accrued expenses and other liabilities	1,045	70	2,485	4,001	7,601	136	309	2,871	10	3,326
TOTAL LIABILITIES	1,097	206	2,514	6,337	10,154	353	336	7,405	2,598	10,692
NET ASSETS	93,567	6,692	-	349,769	450,028	144,637	17,568	2,145,753	453,399	2,761,357
UNIT HOLDER'S FUND (AS PER STATEMENT ATTACHED)	93,567	6,692	-	349,769	450,028	144,637	17,568	2,145,753	453,399	2,761,357
CONTINGENCIES AND COMMITMENTS										
..... (Units)										
Number of units in issue	981,790	61,190	-	3,327,376		1,549,776	173,140	21,293,694	4,557,510	
..... (Rupees)										
Net assets value per unit	95.3020	109.3637	-	105.1185		93.3275	101.4641	100.7694	99.4840	

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC FINANCIAL PLANNING FUND

Income Statement

For the year ended June 30, 2020

For the period
from October 2,
2018 to June 30,

Note	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
(Rupees in '000)										
Income										
Profit on bank deposits calculated using the effective interest rate method	63	76	326	32,662	33,127	62	12	126	25,458	25,658
Realised gain / (loss) on sale of investment	3,771	1,064	17,204	24,544	46,583	(4,545)	364	(130,866)	466	(134,581)
Dividend income	4,259	95	-	-	4,354	3,901	1,007	69,591	-	74,499
Back end load	-	-	-	913	913	-	-	1,600	173	1,773
	8,093	1,235	17,530	58,119	84,977	(582)	1,383	(59,549)	26,097	(32,651)
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	882	150	-	785	1,817	(11,722)	(612)	40,505	(23,896)	4,275
	8,975	1,385	17,530	58,904	86,794	(12,304)	771	(19,044)	2,201	(28,376)
Expenses										
Remuneration of the Management Company	8	2	63	2,848	2,921	12	2	151	2,545	2,710
Sindh Sales Tax on remuneration of the Management Company	8.2	1	-	8	379	1	-	19	331	351
Remuneration of the Trustee	9.1	112	12	104	426	204	25	3,305	358	3,892
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	22	2	21	84	191	23	3,910	334	4,458
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	217	21	183	828	201	24	4,115	352	4,692
Amortisation of preliminary expenses and flotation costs	6	17	4	-	992	47	35	2,278	708	3,068
Auditors' remuneration	14	51	6	18	224	15	2	261	16	294
Printing charges		16	-	-	35	2	5	-	4	11
Bank charges		21	20	21	26	24	18	19	44	105
Fees and subscription		5	1	3	18	3	-	65	4	72
Shariah advisory fee		34	4	23	144	9	1	171	14	195
Tax on bank profit		-	-	7	7	-	-	848	-	848
		504	72	451	5,995	709	135	15,142	4,710	20,696
Net income / (loss) from operating activities		8,471	1,313	17,079	52,909	(13,013)	636	(34,186)	(2,509)	(49,072)
Provision for Sindh Workers' Welfare Fund		(169)	(26)	(342)	(1,058)	-	-	-	-	-
Net income / (loss) for the year before taxation		8,302	1,287	16,737	51,851	(13,013)	636	(34,186)	(2,509)	(49,072)
Taxation	15	-	-	-	-	-	-	-	-	-
Net income / (loss) for the year after taxation		8,302	1,287	16,737	51,851	(13,013)	636	(34,186)	(2,509)	(49,072)
Allocation of net income for the year after taxation										
Net income for the year after taxation		8,302	1,287	16,737	51,851		636			
Income already paid on redemption of units		-	(730)	(16,737)	(12,817)		(297)			
		8,302	557	-	39,034		339			
Accounting income available for distribution										
Relating to capital gains		-	-	-	-		-			
Excluding capital gains		8,302	557	-	39,034		339			
		8,302	557	-	39,034		339			
Earnings per unit	16									

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

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

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC FINANCIAL PLANNING FUND

Statement of Comprehensive Income

For the year ended June 30, 2020

	2020					2019					For the period from October 2, 2018 to June 30, 2019
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	
	----- (Rupees in '000) -----										
Net income / (loss) for the year / period after taxation	8,302	1,287	16,737	51,851	78,177	(13,013)	636	(34,186)	(2,509)	(49,072)	
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-	-	
Total comprehensive income / (loss) for the year / period	8,302	1,287	16,737	51,851	78,177	(13,013)	636	(34,186)	(2,509)	(49,072)	

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC FINANCIAL PLANNING FUND

Cash Flow Statement

For the year ended June 30, 2020

For the period
from October 2,
2019 to June 30,
2020

	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
Note ----- (Rupees in '000) -----										
CASH FLOW FROM OPERATING ACTIVITIES										
Net income / (loss) for the year / period before taxation	8,302	1,287	16,737	51,851	78,177	(13,013)	636	(34,186)	(2,509)	(49,072)
Adjustments for:										
Profit on bank deposits	(63)	(76)	(326)	(32,662)	(33,127)	(62)	(12)	(126)	(25,458)	(25,658)
Realised (gain) / loss on sale of investment - net	(3,771)	(1,064)	(17,204)	(24,544)	(46,583)	4,545	(364)	130,866	(466)	134,581
Unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	(882)	(150)	-	(785)	(1,817)	11,722	612	(40,505)	23,896	(4,275)
Amortisation of preliminary expenses and flotation costs	17	4	-	992	1,013	47	35	2,278	708	3,068
Cash generated from / (used in) operations before working capital changes	3,603	1	(793)	(5,148)	(2,337)	3,239	907	58,327	(3,829)	58,644
Decrease / (increase) in assets										
Investments	54,745	12,144	2,167,911	114,612	2,349,412	85,324	18,563	2,043,947	(140,150)	2,007,684
Preliminary expenses and flotation costs	-	-	-	-	-	(30)	(30)	(30)	(1,860)	(1,950)
Other receivables	(66)	-	-	(41)	(107)	(4)	(6)	660	-	650
Receivable against sale of investments	-	-	-	-	-	-	(245)	-	-	(245)
	54,679	12,144	2,167,911	114,571	2,349,305	85,290	18,282	2,044,577	(142,010)	2,006,139
(Decrease) / increase in liabilities										
Payable to the Management Company	9	131	(407)	7	(260)	(298)	(2)	57	2,216	1,973
Payable to the Trustee	(5)	(1)	(210)	(9)	(225)	(8)	(2)	(67)	38	(39)
Payable to Securities and Exchange Commission of Pakistan	(169)	(21)	(3,888)	(250)	(4,328)	(51)	(22)	(145)	334	116
Accrued expenses and other liabilities	909	5	(386)	3,991	4,519	34	42	939	10	1,025
	744	114	(4,891)	3,739	(294)	(323)	16	784	2,598	3,075
Profit received on bank deposits	59,026	12,259	2,162,227	113,162	2,346,674	88,206	19,205	2,103,688	(143,241)	2,067,858
Net cash generated from / (used in) operating activities	59,089	12,338	2,162,563	147,490	2,381,480	88,277	19,225	2,103,813	(121,189)	2,090,126
CASH FLOW FROM FINANCING ACTIVITIES										
Receipts from issue of units	3,658	6,231	-	18,659	28,548	4,550	3,923	1,525,677	473,162	2,007,312
Payment against redemption of units	(59,416)	(18,265)	(2,162,490)	(152,722)	(2,392,893)	(93,811)	(22,945)	(3,628,096)	(17,254)	(3,762,106)
Dividend paid	(3,614)	(127)	-	(21,418)	(25,159)	-	(349)	-	-	(349)
Net cash (used in) / generated from financing activities	(59,372)	(12,161)	(2,162,490)	(155,481)	(2,389,504)	(89,261)	(19,371)	(2,102,419)	455,908	(1,755,143)
Net (decrease) / increase in cash and cash equivalents	(283)	177	73	(7,991)	(8,024)	(984)	(146)	1,394	334,719	334,983
Cash and cash equivalents at the beginning of the year	737	53	2,440	334,719	337,949	1,721	199	1,046	-	2,966
Cash and cash equivalents at the end of the year	454	230	2,513	326,728	329,925	737	53	2,440	334,719	337,949

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC FINANCIAL PLANNING FUND

Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2020

		Active Allocation Plan					
		2020			2019		
Note	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total	
----- (Rupees in '000) -----							
	155,916	(11,279)	144,637	245,178	1,734	246,912	
Net assets at beginning of the year							
Issuance of 75,855 units (2019: 46,072 units)							
Capital value (at net asset value per unit at the beginning of the year)	7,079	-	7,079	4,626	-	4,626	
Element of loss	(3,421)	-	(3,421)	(76)	-	(76)	
Total proceeds on issuance of units	3,658	-	3,658	4,550	-	4,550	
Redemption of 643,841 units (2019: 955,220 units)							
Capital value (at net asset value per unit at the beginning of the year)	(60,088)	-	(60,088)	(95,918)	-	(95,918)	
Element of income / (loss)	672	-	672	2,106	-	2,106	
Total payments on redemption of units	(59,416)	-	(59,416)	(93,812)	-	(93,812)	
Total comprehensive loss for the year	-	8,302	8,302	-	(13,013)	(13,013)	
Interim distribution for the year ended June 30, 2020: 380 per unit declared on June 29, 2020	13.1	-	(3,614)	-	-	-	
Net assets at end of the year	100,158	(6,591)	93,567	155,916	(11,279)	144,637	
Undistributed income brought forward							
Realised income		443			5,405		
Unrealised loss		(11,722)			(3,671)		
		(11,279)			1,734		
Accounting Income / (Loss) available for distribution							
- Relating to capital gains	4,653			-			
- Excluding capital gains	3,649			(13,013)			
	8,302			(13,013)			
Interim distribution for the year ended 30 June 2020: 380 per unit declared on 29 June 2020		(3,614)		-			
Accumulated loss carried forward		(6,591)			(11,279)		
Accumulated loss carried forward comprises of							
Realised (loss) / income		(7,473)			443		
Unrealised income / (loss)		882			(11,722)		
		(6,591)			(11,279)		
				(Rupees)		(Rupees)	
Net assets value per unit at beginning of the year				93.3275		100.4143	
Net assets value per unit at end of the year				95.3020		93.3275	

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

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

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC FINANCIAL PLANNING FUND

Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2020

Note	Strategic Allocation Plan					
	2020			2019		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	----- (Rupees in '000) -----					
Net assets at beginning of the year	2,116,865	28,888	2,145,753	4,219,284	63,074	4,282,358
Issuance of Nil units (2019: 15,187,894 units)						
- Capital value (at net asset value per unit at the beginning of the year)	-	-	-	1,541,477	-	1,541,477
- Element of loss	-	-	-	(15,800)	-	(15,800)
Total proceeds on issuance of units	-	-	-	1,525,677	-	1,525,677
Redemption of 21,293,694 units (2019: 36,087,514 units)						
- Capital value (at net asset value per unit at the beginning of the year)	2,145,753	-	2,145,753	(3,662,658)	-	(3,662,658)
- Element of (loss) / income	(4,291,506)	(16,737)	(4,308,243)	34,562	-	34,562
Total payments on redemption of units	(2,145,753)	(16,737)	(2,162,490)	(3,628,096)	-	(3,628,096)
Total comprehensive income / (loss) for the year	-	16,737	16,737	-	(34,186)	(34,186)
Net assets at end of the year	<u>(28,888)</u>	<u>28,888</u>	<u>-</u>	<u>2,116,865</u>	<u>28,888</u>	<u>2,145,753</u>
Undistributed income brought forward						
Realised income / (loss)		(11,617)			114,191	
Unrealised loss / income		40,505			(51,117)	
		<u>28,888</u>			<u>63,074</u>	
Accounting income / (loss) available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		-			(34,186)	
		<u>-</u>			<u>(34,186)</u>	
Undistributed income carried forward		<u>28,888</u>			<u>28,888</u>	
Undistributed income carried forward comprises of						
Realised income / (loss)		28,888			(11,617)	
Unrealised income		-			40,505	
		<u>28,888</u>			<u>28,888</u>	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			<u>100.7694</u>			<u>101.4938</u>
Net assets value per unit at end of the year			<u>-</u>			<u>100.7694</u>

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC FINANCIAL PLANNING FUND
Statement of Movement in Unit Holders' Fund
 For the year ended June 30, 2020

Islamic Capital Preservation Plan						
2020			For the period from October 2, 2018 to June 30, 2019			
Note	Capital value	Undistributed income	Total	Capital value	Accumulated loss	Total
----- (Rupees in '000) -----						
Net assets at beginning of the period	455,908	(2,509)	453,399	-	-	-
Issuance of 381,584 units (2019: 4,731,619)						
- Capital value (at net asset value per unit at the beginning of the period)	37,961	-	37,961	473,162	-	473,162
- Element of loss	(19,302)	-	(19,302)	-	-	-
Total proceeds on issuance of units	18,659	-	18,659	473,162	-	473,162
Redemption of 1,611,718 units (2019: 174,109)						
- Capital value (at net asset value per unit at the beginning of the period)	(160,340)	-	(160,340)	(17,411)	-	(17,411)
- Element of income	20,435	(12,817)	7,618	157	-	157
Total payments on redemption of units	(139,905)	(12,817)	(152,722)	(17,254)	-	(17,254)
Total comprehensive income / (loss) for the year	-	51,851	51,851	-	(2,509)	(2,509)
Interim distribution for the year ended June 30, 2020: 6.80 per unit declared on June 29, 2020	13.1	(21,418)	(21,418)	-	-	-
Net assets at end of the period	334,662	15,107	349,769	455,908	(2,509)	453,399
Undistributed loss brought forward						
Realised		21,387			-	
Unrealised		(23,896)			-	
		(2,509)			-	
Accounting income / (loss) available for distribution						
- Relating to capital gains	17,422				-	
- Excluding capital gains	21,612				(2,509)	
	39,034				(2,509)	
Interim distribution for the year ended 30 June 2020: 6.80 per unit declared on 29 June 2020		(21,418)			-	
Undistributed income / (accumulated loss) carried forward comprises of		15,107			(2,509)	
Undistributed income / (accumulated loss) carried forward comprises of						
Realised income		14,322			21,387	
Unrealised income / (loss)		785			(23,896)	
		15,107			(2,509)	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the period			99.4840			-
Net assets value per unit at end of the period			105.1185			99.4840

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

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

Chief Financial Officer

Chief Executive Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** HBL Islamic Financial Planning Fund (the "Fund"), was established under the Trust Deed executed between HBL Asset Management Limited as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) as a Unit trust on May 4, 2017.
- 1.2** The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3** The Fund is an open ended shariah compliant fund of fund scheme and is listed on Pakistan Stock Exchange Limited. The Fund has four different plans namely Conservative Allocation Plan, Active Allocation Plan, Strategic Allocation Plan and Islamic Capital Preservation Plan (collectively referred as 'Plans'). The units of Conservative Allocation and Active Allocation Plan were initially offered to public (IPO) on June 16, 2016 whereas units of Strategic Allocation Plan were offered from June 15, 2016 to June 16, 2016 and units of Capital Preservation Plan were offered from July 01, 2018 to October 01, 2018. The units are transferable and can be redeemed by surrendering them to the Fund at the option of unit holder. The duration of the Fund is perpetual however the allocation plans may have a set time frame. Each Allocation Plan announce separate NAVs which rank pari passu inter se according to the number of units of the respective Allocation Plans. Units are offered for public subscription on a continuous basis. However, term-based plans, may be offered for a limited subscription period.
- 1.4** The objective of the Fund is to generate return on Investments as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the investor. The investment policy for each of the Plans including the newly launched Fund "Islamic Capital Preservation Plan" (launched on October 2, 2018) are as follows;
- The "Conservative Allocation Plan" is an Allocation Plan under the Fund and primarily aims to provide stable returns with some capital appreciation through a pre-determined mix of shariah compliant investments in equity, income and money market funds. This Allocation Plan is suitable for investors who have moderate risk tolerance and have a short to medium term investment horizon. The plan will exist till perpetuity.
 - The "Active Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active asset allocation between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market scheme(s) based on the Fund Manager's outlook on the asset classes. The plan will exist till perpetuity.
 - The "Strategic Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active allocation of funds between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market scheme(s) based on fundamental analysis of economic indicators, underlying asset values and a strategy of risk aversion to market volatility. Fund Manager takes a medium term strategic view of the portfolio assets to deliver competitive returns to investors. The duration of the Strategic Allocation Plan ('the Plan') was twenty-four months starting from the first day of subscription period i.e June 17, 2017. However, during the year through Fourth Supplemental Offering Document dated May 13, 2019 the duration of the Plan has been changed to thirty-six months starting from the first day of subscription period and the Plan would automatically dissolve at the end of stipulated period.

- The "Islamic Capital Preservation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through dynamic asset allocation between Shariah Compliant Equities and Shariah Compliant Money Market based Collective Investment Schemes, Shariah compliant saving accounts and term deposits while aiming to provide capital preservation on the initial amount excluding front end load upon maturity of the allocation plan. The duration of this plan is 24 months (Two Years).

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

1.6 Title to the assets of the Fund are held in the name of MCB Financial Services Limited as a trustee of the Fund.

1.7 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 economy and business, regulators / government across the country have introduced a host of measures on both the fiscal and economic fronts from time to time.

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 COVID-19 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

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

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

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

2.3 Standards and amendments effective during the year

There are number of new standards and amendments that are effective from July 01, 2019, however, these do not have a significant effect on the Fund's financial statements.

2.4 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 01, 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 January 01, 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 January 01, 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 March 29, 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 January 01, 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 January 01, 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 June 01, 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 June 30, 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 January 01, 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 January 01, 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 January 01, 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 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 January 01, 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 01, 2020, and are not likely to have an impact on Fund’s financial statements.

2.5 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.

- (a) classification of financial assets (Note 3.2)
- (b) impairment of financial assets (Note 3.2)
- (c) provisions (Note 3.13)

2.6 Basis of Measurement

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

2.7 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.

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.

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 / mark-up or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective yield method. The amortised cost is reduced by impairment losses. Interest / mark-up income, foreign exchange gains and losses and impairment are recognised in income statement.
Debt securities at FVOCI	These assets are subsequently measured at fair value. Interest / mark-up income calculated using the effective yield 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:

- Basis of valuation of units of mutual funds

Investments in the units of open end funds are re-measured at fair value with reference to redemption prices and the resultant gain or loss on remeasurement of value of investment is recognised in the income statement.

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 which are recently relaxed by the SECP amid ongoing situation of COVID-19. However, the circular does not cover impairment requirements for government debt securities. Based on the past performance management considers that there is no probability of default as in any adverse situation State Bank of Pakistan has the right to discharge government obligations by issuance of currency notes. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

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 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.

3.5 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.

3.6 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 NBFC regulations, 2008.

3.7 Unitholders' fund

Unitholders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

3.8 Issuance and redemption of units

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

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.9 Revenue recognition

Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.

Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

Realised capital 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.

3.10 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net assets value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

3.11 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 reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

3.12 Net assets value per unit

The net assets value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

3.13 Zakat Payable

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

3.14 Earnings per unit

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

3.15 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.

3.16 Distributions

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.17 Other assets

Other assets are stated at cost less impairment losses, if any.

3.18 Taxation

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders' every year.

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

3.19 Expenses

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

4. BANK BALANCES

Note	2020					2019					
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	
	(Rupees in '000')										
Savings accounts	4.1	454	230	2,513	326,728	329,925	737	53	2,440	334,719	337,949

4.1 This represents bank accounts held with various banks. Mark-up rates on these accounts range between 6.00% to 13.25% (2019 : 6% to 13.5%) per annum.

5. INVESTMENTS

Note	2020					2019					
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	
	(Rupees in '000')										
Investments by category At fair value through profit or loss											
Units of mutual funds	5.1	94,081	6,640	-	27,437	128,158	144,173	17,570	2,150,707	116,720	2,429,170

5.1 Units of mutual funds

Name of Investee Funds	As at July 1, 2019	Purchased during the year	Redeemed during the year	As at June 30, 2020	Total carrying value as at June 30, 2020	Total market value as at June 30, 2020	Appreciation/ (diminution) as at June 30, 2020	Market value as a percentage of net assets	Market value as a percentage of total value of Investment
	Number of Units				(Rupees in '000')			-----%-----	
Active Allocation Plan									
HBL Islamic Dedicated Equity Fund	-	161,125	161,125	-	-	-	-	-	-
HBL Islamic Equity Fund	302,592	130,036	59,486	373,142	28,699	28,944	245	30.93	30.76
HBL Islamic Income Fund	838,440	163,912	535,144	467,208	47,293	47,436	143	50.70	50.42
HBL Islamic Stock Fund	393,090	22,861	226,956	188,995	17,207	17,701	494	18.92	18.81
	1,534,122	477,934	982,711	1,029,345	93,199	94,081	882	100.55	99.99
Conservative Allocation Plan									
HBL Islamic Equity Fund	40,622	15,426	38,748	17,300	1,474	1,342	(132)	20.05	20.21
HBL Islamic Income Fund	140,025	87,252	175,098	52,179	5,150	5,298	148	79.17	79.79
HBL Islamic Stock Fund	2,721	6,980	9,701	-	-	-	-	-	-
	183,368	109,658	223,547	69,479	6,624	6,640	16	99.22	100.00
Strategic Allocation Plan									
HBL Islamic Dedicated Equity Fund	-	241,688	241,688	-	-	-	-	-	-
HBL Islamic Equity Fund	-	129,551	129,551	-	-	-	-	-	-
HBL Islamic Income Fund	21,203,996	55,353	21,259,349	-	-	-	-	-	-
	21,203,996	426,592	21,630,588	-	-	-	-	-	-
Islamic Capital Preservation Plan									
HBL Islamic Dedicated Equity Fund	1,390,638	2,827,957	3,905,184	313,411	26,652	27,437	785	7.84	100.00
HBL Islamic Money Market Fund	1,409	-	1,409	-	-	-	-	-	-
	1,392,047	2,827,957	3,906,593	313,411	26,652	27,437	785	7.84	100.00
Total as at June 30, 2020	24,313,533	3,842,141	26,743,439	1,412,235	126,475	128,158	1,683		

6. PRELIMINARY EXPENSES AND FLOTATION COSTS

	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
	(Rupees in '000)									
Opening balance	51	13	-	1,152	1,216	68	18	2,248	-	2,334
Cost incurred during the year / period	-	-	-	-	-	30	30	30	1,860	1,950
Less: amortised during the year / period	(17)	(4)	-	(992)	(1,013)	(47)	(35)	(2,278)	(708)	(3,068)
Closing balance	34	9	-	160	203	51	13	-	1,152	1,216

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortized over a period of two years for Strategic Allocation Plan and five years for Active Allocation Plan and Conservative Allocation Plan and two years for Islamic Capital Preservation Plan commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and the NBFC Rules.

7. ADVANCE AND OTHER RECEIVABLE

		2020				2019					
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
		(Rupees in '000)									
Advance tax	7.1	92	18	-	41	151	26	18	-	-	44
Receivable against sale of investment		-	-	-	-	-	-	246	-	-	246
		92	18	-	41	151	26	264	-	-	290

7.1 This pertains to tax erroneously collected by bank on markup on bank deposits which will be claimed on filing of tax return of the Fund.

8. PAYABLE TO THE MANAGEMENT COMPANY

		2020					2019				
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
		(Rupees in '000)									
Formation cost		-	-	-	1,860	1,860	-	-	-	1,860	1,860
Remuneration to the Management company	8.1	-	-	4	264	268	1	-	132	276	409
Sindh Sales Tax on Management Company's remuneration	8.2	-	-	-	34	34	-	-	17	36	53
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	15	1	2	58	76	12	2	264	37	315
Sales load payable		7	132	-	7	146	-	-	-	7	7
		22	133	6	2,223	2,384	13	2	413	2,216	2,644

8.1 As Per SECP S.R.O. 639 (I)/2019 dated June 20, 2019, there has been amendment in NBFC regulation no. 61, in which limits over management fee had been removed and directed that the asset management company shall disclose in the Offering document the maximum rate of management fee chargeable to Collective Investment Scheme within allowed expense ratio limit. Further, the asset management company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the Offering Document and such actual rate shall be disclosed in Fund manager report. The management fee expense charged by the asset management company varied between 1.5% to 2.00% (2019: 2%) during the year. As per the offering document of the Fund, the Management Company shall charge a fee at the rate of 1% of the average annual net assets on daily basis of the Scheme. However, no Management Fee is charged on that part of the net assets which have been invested in mutual funds managed by the Management Company. The fee is payable monthly in arrears.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (June 30, 2019: 13%) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

8.3 As per Regulation 60(3)(s) of the NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the period / year. However, SECP vide S.R.O. 639(I)/2019 dated June 20, 2019, has removed the maximum limit of 0.1%.

9. PAYABLE TO THE TRUSTEE

	2020					2019					
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	
Note ----- (Rupees in '000) -----											
Remuneration payable to the Trustee	9.1	8	1	1	29	39	13	2	211	38	264
		8	1	1	29	39	13	2	211	38	264

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.

9.2 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 billion	0.09% per annum of the daily average net assets
Over Rs. 1 billion	Rs 0.9 million plus 0.065% per annum of the daily average net assets exceeding one billion

9.3 The Provisional Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

	2020					2019					
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	
Note ----- (Rupees in '000) -----											
Annual fee payable	10.1	22	2	22	84	130	191	23	3910	334	4,458
		22	2	22	84	130	191	23	3,910	334	4,458

10.1 Under the provisions of the NBFC Regulations a collective investment scheme categorised as a fund of fund scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

11. ACCRUED EXPENSES AND OTHER LIABILITIES

	2020					2019					
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	
Note ----- (Rupees in '000) -----											
Withholding tax		643	21	-	2,108	2,772	2	43	-	-	45
Provision for Sindh Workers' Welfare Fund	11.1	250	45	1,949	1,058	3,302	81	18	1,607	-	1,706
Shariah advisory fee		3	-	2	11	16	1	-	11	1	13
Printing charges		10	-	6	25	41	1	-	79	-	80
Auditors' remuneration		37	4	23	144	208	11	1	200	9	221
Others		36	-	505	5	546	40	3	974	-	1,017
Dividend Payable		66	-	-	650	716	-	-	-	-	-
Payable against redemption of units		-	-	-	-	-	-	244	-	-	244
		1,045	70	2,485	4,001	7,601	136	309	2,871	10	3,326

11.1 Workers' Welfare Fund and Sindh 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. Accordingly, Management started recording a provision for SWWF during the year ended June 30, 2017. Thereafter, the provision for SWWF is being made on a daily basis. Had the provision not been made, the net asset value per unit would have been higher by Rs. 0.2546 (2019: Rs. 0.052) per unit, Rs. 0.7363 (2019: Rs. 0.104) per unit, Nil (2019: Rs. 0.076) and Rs 0.3215 per unit of the Active Allocation Plan, Conservative Allocation Plan, Strategic Allocation Plan and Islamic Capital Preservation Plan respectively.

12. CONTINGENCIES AND COMMITMENTS

Other than already disclosed in the financial statement, there are no contingencies and commitments as at June 30, 2020.

13. NUMBER OF UNITS IN ISSUE

	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
	(Number of Units)									
Total units in issue at the beginning of the year	1,549,776	173,140	21,293,694	4,557,510	27,574,120	2,458,924	360,360	42,193,314	-	45,012,598
Units issued during the year	75,855	58,482	-	381,584	515,921	46,072	37,774	15,187,894	4,731,619	20,003,359
Less: units redeemed during the year	(643,841)	(170,432)	(21,293,694)	(1,611,718)	(23,719,685)	(955,220)	(224,994)	(36,087,514)	(174,109)	(37,441,837)
Total units in issue at the end of the year	981,790	61,190	-	3,327,376	4,370,356	1,549,776	173,140	21,293,694	4,557,510	27,574,120

13.1 The Management Company on June 29, 2019, has declared distribution of Rs. 3.8000, 2.1000 and 6.8000 per unit for IFPF - Active Allocation Plan (AAP), IFPF - Conservative Allocation Plan (CAP) and IFPF - Islamic Capital Preservation (ICPP) (for full year) respectively. The aggregate cash distribution is Rs. 3.614 million, Rs. 0.126 million and Rs. 21,418 million for IFPF - Active Allocation Plan (AAP), IFPF - Conservative Allocation Plan (CAP) and IFPF - Islamic Capital Preservation (ICPP) respectively.

14. AUDITOR'S REMUNERATION

	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
	(Rupees in '000)									
Annual Audit Fee	30	4	11	134	179	10	1	160	7	178
Fee for half year review	13	2	5	57	77	3	-	61	7	71
Other certifications and out of pocket	8	-	2	33	43	2	1	40	2	45
	51	6	18	224	299	15	2	261	16	294

15. TAXATION

No provision for taxation has been made as the Fund has incurred a net loss and as such is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognised in the 'Income statement' and 'Statement of comprehensive income'.

16. EARNINGS PER UNIT

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

17. FINANCIAL INSTRUMENTS BY CATEGORY

	2020													
	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation Plan			Islamic Capital Preservation Plan			Total	
	At fair value through profit or loss	Amortized cost	Sub Total	At fair value through profit or loss	Amortized cost	Sub Total	At fair value through profit or loss	Amortized cost	Sub Total	At fair value through profit or loss	Amortized cost	Sub Total		
	(Rupees in '000)													
Financial assets														
Bank balances	-	454	454	-	-	230	230	-	2,513	2,513	-	326,728	326,728	329,925
Investments - net	94,081	-	94,081	6,640	-	6,640	-	-	-	27,437	-	27,437	128,158	
Profit receivable	-	3	3	-	1	1	-	1	1	-	1,740	1,740	1,745	
	94,081	457	94,538	6,640	231	6,871	-	2,514	2,514	27,437	328,468	355,905	459,828	
	(Rupees in '000)													
Financial liabilities														
Payable to the Management Company	-	22	22	-	133	133	-	6	6	-	2,189	2,189	2,350	
Payable to the Trustee	-	7	7	-	1	1	-	1	1	-	26	26	35	
Accrued expenses and other liabilities	-	152	152	-	4	4	-	536	536	-	835	835	1,527	
	-	181	181	-	138	138	-	543	543	-	3,050	3,050	3,912	
	(Rupees in '000)													
	2019													
	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation Plan			Islamic Capital Preservation Plan			Total	
	At fair value through profit or loss	Amortized cost	Sub Total	At fair value through profit or loss	Amortized cost	Sub Total	At fair value through profit or loss	Amortized cost	Sub Total	At fair value through profit or loss	Amortized cost	Sub Total		
		(Rupees in '000)												
Financial assets														
Bank balances	-	737	737	-	53	53	-	2,440	2,440	-	334,719	334,719	337,949	
Investments - net	144,173	-	144,173	17,570	-	17,570	2,150,707	-	2,150,707	116,720	-	116,720	2,429,170	
Profit receivable	-	3	3	-	4	4	-	11	11	-	3,406	3,406	3,424	
Receivable against sale of investments	-	-	-	-	245	245	-	-	-	-	-	-	245	
	144,173	740	144,913	17,570	302	17,872	2,150,707	2,451	2,153,158	116,720	338,125	454,845	2,770,788	
	(Rupees in '000)													
Financial liabilities														
Payable to the Management Company	-	13	13	-	2	2	-	396	396	-	2,180	2,180	2,591	
Payable to the Trustee	-	11	11	-	1	1	-	187	187	-	34	34	233	
Accrued expenses and other liabilities	-	53	53	-	4	4	-	1,264	1,264	-	10	10	1,331	
Payable against redemption of units	-	-	-	-	244	244	-	-	-	-	-	-	244	
	-	77	77	-	251	251	-	1,847	1,847	-	2,224	2,224	4,399	

18. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units					Payable against redemption of units				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
Opening balance as at July 1, 2019	-	246	-	-	246	-	244	-	-	244
Receivable against issuance of units	3,658	5,985	-	18,659	28,302	-	-	-	-	-
Payable against redemption of units	-	-	-	-	-	59,416	18,021	2,162,490	152,722	2,392,649
Amount received on issuance of units	(3,658)	(6,231)	-	(18,659)	(28,548)	-	-	-	-	-
Amount paid on redemption of units	-	-	-	-	-	(59,416)	(18,265)	(2,162,490)	(152,722)	(2,392,893)
Closing balance as at June 30, 2020	-	-	-	-	-	-	-	-	-	-

19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

Transactions and balances with parties who were connected persons due to holding 10% or more units in the comparative period and not in the current period are not disclosed in the comparative period.

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

19.1 Transactions during the year / period

	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
	(Rupees in '000')									
HBL Asset Management Limited - Management Company										
Remuneration of the Management Company	8	2	63	2,848	2,921	12	2	151	2,545	2,710
Sindh Sales Tax on remuneration of the Management Company	1	-	8	370	379	1	-	19	331	351
Allocation of expenses related to registrar services, accounting, operation and valuation services	217	21	183	828	1,249	201	24	4,115	352	4,692
Issue of 464 units (2019: Nil units)	44	-	-	-	44	-	-	-	-	-
Dividend Paid	44	-	-	-	44	-	-	-	-	-
Habib Bank Limited - Sponsor										
Profit on deposits with bank	36	11	148	9,270	9,465	46	8	67	672	793
Bank Charges	20	19	21	26	86	24	18	868	44	954
MCB Financial Services Limited - Trustee										
Remuneration of the Trustee	112	12	104	426	654	204	25	3,305	358	3,892
HBL Islamic Income Fund										
Purchase of 163,912 (2019: 613,241) units	16,638	-	-	-	16,638	57,563	-	-	-	57,563
Purchase of 87,252 (2019: 30,112) units	-	9,017	-	-	9,017	-	1,687	-	-	1,687
Purchase of 55,353 (2019: 25,663,051) units	-	-	5,733	-	5,733	-	-	2,500,637	-	2,500,637
Redemption of 535,144 (2019: 692,711) units	55,856	-	-	-	55,856	72,687	-	-	-	72,687
Redemption of 175,098 (2019: 163,826) units	-	18,769	-	-	18,769	-	17,024	-	-	17,024
Redemption of 21,259,349 (2019: 24,850,350) units	-	-	2,168,358	-	2,168,358	-	-	2,654,035	-	2,654,035
Dividend Income	4,162	93	-	-	4,255	3,901	1,007	69,591	-	74,499
HBL Islamic Equity Fund										
Purchase of 130,036 (2019: nil) units	10,037	-	-	-	10,037	-	-	-	-	-
Purchase of 15,426 (2019: 8,735) units	-	1,231	-	-	1,231	-	776	-	-	776
Purchase of 129,551 (2019: nil) units	-	-	10,000	-	10,000	-	-	-	-	-
Redemption of 59,486 (2019: 135,383) units	5,433	-	-	-	5,433	12,575	-	-	-	12,575
Redemption of 38,748 (2019: 39,749) units	-	3,352	-	-	3,352	-	3,682	-	-	3,682
Redemption of 129,551 (2019: 10,424,976) units	-	-	11,138	-	11,138	-	-	890,118	-	890,118
Dividend Income	37	2	-	-	39	-	-	-	-	-
HBL Islamic Money Market Fund										
Purchase of Nil (2019: 1,409) units	-	-	-	-	-	-	-	-	150	150
Redemption of 1,409 (2019: nil) units	-	-	-	142	142	-	-	-	-	-
HBL Islamic Stock Fund										
Purchase of 22,861 (2019: 53,665) units	1,993	-	-	-	1,993	5,400	-	-	-	5,400
Purchase of 6,980 (2019: 6,245) units	-	578	-	-	578	-	633	-	-	633
Purchase of Nil (2019: 865,348) units	-	-	-	-	-	-	-	100,000	-	100,000
Redemption of 226,956 (2019: 623,587) units	21,503	-	-	-	21,503	65,214	-	-	-	65,214
Redemption of 9,700 (2019: 9,057) units	-	850	-	-	850	-	952	-	-	952
Redemption of Nil (2019: 11,180,346) units	-	-	-	-	-	-	-	1,166,961	-	1,166,961
Dividend Income	60	-	-	-	60	-	-	-	-	-

HBL ISLAMIC FINANCIAL PLANNING FUND

Notes to the financial statements

For the year ended June 30, 2020

	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
(Rupees in '000')										
HBL Islamic Dedicated Fund										
Purchase of 161,125 (2019: 203,779) units	12,000	-	-	-	12,000	22,000	-	-	-	22,000
Purchase of 241,688 (2019: 4,996,014) units	-	-	18,000	-	18,000	-	-	517,000	-	517,000
Purchase of 2,827,957 (2019: 2,394,335) units	-	-	-	231,000	231,000	-	-	-	235,000	235,000
Redemption of 161,125 (2019: 203,779) units	12,623	-	-	-	12,623	19,811	-	-	-	19,811
Redemption of 241,688 (2019: 4,996,014) units	-	-	22,147	-	22,147	-	-	450,469	-	450,469
Redemption of 3,905,184 (2019: 943,697) units	-	-	-	345,458	345,458	-	-	-	95,000	95,000
Ambreen Salman - Connected Person due to 10% holding										
Issue of 4,311 (2019: Nil) units	409	-	-	-	409	-	-	-	-	-
Dividend	481	-	-	-	481	-	-	-	-	-
Muhammad Salman - Connected Person due to 10% holding										
Issue of 3,159 (2019: Nil) units	300	-	-	-	300	-	-	-	-	-
Dividend	353	-	-	-	353	-	-	-	-	-
Rubina Siddique - Connected Person due to 10% holding										
Issue of 3,536 (2019: Nil) units	335	-	-	-	335	-	-	-	-	-
Dividend	395	-	-	-	395	-	-	-	-	-
Shehnaz Zeeshan - Connected Person due to 10% holding										
Issue of 4,299 (2019: Nil) units	408	-	-	-	408	-	-	-	-	-
Dividend	480	-	-	-	480	-	-	-	-	-
Falak Naz - Connected Person due to 10% holding										
Issue of 567 (2019: 602) units	-	62	-	-	62	-	-	-	-	-
Dividend	-	73	-	-	73	-	-	-	-	-
Ahmed Salahuddin - Connected Person due to 10% holding										
Issue of 244 (2019: Nil) units	-	27	-	-	27	-	-	-	-	-
Dividend	-	31	-	-	31	-	-	-	-	-
Habib Bank Staff Behbood Fund Associate										
Redemption of 684,657 (2019: Nil) units	-	-	-	76,691	76,691	-	-	-	-	-
New Jubilee Insurance Co. Limited Staff Provident Fund Associate										
Issue of 3,238 units (2019: 50,009 units)	-	-	-	340	340	-	-	-	-	-
Dividend Paid	-	-	-	340	340	-	-	-	-	-
Barrett Hodgson Pakistan (Pvt.) Ltd. - Connected Person due to 10% holding										
Issue of 55,186 units (2019: 1,002,789 units)	-	-	-	5,796	5,796	-	-	-	-	-
Dividend Paid	-	-	-	6,819	6,819	-	-	-	-	-
Pakistan Soc For Welf Of Mentally Retarded Child - Connected Person due to 10% holding										
Investment of 52,511 units (2019: 811,054 units)	-	-	-	5,515	5,515	-	-	-	-	-
Dividend Paid	-	-	-	5,515	5,515	-	-	-	-	-
Pakistan Society For The Welfare Of Mentally Retarded Children [SMA] - Connected Person due to 10% holding										
Investment of 19,377 units (2019: Nil units)	-	-	-	2,035	2,035	-	-	-	-	-
Dividend Paid	-	-	-	2,035	2,035	-	-	-	-	-

19.2 Balances outstanding as at year / period end

HBL Asset Management Limited - Management Company										
Remuneration payable to the Management Company	-	-	4	264	268	1	-	132	276	409
Sindh Sales Tax payable on remuneration of the Management Company	-	-	-	34	34	-	-	17	36	53
Sales load payable	7	132	-	7	146	-	-	-	7	7
Allocation of expenses related to registrar services, accounting, operation and valuation services	15	1	2	58	76	12	2	264	37	315
Formation Cost payable	-	-	-	1,860	1,860	-	-	-	1,860	1,860
Units held 12,039 units (June 30, 2019: Nil units)	1,147	-	-	-	1,147	-	-	-	-	-
Habib Bank Limited - Sponsor										
Mark-up receivable on deposits with bank	2	1	1	1,721	1,725	-	-	-	-	-
Balance in savings account	281	208	2,467	323,811	326,767	-	-	-	-	-
Units held 684,657 units (June 30, 2019: Nil units)	-	-	-	70,013	70,013	-	-	-	-	-
MCB Financial Services Limited - Trustee										
Remuneration payable to the Trustee	8	1	1	29	39	13	2	211	38	264
Ambreen Salman - Connected Person due to 10% holding										
Units held 130,914 units (June 30, 2019: Nil units)	12,476	-	-	-	12,476	-	-	-	-	-
Muhammad Salman - Connected Person due to 10% holding										
Units held 95,944 units (June 30, 2019: Nil units)	9,144	-	-	-	9,144	-	-	-	-	-
Rubina Siddique - Connected Person due to 10% holding										
Units held 107,380 units (June 30, 2019: Nil units)	10,234	-	-	-	10,234	-	-	-	-	-
Shehnaz Zeeshan - Connected Person due to 10% holding										
Units held 130,543 units (June 30, 2019: Nil units)	12,441	-	-	-	12,441	-	-	-	-	-
Falak Naz - Connected Person due to 10% holding										
Units held 35,205 units (June 30, 2019: 34,638 units)	-	3,850	-	-	3,850	-	356,595	-	-	356,595
Ahmed Salahuddin - Connected Person due to 10% holding										
Units held 15,176 units (June 30, 2019: Nil units)	-	1,660	-	-	1,660	-	-	-	-	-
Habib Bank Staff Behbood Fund - Connected Person Associate										
Units held Nil units (2019: 684,657)	-	-	-	-	-	-	-	-	68,112	68,112
New Jubilee Insurance Company Limited Staff Provident Fund Associate										
Units held 53,247 units (2019: 50,009)	-	-	-	5,597	5,597	-	-	-	4,975	4,975
Barrett Hodgson Pakistan (Private) Limited - Connected Person due to 10% holding										
Units held 1,057,975 (2019: 1,002,789)	-	-	-	111,213	111,213	-	-	-	99,761	99,761
Pakistan Society for the Welfare of Mentally Retarded Children - Connected Person due to 10% holding										
Units held 863,565 (2019: 811,054)	-	-	-	90,777	90,777	-	-	-	80,687	80,687

	2020					2019					For the period from October 2, 2018 to June 30, 2019
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	
(Rupees in '000')											
Pakistan Society For The Welfare Of Mentally Retarded Children [SMA] due to 10% holding Units held 318,654 (2019: 811,054)	-	-	-	33,496	33,496	-	-	-	-	80,687	80,687
HBL Islamic Income Fund Units held 467,207 (2019: 838,440)	47,436	-	-	-	47,436	85,043	-	-	-	-	85,043
Units held 52,179 (2019: 340,026)	-	5,298	-	-	5,298	-	14,203	-	-	-	14,203
Units held Nil (2019: 21,203,994)	-	-	-	-	-	-	-	2,150,706	-	-	2,150,706
HBL Islamic Equity Fund Units held 373,142 (2019: 302,592)	28,945	-	-	-	28,945	23,237	-	-	-	-	23,237
Units held 17,300 (2019: 40,622)	-	1,342	-	-	1,342	-	3,119	-	-	-	3,119
Units held Nil (2019: Nil)	-	-	-	-	-	-	-	-	-	-	-
HBL Islamic Stock Fund Units held 188,995 (2019: 393,090)	17,701	-	-	-	17,701	35,893	-	-	-	-	35,893
Units held Nil (2019: 2,721)	-	-	-	-	-	-	248	-	-	-	248
HBL Islamic Dedicated Equity Fund Units held 313,411 (2019: 1,390,638)	-	-	-	27,437	27,437	-	-	-	-	116,578	116,578

* Units as at June 30, 2020 are calculated on the basis of latest announced NAV i.e June 30, 2020.

20. FINANCIAL RISK MANAGEMENT

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

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

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

20.1 Market risk

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

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

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

20.2 Currency risk

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

20.3 Interest rate risk

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

Particulars	Strategic Allocation Plan											
	2020					2019						
	Effective yield / interest rate	Exposed to Yield / interest rate risk Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / interest rate risk	Total	Effective yield / interest rate	Exposed to Yield / interest rate risk Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / interest rate risk	Total
	%	(Rupees in '000)					%	(Rupees in '000)				
On-balance sheet financial instruments												
Financial assets												
Bank balances	6 - 13.25	2,513	-	-	-	2,513	6 - 13.5	2,440	-	-	-	2,440
Investments		-	-	-	-	-		-	-	-	2,150,707	2,150,707
Profit receivable		-	-	-	1	1		-	-	-	11	11
Sub total		2,513	-	-	1	2,514		2,440	-	-	2,150,718	2,153,158
Financial liabilities												
Payable to the Management Company		-	-	-	6	6		-	-	-	396	396
Payable to the Trustee		-	-	-	1	1		-	-	-	187	187
Accrued expenses and other liabilities		-	-	-	536	536		-	-	-	1,264	1,264
Sub total		-	-	-	543	543		-	-	-	1,847	1,847
On-balance sheet gap (a)		2,513	-	-	(542)	1,971		2,440	-	-	2,148,871	2,151,311
Off-balance sheet financial instruments												
Off-balance sheet gap (b)		-	-	-	-	-		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		2,513	-	-	(542)	1,971		2,440	-	-	2,148,871	2,151,311
Cumulative interest rate sensitivity gap		2,513	-	-	-	-		2,440	-	-	-	-
Islamic Capital Preservation Plan												
Particulars	2020					2019						
	Effective yield / interest rate	Exposed to Yield / interest rate risk Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / interest rate risk	Total	Effective yield / interest rate	Exposed to Yield / interest rate risk Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / interest rate risk	Total
	%	(Rupees in '000)					%	(Rupees in '000)				
	On-balance sheet financial instruments											
Financial assets												
Bank balances	6 - 13.25	326,728	-	-	-	326,728	6 - 13.5	334,719	-	-	-	334,719
Investments		-	-	-	27,437	27,437		-	-	-	116,720	116,720
Profit receivable		-	-	-	1,740	1,740		-	-	-	3,406	3,406
Sub total		326,728	-	-	29,177	355,905		334,719	-	-	120,126	454,845
Financial liabilities												
Payable to the Management Company		-	-	-	2,189	2,189		-	-	-	2,180	2,180
Payable to the Trustee		-	-	-	26	26		-	-	-	34	34
Accrued expenses and other liabilities		-	-	-	835	835		-	-	-	10	10
Sub total		-	-	-	3,050	3,050		-	-	-	2,224	2,224
On-balance sheet gap (a)		326,728	-	-	26,127	352,855		334,719	-	-	117,902	452,621
Off-balance sheet financial instruments												
Off-balance sheet gap (b)		-	-	-	-	-		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		326,728	-	-	26,127	352,855		334,719	-	-	117,902	452,621
Cumulative interest rate sensitivity gap		326,728	-	-	-	-		334,719	-	-	-	-

20.4 Price risk

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

20.5 Credit risk

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

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

Management of credit risk

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

20.5.1 The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2020:

Name of the bank	2020				Latest available published rating as at June 30, 2020	Rating agency
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan		
----- (Rupees in '000) -----						
Savings accounts						
Dubai Islamic Bank Limited	93	9	34	2,786	AA	VIS
Habib Bank Limited	281	208	2,467	323,811	AAA	VIS
Bank Islami Pakistan Limited	80	13	12	-	A+	PACRA
Bank Al-Habib Limited	-	-	-	94	AA+	PACRA
Allied Bank Limited	-	-	-	37	AAA	PACRA
	454	230	2,513	326,728		

Name of the bank	2019				Latest available published rating as at June 30, 2019	Rating agency
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan		
----- (Rupees in '000) -----						
Savings accounts						
Dubai Islamic Bank Limited	72	29	2,585	332,253	AA-	VIS
Habib Bank Limited	640	4	(189)	2,196	AAA	VIS
Bank Islami Pakistan Limited	25	20	44	-	AA+	PACRA
Bank Al-Habib Limited	-	-	-	127	AA+	PACRA
Allied Bank Limited	-	-	-	143	AAA	PACRA
	737	53	2,440	334,719		

The maximum exposure to credit risk before considering any collateral as at June 30, 2020, is the carrying amount of the financial assets. Investments in units, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

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

Rating by rating category	2020				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
----- (Percentage) -----					
AAA		61.89	90.43	98.17	99.12
AA+		0.00	0.00	0.00	0.03
AA		20.48	3.91	1.35	0.85
A+		17.62	5.65	0.48	0.03

	2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
Rating by rating category	----- (Percentage) -----				
AAA	86.84	7.55	-7.75	0.70	0.83
AA+	3.39	37.74	1.80	0.04	0.06
AA-	9.77	54.72	105.94	99.26	99.11

Concentration of credit risk

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

The Fund's bank balances is held with 5 (2019: 3) banks. Management believes that such banks are reputed institutions.

20.6 Liquidity risk

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

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. The Fund did not withhold any redemptions during the year.

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

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																Total
	Active Allocation Plan				Conservative Allocation Plan				Strategic Allocation Plan				Islamic Capital Preservation Plan				
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
(Rupees in '000)																	
Financial liabilities																	
Payable to the Management Company	22	-	-	22	133	-	-	133	6	-	-	6	2,189	-	-	2,189	2,350
Payable to the Trustee	7	-	-	7	1	-	-	1	1	-	-	1	26	-	-	26	35
Accrued expenses and other liabilities	152	-	-	152	4	-	-	4	536	-	-	536	835	-	-	835	1,527
	181	-	-	181	138	-	-	138	543	-	-	543	3,050	-	-	3,050	3,912
Unit holder's fund	93,567	-	-	93,567	6,692	-	-	6,692	-	-	-	-	349,769	-	-	349,769	450,028
2019																	
	Active Allocation Plan				Conservative Allocation Plan				Strategic Allocation Plan				Islamic Capital Preservation Plan				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	Up to three months	Over three months and up to one year	Over one year	Total	
(Rupees in '000)																	
Financial liabilities																	
Payable to the Management Company	13	-	-	13	2	-	-	2	396	-	-	396	2,180	-	-	2,180	2,591
Payable to the Trustee	11	-	-	11	1	-	-	1	187	-	-	187	34	-	-	34	233
Accrued expenses and other Liabilities	53	-	-	53	4	-	-	4	1,264	-	-	1,264	10	-	-	10	1,331
Payable against redemption of units	-	-	-	-	244	-	-	244	-	-	-	-	-	-	-	-	-
	77	-	-	77	251	-	-	251	1,847	-	-	1,847	2,224	-	-	2,224	4,155
Unit holder's fund	144,637	-	-	144,637	17,568	-	-	17,568	2,145,753	-	-	2,145,753	453,399	-	-	453,399	2,761,357

21. UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

22. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

		2020						
		Carrying amount			Fair value			
		Fair value through profit or loss	At Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note		----- (Rupees in '000) -----						
Financial instruments								
Financial assets not measured at fair value		22.1						
Investments		675,000	316,839	991,839	675,000	-	-	-
Bank balances		-	7,397,036	7,397,036				
Accrued mark-up on bank deposits		-	53,814	53,814				
Deposit		-	100	100				
		<u>675,000</u>	<u>7,767,689</u>	<u>8,442,789</u>				
Financial liabilities not measured at fair value		22.1						
Payable to Management Company		-	3,389	3,389				
Payable to Trustee		-	458	458				
Accrued expenses and other liabilities		-	1,582	1,582				
		<u>-</u>	<u>5,429</u>	<u>5,429</u>				

		2019						
		Carrying amount			Fair value			
		Fair value through profit or loss	At Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note		----- (Rupees in '000) -----						
Financial instruments								
Financial assets not measured at fair value		22.1						

		Conservative Allocation Plan						
		2020						
		Carrying amount			Fair Value			
		Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		through profit and loss						
Note		(Rupees in '000')						
On-balance sheet financial instruments								
Financial assets measured at fair value								
	Investments	6,640	-	6,640	6,640	-	-	6,640
		<u>6,640</u>	<u>-</u>	<u>6,640</u>				
Financial assets not measured at fair value								
22.1	Bank balances	-	230	230				
	Profit receivable	-	1	1				
		<u>-</u>	<u>231</u>	<u>231</u>				
Financial liabilities not measured at fair value								
22.2	Payable to the Management Company	-	133	133				
	Payable to the Trustee	-	1	1				
	Accrued expenses and other liabilities	-	4	4				
		<u>-</u>	<u>138</u>	<u>138</u>				
		2019						
		Carrying amount			Fair value			
		Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		through profit and loss						
Note		(Rupees in '000')						
On-balance sheet financial instruments								
Financial assets measured at fair value								
	Investments	17,570	-	17,570	17,570	-	-	17,570
		<u>17,570</u>	<u>-</u>	<u>17,570</u>				
Financial assets not measured at fair value								
22.1	Bank balances	-	53	53				
	Profit receivable	-	4	4				
	Receivable against sale of equity	-	245	245				
22.2		<u>-</u>	<u>302</u>	<u>302</u>				
Financial liabilities not measured at fair value								
	Payable to the Management Company	-	2	2				
	Payable to the Trustee	-	1	1				
	Accrued expenses and other liabilities	-	4	4				
	Payable against redemption of units	-	244	244				
		<u>-</u>	<u>251</u>	<u>251</u>				
		Strategic Allocation Plan						
		2020						
		Carrying amount			Fair Value			
		Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		through profit and loss						
Note		(Rupees in '000')						
On-balance sheet financial instruments								
Financial assets measured at fair value								
	Investments	-	-	-	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>				
Financial assets not measured at fair value								
22.1	Bank balances	-	2,513	2,513				
	Profit receivable	-	1	1				
		<u>-</u>	<u>2,514</u>	<u>2,514</u>				
Financial liabilities not measured at fair value								
22.2	Payable to the Management Company	-	6	6				
	Payable to the Trustee	-	1	1				
	Accrued expenses and other liabilities	-	536	536				
		<u>-</u>	<u>543</u>	<u>543</u>				

		2019						
		Carrying amount			Fair value			
		Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		through profit and loss						
Note		----- (Rupees in '000') -----						
On-balance sheet financial instruments								
Financial assets measured at fair value								
		2,150,707	-	2,150,707	2,150,707	-	-	2,150,707
		<u>2,150,707</u>	<u>-</u>	<u>2,150,707</u>				
Financial assets not measured at fair value								
	22.1	-	2,440	2,440				
		-	11	11				
		<u>-</u>	<u>2,451</u>	<u>2,451</u>				
Financial liabilities not measured at fair value								
	22.2	-	396	396				
		-	187	187				
		-	1,264	1,264				
		<u>-</u>	<u>1,847</u>	<u>1,847</u>				

		Islamic Capital Preservation Plan						
		2020			Fair Value			
		Fair value	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		through profit and loss						
Note		----- (Rupees in '000') -----						
On-balance sheet financial instruments								
Financial assets measured at fair value								
		27,437	-	27,437	27,437	-	-	27,437
		<u>27,437</u>	<u>-</u>	<u>27,437</u>				
Financial assets not measured at fair value								
	22.1	-	326,728	326,728				
		-	1,740	1,740				
		<u>-</u>	<u>328,468</u>	<u>328,468</u>				
Financial liabilities not measured at fair value								
	22.2	-	2,189	2,189				
		-	26	26				
		-	835	835				
		<u>-</u>	<u>3,050</u>	<u>3,050</u>				

		2019						
		Carrying amount			Fair Value			
		Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note		----- (Rupees in '000') -----						
On-balance sheet financial instruments								
Financial assets measured at fair value								
		116,720	-	116,720	116,720	-	-	116,720
		<u>116,720</u>	<u>-</u>	<u>116,720</u>				
Financial assets not measured at fair value								
	22.1	-	334,719	334,719				
		-	3,406	3,406				
		<u>-</u>	<u>338,125</u>	<u>338,125</u>				
Financial liabilities not measured at fair value								
	22.2	-	2,180	2,180				
		-	34	34				
		-	10	10				
		<u>-</u>	<u>2,224</u>	<u>2,224</u>				

22.1 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.

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

22.3 Net assets attributable to unitholders. 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 unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

23. LIST OF TOP TEN BROKERS/DEALERS OF PERCENTAGE OF COMMISSION PAID / PAYABLE

There were no brokers during the year ended June 30, 2020.

24. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the investment committee of the Fund as on June 30, 2020, are as follows:

Name	Designation	Qualification	Experience in years
Mr. Mir Adil Rashid	Chief Executive Officer	BSc.	21
Mr. Adeel Abdul Wahab	Head of Equity / Fund Manager	ACCA	12
Mr. Muhammad Wamiq Sakrani	Acting Head of Fixed Income / Fund manager	MBA	10
Mr. Raza Inam	Acting Head of Research	Bsc. (Hons), CFA	7
Mr. Karim Khawaja	Head of Risk	MBA, CMA	17

* They are Joint Fund Managers of all other HBL funds managed by Management company.

25. PATTERN OF UNIT HOLDING

Category	2020			
	No of unit holders	Number of units held	Investment amounts Rupee in '000	Percentage %
Active Allocation Plan				
Associated Companies	1	12,039	1,147	1.22
Retirement funds	3	36,285	3,458	3.70
Individuals	43	933,466	88,962	95.08
	47	981,790	93,567	100.00
Conservative Allocation Plan				
Individuals	7	61,190	6,692	100.00
	7	61,190	6,692	100.00
Category	2020			
	No of unit holders	Number of units held	Investment amounts Rupee in '000	Percentage %
Islamic Capital Preservation Plan				
Associated company	1	53,247	5,597	1.60
Trust	3	1,233,917	129,708	37.08
NBFCs	1	52,499	5,519	1.58
Retirement funds	3	86,210	9,062	2.59
Other corporate	2	1,167,204	122,695	35.08
Individuals	60	734,299	77,188	22.07
	70	3,327,376	349,769	100.00

Category	2019			
	No of unit holders	Number of units held	Investment amounts	Percentage %
Active Allocation Plan				
Retirement funds	4	46,871	15,329	3.02
Individuals	71	1,502,905	491,493	96.98
	75	1,549,776	506,822	100.00
Conservative Allocation Plan				
Individuals	14	173,139	100,751	100.00
	14	173,139	100,751	100.00
Strategic Allocation Plan				
Trustee	1	50,253	5,064	0.24
Insurance companies	1	200,839	20,238	0.94
Retirement funds	5	439,517	44,289	2.06
Other corporate	3	20,156,376	2,031,146	94.66
Individuals	23	446,709	45,015	2.10
	33	21,293,694	2,145,752	100.00
Islamic Capital Preservation Plan				
Trustee	3	1,159,788	121,915	34.86
Associated company	2	734,666	77,227	22.08
NBFCs	1	49,761	5,231	1.50
Retirement funds	3	80,968	8,511	2.43
Other corporate	2	1,112,018	116,894	33.42
Individuals	90	1,420,309	149,301	42.69
	101	4,557,510	479,079	136.98

26. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 29, 2019, October 29, 2019, February 13, 2020, March 02, 2020 and April 29, 2020, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

	2020		
	Number of unit holders	Units held	Investment amount (Rupees in '000)
Individuals	2,309	14,803,696	1,497,755
Associated company	1	2,240,000	226,631
Trust	7	786,708	79,595
Insurance Companies	6	900,046	91,062
Retirement funds	15	721,690	73,017
Banks / DFIs	2	5,993,720	606,411

27. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016, issued by the Securities and Exchange Commission of Pakistan, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the financial statements of CIS / the Fund. Further, limit for Fund of Fund is 2.5% in case management fee is charged and upto 0.5% incase no management fee is charged. The total expense ratio for the year ended June 30, 2020, is 0.61%, 0.41%, Nil, 1.68% (2019: 0.25%, 0.45%, 0.26% and 0.85%) which includes 0.18%, 0.27%, Nil, 0.37% (2019: 0.11%, 0.11%, 0.10% and 0.02%) representing Government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan, Strategic Allocation Plan and Islamic Capital Preservation Plan respectively.

28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 27, 2020 by the Board of Directors of the Management Company.

29. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

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

Chief Financial Officer

Chief Executive Officer

Director



HBL Islamic Dedicated Equity Fund

FUND INFORMATION

NAME OF FUND	HBL ISLAMIC DEDICATED EQUITY FUND
NAME OF TRUSTEE	MCB Financial Services limited
NAME OF AUDITORS	Deloitte Yousuf Adil Chartered Accountants
NAME OF SHARIAH ADVISORS	Al - Hilal Shariah Advisors (Pvt.) Limited
NAME OF BANKERS	Bank Islami Pakistan Limited Allied Bank Limited Dubai Islamic Bank Limited

Type and Category of Fund

Open end Shariah Compliant Dedicated Equity Fund

Investment Objective and Accomplishment of Objective

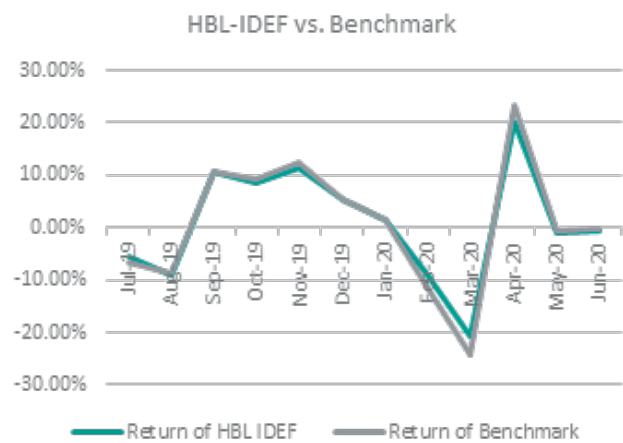
The objective of the Fund is to provide capital appreciation to investors of 'Fund of Funds' schemes by investing in Shariah compliant equity securities.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KMI 30 Index.

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

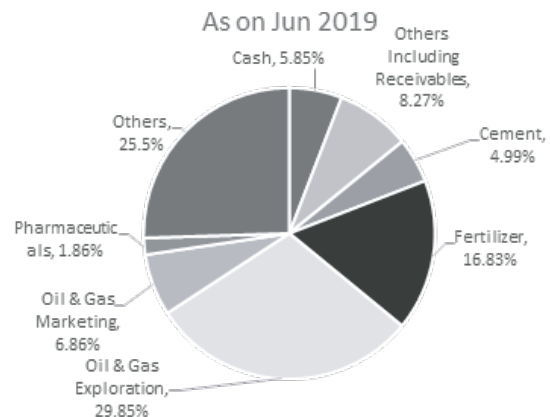
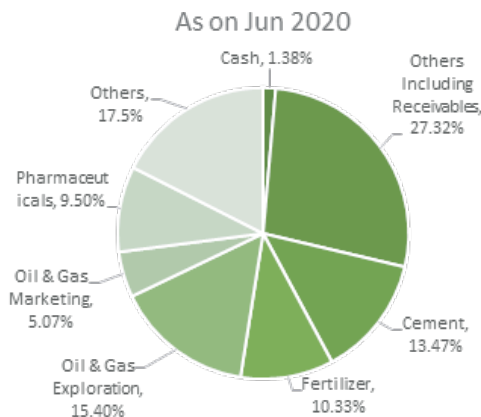
Month	Return of Fund	
	HBL-IDEF	Benchmark
Jun-20	-0.50%	-0.32%
May-20	-0.82%	-0.64%
Apr-20	20.26%	23.26%
Mar-20	-20.79%	-24.20%
Feb-20	-9.15%	-11.39%
Jan-20	1.37%	1.58%
Dec-19	5.28%	5.29%
Nov-19	11.42%	12.31%
Oct-19	8.42%	9.17%
Sep-19	10.74%	10.65%
Aug-19	-9.26%	-8.59%
Jul-19	-5.61%	-6.56%



Strategies and Policies employed during the Year

During the year under review, the Fund exposure in equity was 71% of total assets as on June 30, 2020. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in cements and pharmaceuticals was increased, while exposure in fertilizers and oil & gas exploration companies was decreased.

Asset Allocation



Significant Changes in Asset Allocation during the Year

Following table shows sector wise allocation of equity investments of Fund as on June 30, 2020 and June 30, 2019:

Sector Name	As on Jun 2020	As on Jun 2019
Cash	1.38%	5.85%
Others Including Receivables	27.32%	8.27%
Cement	13.47%	4.99%
Fertilizer	10.33%	16.83%
Oil & Gas Exploration	15.40%	29.85%
Oil & Gas Marketing	5.07%	6.86%
Pharmaceuticals	9.50%	1.86%
Others	17.5%	25.5%
Total	100.00%	100.00%

Fund Performance

During the year under review, the Islamic Dedicated Equity Fund earned a total and net income of Rs. 38.64 million and Rs. 30.09 million respectively. The net assets of the Islamic Dedicated Equity Fund stood at Rs. 27.44 million representing Net Asset Value (NAV) of Rs. 87.5443 per unit as at June 30, 2020 as compared to Rs. 83.8322 per unit as on June 30, 2019. The Fund earned a return of 4.43% for the year under review against the benchmark return of 1.62%.

Market Review

The equity markets' performance during FY20 can be described as a tale of two halves.

1HFY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KMI30 index increased by 22% during 1HFY20 to close at 66,032 points on December 31, 2019.

2HFY20 continued with the same momentum as the benchmark KMI30 index made a high of 70,790 on January 10, 2020. However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KMI30 index as it fell to a low of 41,365 points on March 26, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KMI30 witnessed a sharp uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate), approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government's decision to ease off lockdown restrictions for certain industries. The KMI30 index closed the year at 54,995 points (up 1.62%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mn in FY19).

Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight 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.

Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2020.

Significant Changes in the State of Affairs

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

Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	-	-
101 – 500	-	-
501 – 1,000	-	-
100,1 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – 500,000	1	313,411
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
Total	1	313,411

Unit Splits

There were no unit splits during the year.

Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

Soft Commission

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

PERFORMANCE TABLE - HBL ISLAMIC DEDICATED EQUITY FUND

	For the period ended June 30,2020	For the period ended June 30,2019
Net assets at the period end(Rs'000)	27,437	116,580
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES		
Redemption	87.5443	83.8322
Offer	87.5443	83.8322
OFFER / REDEMPTION DURING THE PERIOD - RUPEES		
Highest offer price per unit	106.9964	108.5677
Lowest offer price per unit	68.2277	80.6086
Highest redemption price per unit	106.9964	108.5677
Lowest redemption price per unit	68.2277	80.6086
RETURN (%)		
Total return	4.43%	-16.17%
Income distribution	0.00%	0.00%
Capital growth	4.43%	-16.17%
DISTRIBUTION		
Final dividend distribution- Rs	-	-
Date of Income Distribution	-	-
Total dividend distribution for the year/ period	-	-
AVERAGE RETURNS (%)		
Average annual return 1 year	4.43%	-16.17%
Average annual return 2 year	-6.44%	0.00%
Average annual return 3 year	0.00%	0.00%
Weighted average portfolio during (No. of days)		
PORTFOLIO COMPOSITION - (%)		
Percentage of Total Assets as at 30 June:		
Bank Balances	1.38%	5.85%
GoP Ijarah Sukuks	-	-
Placement with Banks and DFIs	-	-
Corporate Sukuks	-	-
Stock / Equities	71.30%	85.88%
Others	27.32%	8.27%

Note:

The Launch date of the Fund is October 01, 2018

Disclaimer:

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

PROXY VOTING DISCLOSURE

As at June 30, 2020

Summary of Actual Proxy voted by CIS

HBL IDEF	Meetings	Resolutions	For	Against
Number	1	6	6	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Amreli Steels Limited	23/10/2018	
AGP Limited	17/4/2019	
Dawood Hercules Corporation	(5/12/2018)(27/4/2019)(20/5/2019)	
DG Khan Cement Ltd	27/10/2018	
Engro Corporation Ltd	(3/12/2018)(24/4/2019)(13/5/2019)	(28/5/2019)
Engro Fertilizer Ltd	(26/11/2018)(28/3/2019)	27/5/2019
Engro Polymer & Chemicals Ltd	(1/4/2019)	
Fauji Fertilizer Co Ltd	(19/12/2018)(26/3/2019)(23/6/2019)	
Hascol Petroleum	(19/11/2018)(29/4/2019)	
International Industries Ltd	(22/3/2019)	
International Steels Limited	(22/3/2019)	
Kohat Cement Co Ltd	25/10/2018	29/6/2019
Kohinoor Textile Mill Ltd	27/10/2018)(21/3/2019)	
Lucky Cement Ltd	(27/10/2018)	
Lotte Chemical Pakistan Ltd	(18/4/2019)	
Maple Leaf Cement Factory	27/10/2018	
Mari Petroleum Company Ltd	18/10/2018)(20/3/2019)	
Meezan Bank Ltd	(28/3/2019)(20/5/2019)	17/11/2018
Nishat Mills Ltd	27/10/2018)(17/4/2019)	
Oil & Gas Development Co Ltd	(25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019)	
Pakgen Power Ltd	30/4/2019	
Pakistan Petroleum Ltd	26/10/2018	
Pakistan Oilfields Ltd	(20/3/2019)	
Pakistan State Oil Company Ltd	(16/10/2018)(19/6/2019)	
Sitara Chemical Ind.		20/6/2019
Sui Northern Gas Pipeline Ltd	23/5/2019	
Thal Limited	(22/10/2018)(20/3/2019)	
The Searle Company Ltd	22/11/2018	



MCB FINANCIAL SERVICES LIMITED

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

HBL ISLAMIC DEDICATED EQUITY FUND

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

HBL Islamic Dedicated Equity Fund, an open-end Scheme established under a Trust Deed dated June 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund was authorized by Securities & Exchange Commission of Pakistan as a unit trust scheme on 4th July 2018.

1. HBL Asset Management Company Limited, the Management Company of HBL Islamic Dedicated Equity Fund has, in all material respects, managed HBL Islamic Dedicated Equity Fund during the year ended 30th June 2020 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: September 21, 2020

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Dedicated Equity Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2020. This has been duly confirmed by the Shariah Advisor of the Fund.



Mir Adil Rashid

Chief Executive Officer

Dated: August 27, 2020





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 Dedicated Equity Fund (HBL-IDEF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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



Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive

INDEPENDENT AUDITORS' REPORT

To the unit holders of HBL Islamic Dedicated Equity Fund

Report on the audit of the financial statements

Opinion

We have audited the financial statements of HBL Islamic Dedicated Equity Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2020, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

Basis for opinion

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

Key audit matter

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

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p>Valuation and existence of investment</p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements and represent a significant portion of the net assets of the Fund.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> obtained understanding of relevant controls placed by the Management Company applicable to the balance;

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>The Fund's primary activity is, inter alia, to invest in equity securities; which is the main driver of the Fund's performance.</p> <p>Considering the above factors the valuation and existence are significant areas during our audit due to which we have considered this as a Key Audit Matter.</p>	<ul style="list-style-type: none"> independently verified existence of investments from the Central Depository Company (CDC) account statement; independently tested the valuations directly with the prices quoted on Pakistan Stock Exchange Limited (PSX); performed test of details on sale and purchase of investments on a sample basis; and any differences identified during our testing that were over our acceptable threshold were investigated further.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management Company and Those Charged with Governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists.

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>The Fund's primary activity is, inter alia, to invest in equity securities; which is the main driver of the Fund's performance.</p> <p>Considering the above factors the valuation and existence are significant areas during our audit due to which we have considered this as a Key Audit Matter.</p>	<ul style="list-style-type: none"> independently verified existence of investments from the Central Depository Company (CDC) account statement; independently tested the valuations directly with the prices quoted on Pakistan Stock Exchange Limited (PSX); performed test of details on sale and purchase of investments on a sample basis; and any differences identified during our testing that were over our acceptable threshold were investigated further.

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

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management Company and Those Charged with Governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists.



Deloitte Yousof Adil
Chartered Accountants

Report on other legal and regulatory requirements

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

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


Chartered Accountants

Date: September 24, 2020
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

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

We have performed an independent assurance engagement of **HBL Islamic Dedicated Equity Fund** (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2020. Our engagement was carried out as under Trust Deed and Shariah Principles of the Fund.

Management Company's responsibility

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

Responsibility of an independent assurance provider

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

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

The procedures performed included:

- Checking compliance of specified guideline issued by the Shariah Advisor relating to charity, maintaining of bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2020 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with Shariah Principles in the Trust Deed and the guideline issued by the Shariah Advisor for the year ended June 30, 2020.


Chartered Accountants

Dated: September 29, 2020
Place: Karachi

HBL Islamic Dedicated Equity Fund
Statement of Assets and Liabilities
As at June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
Assets			
Bank balances	5.	543	6,975
Investments	6	22,248	102,392
Dividend and profit receivable	7	700	1,590
Preliminary expenses and floatation costs	8	715	935
Advances and deposits	9	5,291	4,202
Receivable against sale of investment		1,607	3,116
Total assets		31,104	119,210
Liabilities			
Payable to the Management Company	10	174	475
Payable to the Trustee	11	24	10
Payable to Securities and Exchange Commission of Pakistan	12	29	282
Payable against Formation cost		-	1,100
Other liabilities	13	3,440	763
		3,667	2,630
Net assets		27,437	116,580
Unit holders' fund (as per statement attached)		27,437	116,580
Contingencies and commitments	14		
		-----Number of units-----	
Number of units in issue	16.	313,411	1,390,638
		----- (Rupees) -----	
Net assets value per unit		87.5443	83.8322

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

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL Islamic Dedicated Equity Fund

Income Statement

For the year ended June 30, 2020

		July 01, 2019 to June 30, 2020	October 01, 2018 to June 30, 2019
	Note	------(Rupees in '000)-----	
Income			
Mark-up on deposit with banks	15	1,191	1,963
Dividend income		6,951	10,325
Other Income		-	7
Capital gain / (loss) on sale of investments - net		29,710	(72,372)
Unrealised appreciation / (diminution) on remeasurement of investments classified as financial asset at fair value through profit or loss - net		784	(19,147)
Total Income / (loss)		38,636	(79,224)
Expenses			
Remuneration of the Management Company	10.1&10.2	3,231	6,707
Remuneration of the Trustee	11.1	282	302
Annual fee to Securities and Exchange Commission of Pakistan	12.1	29	282
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	301	297
Selling and marketing expenses	10.4	1,087	1,187
Amortisation of preliminary expenses and floatation costs		220	165
Auditors' remuneration	17	266	250
Fees and subscription		202	148
Printing and stationary charges		33	-
Securities transaction costs		1,756	2,993
Settlement and bank charges		40	114
Charity expense		490	471
		7,937	12,916
Net profit/(loss) from operating activities		30,699	(92,140)
Provision for Sindh Workers' Welfare Fund	13.2	(614)	-
Net profit/(loss) for the period before taxation		30,085	(92,140)
Taxation	18	-	-
Net income / (loss) for the period		30,085	(92,140)
Net income for the period		30,085	(92,140)
Income already paid on redemption of units		(30,085)	-
		-	(92,140)
Accounting income available for distribution:			
- Relating to capital gain		-	-
- Excluding capital gain		-	-
Net income / (loss) for the period		-	-
Earnings per unit	19		

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

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

Chief Financial Officer

Chief Executive Officer

Director

HBL Islamic Dedicated Equity Fund
Statement of Comprehensive Income
For the year ended June 30, 2020

Note	July 01, 2019 to June 30, 2020	October 01, 2018 to June 30, 2019
	------(Rupees in '000)-----	
Net income / (loss) for the period after taxation	30,085	(92,140)
Other comprehensive income for the period	-	-
Total comprehensive income for the period	30,085	(92,140)

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

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

Chief Financial Officer

Chief Executive Officer

Director

HBL Islamic Dedicated Equity Fund
Cash Flow Statement
For the year ended June 30, 2020

	July 01, 2019 to June 30, 2020	October 01, 2018 to June 30, 2019
Note	------(Rupees in '000)-----	
Cash flows from operating activities		
Net profit/ (loss) for the period before taxation	30,085	(92,140)
Adjustments		
Dividend Income	(1,191)	(1,963)
Profit on bank deposits	(6,951)	(10,325)
Capital (income) / loss on sale of investments - net	(29,710)	72,372
Unrealised (appreciation) / diminution on remeasurement of investments classified as financial asset at fair value through profit or loss - net	(784)	19,147
	<u>(8,551)</u>	<u>(12,909)</u>
Decrease/(Increase) in assets		
Investments - net	110,638	(197,028)
Advances and deposits	(1,089)	(4,202)
Preliminary expenses and floatation costs	220	(935)
Receivable against sale of investment	1,509	-
	<u>111,278</u>	<u>(202,165)</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	(301)	475
Payable to the Trustee	14	10
Payable to Securities and Exchange Commission of Pakistan	(253)	282
Payable against Formation cost	(1,100)	1,100
Other liabilities	2,677	763
	<u>1,037</u>	<u>2,630</u>
Net cash generated from / (used in) operations	<u>103,764</u>	<u>(212,444)</u>
Bank profit received	6,986	1,922
Dividend income received	2,046	8,776
Net cash generated from / (used in) operating activities	<u>112,796</u>	<u>(201,745)</u>
Cash flows from financing activities		
Amount received on issue of units	261,000	774,000
Payment against redemption of units	(380,228)	(565,280)
Net cash (used in) / generated from financing activities	<u>(119,228)</u>	<u>208,720</u>
Net (decrease) / increase in cash and cash equivalents	<u>(6,432)</u>	<u>6,975</u>
Cash and cash equivalents at beginning of the year / period	6,975	-
Cash and cash equivalents at end of the year / period	<u>543</u>	<u>6,975</u>

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

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

Chief Financial Officer

Chief Executive Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 HBL Islamic Dedicated Equity Fund (the Fund) was established under a Trust Deed, dated June 22, 2017, executed between HBL Asset Management Limited as the Management Company and MCB Financial Services limited (MCBFSL) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan as a unit trust scheme on July 04, 2018.

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

1.3 The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund.

1.4 The principal activity of the Fund is to provide capital appreciation to investors schemes by investing in Shariah Compliant equity securities.

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

1.6 Title to the assets of the Fund are held in the name of MCB Financial Services Limited as trustee of the Fund.

1.7 COVID 19 Impact

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 / governments 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 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.

1.8 The Funds primary investors are HBL IFFP Islamic Capital Preservation plan, which are also managed by the Management Company. The fund aggregately hold 100 percent unitholding in the Fund. The fund will continue their investments in the Fund in the normal course of business.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- The requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations") and the directives issued by the SECP.

Wherever provisions of and directives issued under the Companies Act, 2017, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRS, the provisions of and directives issued under the Companies Act, 2017, requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of judgments and estimates

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

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

- (i) classification and valuation of financial assets (note 4.2)

3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
IFRS 16 Leases	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019
Certain annual improvements have also been made to a number of IFRSs, which did not have material effect on the financial reporting of the Fund.	

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

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

	Effective from accounting period beginning on or after:
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs, which are not expected to have material effect on the financial reporting of the Fund.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies set out below have been applied consistently to all periods presented in these financial statements.

4.1 Cash and cash equivalents

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

4.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

4.2.1 Classification and measurement of financial assets

IFRS 9 contains three principal classification categories for financial assets:

- Measured at amortized cost ("AC"),
- Fair value through other comprehensive income ("FVTOCI") and
- Fair value through profit or loss ("FVTPL").

Financial asset at amortised cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Asset at FVOCI

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVYPL

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI, only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

Financial asset at FVTPL

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVOCI).

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

Business Model Assessment

The business model is determined under IFRS 9 at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. It is not an instrument-by-instrument analysis; rather it can be performed at a higher level aggregation. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model; all relevant evidence that is available at the date of the assessment (including history of sales of the financial assets) are considered. Following three business models are defined under the IFRS 9:

- 1) Hold to collect business model
- 2) Hold to collect and sell business model
- 3) FVTPL business model

Considering above, the Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

4.2.1.1 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.

4.2.1.2 Recognition

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

4.2.1.3 Impairment of financial assets

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance of an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

4.2.2 Fair value measurement

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). 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 aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

Basis of valuation of equity securities:

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs.

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

Basis of valuation of securities at amortised cost:

Subsequent to initial recognition, financial assets classified as amortised cost are carried at amortised cost using the effective interest method.

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

4.2.3 Financial liabilities

4.2.3.1 Classification and measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or the Fund has opted to measure them at fair value through profit or loss. The Fund does not have any financial liabilities designated as fair value through profit or loss.

4.2.4 Derecognition

4.2.4.1 Financial assets

The Fund derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in Income Statement.

4.2.4.2 Financial liabilities

The Fund derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Income Statement.

4.3 Offsetting of financial assets and liabilities

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

4.4 Provisions

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

4.5 Taxation

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

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

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

4.6 Dividend distribution

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

4.7 Issue and redemption of units

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

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

4.8 Net assets value per unit

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

4.9 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the element of income / (loss) included in prices of units sold less those in units redeemed is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.

4.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income from equity securities is recognised when the right to receive dividend is established.
- Mark-up / return on bank profits are recognized on a time apportionment basis using the effective interest method.

4.10 Expenses

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

4.11 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represents 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 twenty four months starting from the commencement of life of the Plan as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

5. BANK BALANCES	Note	2020 ------(Rupees in '000)-----	2019
Balances in savings bank accounts	5.1	<u>543</u>	<u>6,975</u>
		<u>543</u>	<u>6,975</u>

The balance in savings accounts carry mark up at the rates ranging from 7.50% to 13.50% (2019: 8.00% to 13.5%) per annum.

6. INVESTMENTS

Financial assets at fair value through profit and loss account

- Listed equity securities

	6.1	<u>22,248</u>	<u>102,392</u>
		<u>22,248</u>	<u>102,392</u>

**6.1 Equity securities - Held-for-trading
 (Ordinary Shares of Rs. 10 each unless indicated otherwise)**

Name of Investee Company	As at July 1, 2019	Purchased / bonus received during the period	Sold during the period	As at June 30, 2020	Total carrying value as at June 30, 2020	Total market value as at June 30, 2020	Appreciation / (diminution) as at June 30, 2020	Market value as a percentage of net assets	Market value as a percentage of total value of investment	Par value as a percentage of paid-up capital of investee company	
Quoted investments	Note	-----Number of shares-----			-----Rupees in '000-----			-----Percentage-----			
INVESTMENT BANKS/COs./SECURITIES											
Dawood Hercules Corporation Ltd		10,500	-	10,500	-	-	-	0.00	0.00	0.000%	
					-	-	-	0.04	0.00		
TEXTILE COMPOSITE											
Nishat Mills Ltd	6.1.1	28,700	136,400	156,000	9,100	745	710	(35)	0.03	0.03	0.003%
Interloop Limited		70,309	132,500	202,809	-	-	-	0.00	0.00	0.000%	
					745	710	(35)	0.03	0.03		
CEMENT											
D G Khan Cement Co.Ltd.		-	3,500	-	3,500	293	299	6	0.01	0.01	0.001%
Lucky Cement Ltd	6.1.1	10,600	36,800	42,600	4,800	1,814	2,216	402	0.08	0.10	0.001%
Maple Leaf Cement Factory Ltd		-	154,000	131,500	22,500	543	585	41	0.02	0.03	0.002%
Kohat Cement Ltd		36,650	53,000	87,000	2,650	133	364	231	0.01	0.02	0.001%
Cherat Cement Company Ltd.		-	22,000	13,500	8,500	608	741	133	0.03	0.03	0.004%
					3,391	4,205	813	0.15	0.19		
POWER GENERATION & DISTRIBUTION											
Hub Power Company Ltd	6.1.1	133,967	342,500	456,800	19,667	1,549	1,426	(123)	0.05	0.06	0.002%
K-Electric Limited		270,000	950,000	1,220,000	-	-	-	0.00	0.00	0.000%	
					1,549	1,426	(123)	0.05	0.06		
ENGINEERING											
Mughal Iron & Steel Inds Ltd		-	14,000	-	14,000	561	558	(2)	0.02	0.03	0.006%
International Steels Limited		-	56,500	56,500	-	-	-	0.00	0.00	0.000%	
International Industries Ltd		-	6,500	6,500	-	-	-	0.00	0.00	0.000%	
					561	558	(2)	0.02	0.03		
PHARMACEUTICALS											
The Searle Company Ltd	6.1.1	8,450	36,100	39,450	5,100	809	1,016	207	0.04	0.05	0.002%
GlaxoSmithKline Pakistan Ltd		-	16,400	14,100	2,300	398	400	3	0.01	0.02	0.001%
AGP Limited		13,500	60,000	69,500	4,000	287	439	152	0.02	0.02	0.001%
Highnoon Laboratories Limited		-	7,360	5,150	2,210	1,075	1,108	33	0.04	0.05	0.006%
					2,569	2,963	395	0.11	0.13		

Name of Investee Company	As at July 1, 2019	Purchased / bonus received during the period	Sold during the period	As at June 30, 2020	Total carrying value as at June 30, 2020	Total market value as at June 30, 2020	Appreciation / (diminution) as at June 30, 2020	Market value as a percentage of net assets	Market value as a percentage of total value of Investment	Par value as a percentage of paid-up capital of investee company	
Quoted investments	Note	Number of shares			Rupees in '000			Percentage			
OIL & GAS EXPLORATION COMPANIES											
Pakistan Oilfields Ltd		16,350	34,800	50,350	800	282	281	(1)	0.01	0.01	0.000%
Oil & Gas Development Co Ltd	6.1.1	90,500	312,000	380,100	22,400	2,784	2,442	(342)	0.09	0.11	0.001%
Pakistan Petroleum Ltd	6.1.1	61,100	357,120	402,500	15,720	1,850	1,364	(486)	0.05	0.06	0.001%
Mari Petroleum Company Ltd	6.1.1	8,150	17,853	25,420	583	575	721	146	0.03	0.03	0.000%
						<u>5,490</u>	<u>4,807</u>	<u>(683)</u>	<u>0.18</u>	<u>0.22</u>	
OIL & GAS MARKETING COMPANIES											
Pakistan State Oil Company Ltd	6.1.1	34,100	122,220	150,800	5,520	854	873	19	0.03	0.04	0.001%
Sui Northern Gas Pipeline Ltd		34,500	191,500	213,000	13,000	901	710	(191)	0.03	0.03	0.002%
						<u>1,754</u>	<u>1,583</u>	<u>(172)</u>	<u>0.06</u>	<u>0.07</u>	
COMMERCIAL BANKS											
Meezan Bank Ltd		61,100	187,500	248,600	-	-	-	0.00	0.00	0.000%	
BankIslami Pakistan Limited		-	312,000	312,000	-	-	-	0.00	0.00	0.000%	
						<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00</u>	<u>0.00</u>	
FERTILIZER											
Engro Corporation Ltd	6.1.1	40,670	97,300	131,000	6,970	1,966	2,042	75	0.07	0.09	0.001%
Fauji Fertilizer Co Ltd	6.1.1	52,000	145,500	189,500	8,000	777	880	103	0.03	0.04	0.001%
Engro Fertilizers Limited		74,000	200,500	269,500	5,000	335	301	(33)	0.01	0.01	0.000%
						<u>3,078</u>	<u>3,223</u>	<u>145</u>	<u>0.12</u>	<u>0.14</u>	
CHEMICAL											
Lotte Chemical Pakistan Ltd		39,000	459,500	498,500	-	-	-	0.00	0.00	0.000%	
ICI Pakistan Ltd		-	2,500	700	1,800	1,278	1,250	(28)	0.05	0.06	0.002%
Engro Polymer & Chemicals Ltd		130,000	475,000	605,000	-	-	-	0.00	0.00	0.000%	
Sitara Peroxide Limited		-	13,000	-	13,000	273	265	(7)	0.01	0.01	0.061%
						<u>1,551</u>	<u>1,516</u>	<u>(35)</u>	<u>0.06</u>	<u>0.07</u>	
AUTOMOBILE PARTS & ACCESSORIES											
Thal Limited		6,350	12,900	19,250	-	-	-	0.00	0.00	0.000%	
Sazgar Engineering Works Limited		-	1,100	-	1,100	44	137	93	0.00	0.01	0.003%
						<u>44</u>	<u>137</u>	<u>93</u>	<u>0</u>	<u>0</u>	
TECHNOLOGY & COMMUNICATION											
Systems Limited		-	11,900	5,800	6,100	731	1,120	389	0.04	0.05	0.005%
						<u>731</u>	<u>1,120</u>	<u>389</u>	<u>0</u>	<u>0</u>	
Total June 30, 2020		1,230,496	4,981,753	6,013,929	198,320	21,464	22,248	784	100%	100%	
Total June 30, 2019						121,539	102,392	(19,147)			

Investments include shares with market value of Rs. 12.883 million (2019: Rs. 44.09 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

6.2. Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss

Note	2020 -----Rupees in '000-----	2019
Market value of investments	22,248	102,392
Less: carrying value of investments before mark to market	(21,464)	(121,539)
	784	(19,147)

7. DIVIDEND AND PROFIT RECEIVABLE

Dividend receivable	694	1,549
Mark-up accrued on deposits with banks	6	41
	700	1,590

8. PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance	935	1,100
Less: amortised during the period	(220)	(165)
Closing balance	715	935

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

9. ADVANCES AND DEPOSITS	Note	2020 ----- (Rupees in '000) -----	2019
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited		100	100
Advance Tax		2,691	1,602
		5,291	4,202

10. PAYABLE TO THE MANAGEMENT COMPANY

Management fee	10.1	58	196
Sindh Sales Tax	10.2	8	26
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	5	10
Charging of selling and marketing expenses	10.4	103	243
Sales load payable		-	-
		174	475

10.1 As per the offering document of the Fund the maximum limit of management fee is 3% per annum of Average Annual Net Assets. During the year, Management fee expense charged by the asset Management Company varied between 1.7% to 2%. Currently, the management fee is charged at the rate of 2% of average annual net assets of the fund.

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

10.3 In accordance with Regulation 60 of the NBFC Regulations, the Management Company has charged expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS). The expense charged by the asset Management Company varied between 0.1% to 0.5% during the year. Currently, the expense is charged at the rate of 0.1610% of average annual net assets of the fund.

10.4 SECP vide SRO 639(I)/2019 dated June 20, 2019 has removed cap of 0.4 percent (of average net assets, calculated on daily basis), on charging of selling and marketing expenses which are charged by Asset Management Companies to all categories of open-end mutual funds (except fund of funds). Resultantly, Management Company has charged selling and marketing expenses to the Fund varied between 0.4% to 0.75% of the average annual net asset of the fund during the year. Currently, the selling and marketing expense is charged at the rate of 0.75% of average annual net assets of the fund.

11. PAYABLE TO THE TRUSTEE	Note	2020 ----- (Rupees in '000) -----	2019
Trustee's remuneration	11.1	21	9
Sindh Sales Tax	11.2	3	1
		24	10

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

The trustee has charged its remuneration based on average daily net asset value of the Fund as per following:

Amount of Funds Under Management (Average Daily NAV)	Tariff per annum
Up to Rs.1 billion	Rs. 0.09% per annum of the Daily Average Net Assets
Over Rs.1 billion	Rs. 0.09% per annum Plus 0.065% exceeding One Billion

11.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 % on the trustee fee through Sindh Sales Tax on Services Act, 2011.

12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2020	2019
		----- (Rupees in '000) -----	
Annual fee	12.1	<u>29</u>	<u>282</u>

12.1 In accordance with Regulation 62 of the NBFC Regulations, uptill June 19, 2019, the Fund was required to pay SECP an amount at the rate of 0.095% per annum of the average daily net assets of the fund. SECP vide SRO 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee at 0.02% of the net assets of the fund and accordingly such fee has been charged at the rate of 0.02% percent during the year.

13. OTHER LIABILITIES	Note	2020	2019
		----- (Rupees in '000) -----	
Auditors' remuneration		278	191
Charity payable	13.1	490	471
Payable to brokers		409	84
Payable to shariah advisor		17	17
Payable to the NCCPL		882	-
Sindh Worker's Welfare Fund	13.2	614	-
Other Payables		750	-
		<u>3,440</u>	<u>763</u>

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

13.2 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 0.614 million (2019: Nil). Had the provision not being made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 1.959 (June 30, 2019: Nil) per unit.

14. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

15. MARK-UP ON DEPOSITS WITH BANKS

Mark-up on savings accounts

July 01, 2019
to June 30, 2020

October 01, 2018
to June 30, 2019

------(Rupees in '000)-----

1,191

1,963

16. NUMBER OF UNITS IN ISSUE

Total units in issue at the beginning of the period
Units issued
Units redeemed
Total units in issue at the end of the period

July 01, 2019
to June 30, 2020

October 01, 2018
to June 30, 2019

-----Number of Units -----

1,390,638

3,230,770

(4,307,997)

313,411

-

7,534,126

(6,143,488)

1,390,638

17. AUDITORS' REMUNERATION

Audit fee
Fee for review for the period from July 01, 2019 to December 31, 2019
Shariah compliance audit fee
Other certifications and out of pocket expenses

July 01, 2019
to June 30, 2020

October 01, 2018
to June 30, 2019

------(Rupees in '000)-----

175

79

5

7

266

175

50

5

20

250

18. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the period as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. No provision for taxation has been recognized during the year as the Fund has already distributed net income to unit-holders while making payments on redemptions.

19. EARNINGS PER UNIT

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

20. FINANCIAL INSTRUMENTS BY CATEGORY

Assets

Bank balances	5
Investments	6
Dividend and profit receivable	7
Receivable against sale of investment	
Deposits	9

----- As at June 30, 2020 -----		
Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----		
-	543	543
22,248	-	22,248
-	700	700
-	1,607	1,607
-	2,600	2,600
<u>22,248</u>	<u>5,450</u>	<u>27,698</u>

Liabilities

Payable to the Management Company	10
Payable to the Trustee	11
Payable against Formation cost	
Other liabilities	13
Net assets attributable to unit holders	

----- As at June 30, 2020 -----		
Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----		
-	174	174
-	24	24
-	-	-
-	2,826	2,826
-	27,437	27,437
-	<u>30,461</u>	<u>30,461</u>

Assets

Bank balances	5
Investments	6
Dividend and profit receivable	7
Receivable against sale of investment	
Deposits	9

----- As at June 30, 2019 -----		
Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----		
-	6,975	6,975
102,392	-	102,392
-	1,590	1,590
-	3,116	3,116
-	2,600	2,600
<u>102,392</u>	<u>14,281</u>	<u>116,673</u>

Liabilities

Payable to the Management Company	10
Payable to the Trustee	11
Payable against Formation cost	
Other liabilities	13
Net assets attributable to unit holders	

----- As at June 30, 2019 -----		
Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----		
-	475	475
-	10	10
-	1,100	1,100
-	763	763
-	116,580	116,580
-	<u>118,928</u>	<u>118,928</u>

21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	July 01, 2019 to June 30, 2020	October 01, 2018 to June 30, 2019
	------(Rupees in '000)-----	
21.1 Transactions during the period		
HBL Asset Management Limited - Management Company		
Remuneration of the Management Company	3,231	6,707
Allocation of expenses related to registrar services, accounting, operation and valuation services	301	297
Selling and marketing expense	1,087	1,187
MCB Financial Services Limited - Trustee		
Remuneration	282	302
MCBFSL Trustee HBL IFPF Islamic Capital Preservation Plan		
Issue of units 2,827,957 (2019: 2,334,334) units	231,000	235,000
Redemption of units 3,905,184 (2019: 943,969) units	345,458	95,000
MCBFSL Trustee HBL IFPF Active Allocation Plan		
Issue of units 161,125 (2019: 203,779) units	12,000	22,000
Redemption of units 161,125 (2019: 203,779) units	12,623	19,811
MCBFSL Trustee HBL IFPF Strategic Allocation Plan		
Issue of units 241,688 (2019: 4,996,012) units	18,000	517,000
Redemption of units 241,688 (2019: 4,996,012) units	22,147	450,469
HBL Growth Fund Class B		
Sale of Nil (2019: 5,000 shares of Sitara Chemical Industries Limited)	-	1,287
Sale of Nil (2019: 6,000 shares of The Searle Company Limited)	-	806
HBL Investment Fund Class B		
Sale of Nil (2019: 83,500 shares of Kohinoor Textile Mills Limited)	-	2,408
Sale of Nil shares (2019: 6,000 shares of The Searle Company Limited)	-	806

21.2	Amounts outstanding as at period / year end	2020	2019
		----- (Rupees in '000) -----	
HBL Asset Management Limited - Management Company			
	Management fee payable	66	222
	Allocation of expenses related to registrar services, accounting, operation and valuation services	5	10
	Selling And Marketing Cost	103	243
MCB Financial Services Limited - Trustee			
	Remuneration payable	24	10
MCBFSL Trustee HBL IFPF Islamic Capital Preservation Plan			
	Investment held in the Fund: 313,411 units (2019: 1,390,638 units)	27,437	116,580

22. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	21 + years
2	Adeel Abdul Wahab	Head of Equity	ACCA	12+ years
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+ years
4	Karim Khawaja	Head of Risk	MBA, CMA	17 + years

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

Top brokers during the year ended June 30, 2020

1	Taurus Securities Limited
2	Next Capital Limited
3	Intermarket Securities Limited
4	Fortune Securities Limited
5	AL Habib Capital Markets (Private.) Limited.
6	JS Global Capital Limited
7	BMA Capital Management Limited
8	Foundation Securities (Private) Limited.
9	AL Falah Securities (Private) Limited.
10	AKD Securities Limited

Top ten brokers during the period ended June 30, 2019

1	AKD Securities Limited	-
2	Arif Habib Limited	
3	BMA Capital Management Limited	
4	DJM Securities (Private) Limited	
5	EFG Hermes Pakistan Limited	
6	Intermarket Securities Limited	
7	JS Global Capital Limited	
8	Next Capital Limited	
9	Optimus Capital Management (Private.) Limited.	
10	Topline Securities (Private) Limited	

24. PATTERN OF UNIT HOLDING

		2020			
		Number of units holder	Number of units held	Unit holding or investment amount	Percentage of Investment
		----- Rupees in '000 -----			
MCBFSL Trustee HBL IFFP Islamic Capital Preservation plan		1	313,411	27,437,339	100%
		1	313,411	27,437,339	100%
		2019			
		Number of units holder	Number of units held	Unit holding or investment amount	Percentage of Investment
		----- Rupees in '000 -----			
Trust		1	1,390,638	116,580	100%
		3	1,390,638	116,580	100%

25. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 29, 2019, October 29, 2019, February 13, 2020, March 02, 2020 and April 29, 2020 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Farid Ahmed Khan ¹	1	1	-	4
2	Mr. Mir Adil Rashid ²	4	4	-	1
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Raymond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad ⁵	5	5	-	-
9	Mr. Atif Aslam Bajwa ^{3,4}	2	1	1	3

- 1 Resigned on September 15, 2019.
- 2 Appointed on September 16, 2019.
- 3 Appointed on October 29, 2019.
- 4 Resigned on February 24, 2020.
- 5 Resigned on May 14, 2020.

26. FINANCIAL RISK MANAGEMENT

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

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

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

26.1 Market risk

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

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

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

26.2 Currency risk

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

26.3 Interest rate risk

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

a) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 0.01 (2019: Rs. 0.07 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

b) Fair value interest rate risk

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

The composition of the Fund's investment portfolio, KIBOR and rates announced by Financial Markets Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2020 is not necessarily indicative of the effect on the Fund's net assets and net income due to future movements in interest rates.

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

		2020				
		Exposed to Yield / Interest rate risk				Not exposed to Yield / Interest rate risk
Total	Upto three months	More than three months and upto one year	More than one year			
----- Rupees in '000 -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	5	543	543	-	-	-
Investments	6	22,248	-	-	-	22,248
Dividend and profit receivable	7	700	-	-	-	700
Receivable against sale of investment		1,607	-	-	-	1,607
Advances and deposits	9	2,600	-	-	-	2,600
		<u>27,698</u>	<u>543</u>	<u>-</u>	<u>-</u>	<u>27,155</u>
Financial liabilities						
Payable to the Management Company	10.	174	-	-	-	174
Payable to the Trustee	11.	24	-	-	-	24
Other liabilities	13.	2,826	-	-	-	2,826
Net assets attributable to unit holders		<u>27,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,437</u>
		<u>30,461</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,461</u>

		2019				
		Exposed to Yield / Interest rate risk				Not exposed to Yield / Interest rate risk
Total	Upto three months	More than three months and upto one year	More than one year			
----- Rupees in '000 -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	5	6,975	6,975	-	-	-
Investments	6	102,392	-	-	-	102,392
Dividend and profit receivable	7	1,590	-	-	-	1,590
Receivable against sale of investment		3,116	-	-	-	3,116
Advances and deposits	9	2,600	-	-	-	2,600
		<u>116,673</u>	<u>6,975</u>	<u>-</u>	<u>-</u>	<u>109,698</u>
Financial liabilities						
Payable to the Management Company	10	475	-	-	-	475
Payable to the Trustee	11	10	-	-	-	10
Accrued expenses and other liabilities	13	763	-	-	-	763
Payable against Formation cost		1,100	-	-	-	1,100
Net assets attributable to unit holders		<u>116,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,580</u>
		<u>118,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,928</u>

26.4 Price risk

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

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

In case of 5% increase / decrease in the fair value of the Fund's equity securities on June 30, 2020, net assets of the Fund would increase / decrease by Rs. 1.112 million (2019: Rs. 5.120 million) as a result of gains / losses on equity securities at "Fair value through profit and loss".

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.

26.5 Credit risk

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

The Fund's credit risk is primarily attributable to balances with banks, deposits with and other receivables from National Clearing Company of Pakistan Limited and Central Depository Company of Pakistan Limited, respectively. The Fund also carries credit risk in respect of dividend receivable (if any) on equity securities. The credit risk of the Fund with respect to bank accounts is limited as the balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Further, credit risk in respect of deposits and other receivables is also minimal as the counter parties are well reputed and financially sound. Credit risk on dividend receivable is also minimal due to the statutory protection.

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

The maximum exposure to credit risk before considering any collateral as at June 30, 2020 and June 30, 2019 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

The analysis below summarises the credit quality of the Fund's bank balances, accrued markup and other receivable as at June 30, 2020 and June 30, 2019:

Bank balances by rating category	Note	2020	2019
		----- (Rupees in '000) -----	
AAA (PACRA)		-	10
A1+ (PACRA)		10	-
A1 (PACRA)		523	-
A+ (PACRA)		-	6,955
A-1+ (JCR-VIS)		10	10

26.5.1 Concentration of credit risk

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

The Fund's major bank balance is held with one Bank. Management believes that such bank is a reputed institution.

26.6 Liquidity risk

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

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

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

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

		----- As on June 30, 2020 -----			
		Total	Upto three months	Over three months and upto one year	Over one Year
		----- Rupees in '000 -----			
Financial liabilities (excluding unit holders' fund)					
Payable to the Management Company	10.	174	174	-	-
Payable to the Trustee	11.	24	24	-	-
Other liabilities	13.	2,826	2,826	-	-
		3,024	3,024	-	-

		----- As on June 30, 2019-----			
		Total	Upto three month	Over three months and upto one year	Over one Year
Financial liabilities (excluding unit holders' fund)		----- Rupees in '000 -----			
Payable to the Management Company	10.	475	475	-	-
Payable to the Trustee	11.	10	10	-	-
Other liabilities	13.	763	763	-	-
		<u>1,248</u>	<u>1,248</u>	<u>-</u>	<u>-</u>

27. UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

28. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

		June 30, 2020							
		Carrying amount			Fair Value				
Note	Fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total		
		(Rupees in '000)							
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
	- Listed equity securities	6.	22,248	-	22,248	22,248	-	-	22,248
			22,248	-	22,248	22,248	-	-	22,248
Financial assets not measured at fair value									
	Bank balances	5.		543					543
	Dividend and profit receivable	7.		700					700
	Receivable against sale of investment			1,607					1,607
	Advances and deposits	9.		2,600					2,600
				5,450					5,450
Financial liabilities not measured at fair value									
	Payable to the Management Company	10.	-	174					174
	Payable to the Trustee	11.	-	24					24
	Other liabilities	13.	-	2,826					2,826
	Net assets attributable to unit holders		-	27,437					27,437
			-	30,461					30,461
		June 30, 2019							
		Carrying amount			Fair Value				
Note	Fair value through profit or loss	At Amortised Cost	Total	Level 1	Level 2	Level 3	Total		
		(Rupees in '000)							
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
	- Listed equity securities	6.	102,392	-	102,392	102,392	-	-	102,392
			102,392	-	102,392	102,392	-	-	102,392
Financial assets not measured at fair value									
	Bank balances	5.		6,975					6,975
	Dividend and profit receivable	7.		1,590					1,590
	Preliminary expenses and floatation costs			935					935
	Receivable against sale of investment			3,116					3,116
	Advances and deposits	9.		4,202					4,202
				16,818					16,818
Financial liabilities not measured at fair value									
	Payable to the Management Company	10.	-	475					475
	Payable to the Trustee	11.	-	10					10
	Other liabilities	13.	-	763					763
	Payable against Formation cost		-	1,100					1,100
	Net assets attributable to unit holders		-	116,580					116,580
			-	118,928					118,928

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

29. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2020 is 5.52% (2019: 3.16%) which includes 0.71% (2019: 0.27%) representing Government levy and SECP fee. Subsequent to year end the Management Company have reversed PKR 0.215 million charged under reimbursed charged to the Funds to align expense ratio of the Fund within Regulatory limit of 4.50% excluding Government levies and SECP fee.

30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on August 27, 2020.

31. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or re-classification was made in these financial statements during the period.

32. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

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

Chief Financial Officer

Chief Executive Officer

Director



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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