

HBL

ASSET MANAGEMENT LTD.

ایس ایٹ مینجمنٹ لمیٹڈ

AMC Rating : AM2++ by JCR-VIS

# Annual Report 2020-21

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.

**Management Company****HBL Asset Management Limited****Board of Directors** (Composition as of August 26, 2021)

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

**Audit Committee**

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

**Human Resource Committee**

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

**Risk Management Committee**

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

**Technology Committee**

Chairman	Mr. Abrar Ahmed Mir	
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++ (Stable Outlook)

**Legal Advisor**Bawany & Partners,  
Lane 13, D.H.A Phase 6, Bukhari Commercial Area,  
Defense Housing Authority, Karachi.**Website**

www.hblasset.com

**Head Office & Registered Office**

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

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY**

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, 2021.

### **ECONOMIC REVIEW**

The policy decisions taken by the government amid Covid-19 epidemic has resulted in an improvement in the macroeconomic landscape. The economy has started to regain its pre-Covid trajectory as there has been a notable pickup in economic activity as evident by the GDP growth rate of 3.94% for FY21. The government has unveiled a pro-growth budget and expects the growth momentum to continue in FY22.

The PKR appreciated by around 6.3% during FY21 taking Real Effective Exchange Rate to 99.9 (SBP Jun-21 number). The Central bank maintained the interest rates in FY21 after a cumulative 625 bps decrease in interest rates in 2HFY20 in response to the Covid-19 pandemic. On the external front export increased by 13.7% compared to increase in import by 23.2%, leading FY21 trade deficit to increase by 33.4% to USD 28.2bn. However Services Deficit decreased by 43.5% to USD 1.9bn in the period. Remittances also showed encouraging trend as it witnessed an uptick of 27.0% in FY21 clocking at USD 29.4bn. These factors led the Current Account Deficit for FY21 to clock at USD 1.9bn (0.6% of GDP) compared to a current account deficit of USD 4.5bn (1.7% of GDP) during same period last year. Pakistan economy has started to regain its pre-Covid trajectory as there has been a notable pickup in economic activity, as evident by LSM growth of 14.6% YoY in 11MFY21. The overall Foreign exchange reserves increased to USD 23.3bn compared to USD 18.9bn at the end of FY20.

CPI for FY21 has averaged 8.9% compared to 10.8% in the same period last year due to economic slowdown and hike in utilities price in base period. On the fiscal side FBR tax collection went up by 18% YoY to PKR 4,721bn during FY21 against the tax collection target of PKR 4,691bn.

### **STOCK MARKET REVIEW**

The market sustained its bullish momentum in FY21 as the KMI-30 index recorded 21,626 points increase (+39.3%) during the period to close at 76,622 points. The stellar performance of the index can be attributed to 1) relative improvement in domestic COVID-19 infection and recovery rates, 2) flows into equities post 625bps cut in interest rates, 3) business friendly policies introduced by the GoP and 4) Improvement in macroeconomic indicators led by strengthening currency and better current account position.

During the period construction linked industries (Cement, Steel, and Glass) rallied on the back of the monetary easing done by the SBP and government focus on construction sector. Technology sector also remained in limelight due to increasing focus on technology post Covid-19 pandemic. On the flows side, foreigners were the net sellers during FY21 and sold shares of worth USD 387mn, compared to net selling of USD 285mn during same period last year.

### **MONEY MARKET REVIEW**

The Central bank maintained the interest rates in the period after a cumulative 625 bps decrease in interest rates in 2HFY20 in response to the Covid-19 pandemic. At the start of the pandemic SBP clearly stated that it will hold forward looking real interest rate at zero to cushion the impact of the Coronavirus shock on growth and employment.

As per latest data available, Islamic Banking industry assets posted 30.6% growth and stood at PKR 4,389 billion by Mar-21. Similarly, deposits of Islamic banks also witnessed a sharp growth of 28.4% YoY and reached PKR 3,457 billion by Mar-21. The government issued Energy Sukuk-II of PKR 200bn in the last quarter of FY20 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. It was widely anticipated that another Energy Sukuk will be issued in FY21 but it did not materialize. However we expect Energy Sukuk to be launched in FY22 which would provide additional avenue to invest for the Islamic financial institutions.

During FY21, Government largely managed its borrowing requirement through commercial banks. Government borrowed PKR 2,955bn from scheduled banks compared to borrowing of PKR 2,305bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 1,268bn during the period against decline in borrowing of PKR 153bn during same period last year. This further decline 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.

## **FUTURE OUTLOOK**

Pakistan equities are expected to perform well in FY22 due to cheaper valuation and improvement in macroeconomic outlook. GDP growth is expected to bounce back as most of the business activity has resumed. The external account position is also comfortable with current account to remain at manageable level in the year. We believe Pakistan equities offers a good entry opportunity for long term investors.

The valuations of Pakistan Stock market are now attractive with a Price to Earnings multiple of 6.1x compared to peer average of 15.7x. KSE-100 discount to emerging as well as frontier peers is 54.6% and 50.4% against 5-year averages of 41.3% and 35.6%, respectively. We feel this discount should narrow as market earnings are expected to increase significantly during FY22. Construction related sectors (Cement, Steel) are expected to continue their rally due to Government's push towards construction sector. Textile sector is also expected to garner investors' attention due to huge export potential. Technology sector would also remain in limelight due to potential of further re-rating on the back of good growth outlook. Thus we expect the overall market to rerate and continue its positive momentum.

On the fixed income front, average inflation in FY22 is expected to remain in the range of 7-9% and would depend on food prices and international oil prices trajectory. On the Islamic front we expect government to issue IjaraSukuk and Energy Sukuk in FY22 to bridge the fiscal gap. Going forward, we feel that the monetary easing has taken place and we are at the bottom of the interest rate cycle. The central bank has given its forward looking guidance to maintain mildly positive interest rates when economy return to full capacity. Thus we expect any future increase in the policy rate to be measured and gradual.

## **FUND'S PERFORMANCE AND PAYOUTS**

### **HBL Islamic Money Market Fund**

The total income and net income of the Fund was Rs. 501.90million and Rs. 453.73million respectively during the year ended June 30, 2021. The Net Asset Value (NAV) of the Fund was Rs. 101.1940 per unit as on June 30, 2021 as compared to Rs. 101.1744 per unit as on June 30, 2020, after incorporating dividend of Rs. 6.3321 per unit, thereby giving an annualized return of 6.51%. During the year the benchmark return (3 Month bank deposit rates) was 3.41%. The size of Fund was Rs. 6.64 billion as on June 30, 2021 as compared to Rs. 8.42 billion at the start of the year.

JCR-VIS Credit Rating Company Limited has upgraded the Fund stability rating to AA(f) to the Fund.

### **HBL Islamic Income Fund**

The total income and net income of the Fund was Rs. 95.35 million and Rs. 67.31 million respectively during the year ended June 30, 2021. The Net Asset Value (NAV) of the Fund was Rs. 101.7500 per unit as on June 30, 2021 as compared to Rs. 101.5299 per unit as on June 30, 2020, after incorporating dividend of Rs. 5.30 per unit, thereby giving an annualized return of 5.45%. During the same year the benchmark return (6 Month bank deposit rates) was 3.56%. The size of Fund was Rs. 1.02 billion as on June 30, 2021 as compared to Rs. 1.42 billion at the start of the year.

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

### **HBL Islamic Stock Fund**

The total and net income of the Fund was Rs. 188.61 million and Rs. 150.71 million respectively during the year ended June 30, 2021. The Net Asset Value (NAV) of the Fund was Rs. 123.9845 per unit as on June 30, 2021 as compared to Rs. 93.6583 per unit as on June 30, 2020, thereby giving a return of 32.38% during the year, against the benchmark return (KMI 30 Index) of 39.32%. The size of Fund was Rs. 0.76 billion as on June 30, 2021 as compared to Rs. 0.56 billion at the start of the year.

### **HBL Islamic Equity Fund**

The total and net income of the Fund was Rs. 102.08 million and Rs. 81.92 million respectively during the year ended June 30, 2021. The Net Asset Value (NAV) of the Fund was Rs. 105.0735 per unit as on June 30, 2021 as compared to Rs. 77.5699 per unit as on June 30, 2020, thereby giving a return of 35.46% during the year, against the benchmark return (KMI 30 Index) of 39.32%. The size of Fund was Rs. 0.62 billion as on June 30, 2021 as compared to Rs. 0.23 billion at the start of the year.

### **HBL Islamic Asset Allocation Fund**

Under HBL Islamic Asset Allocation Fund (HBL-IAAF), the HBL Islamic Asset Allocation Fund – Plan 1 (HBL IAAF-Plan1) has been constituted on July 13, 2020.

The total and net income of the Fund including HBL IAAF-Plan1 was Rs. 158.60 million and Rs. 147.92 million respectively during the period ended June 30, 2021. The Net Asset Value (NAV) of the HBL-IAAF increased from Rs. 103.6330 per unit as on June 30, 2020 to Rs. 112.9636 per unit as on June 30, 2021 (after incorporating dividend of Rs. 2.70) thereby giving a return of 11.59% during the period against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of 12.81%. The Net Asset Value (NAV) of the HBL-IAAF Plan-1 was Rs. 100.4119 per unit as on June 30, 2021 (after incorporating dividend of Rs. 7.00) thereby giving a return of 7.42% during the period against the benchmark return of 2.33%. The collective size of Fund was Rs. 2.86 billion as on June 30, 2021 as compared to Rs. 310 million at the start of the year.

### **HBL Islamic Financial Planning Fund**

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

The Islamic Capital Preservation Plan marked its maturity on October 01, 2020.

The Fund as a whole earned a total and net income of Rs. 22.76 million and Rs. 19.98 million respectively during the year under review. The fund size of the fund stood at Rs. 0.10 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. 15.30 million and Rs. 14.26 million respectively. The net assets of the Active allocation plan stood at Rs. 54million representing Net Asset Value (NAV) of Rs. 115.8209 per unit as at June 30, 2021 as compared to Rs. 95.3020 as at June 30, 2020. The plan earned a return of 21.53% for the year under review against the benchmark return of 25.45%. The plan is invested to the extent of 79% in equity funds & 19% in fixed income funds.

### **Conservative Allocation Plan**

During the year under review, the Conservative allocation plan earned total and net income of Rs. 0.30 million and Rs. 0.22 million respectively. The net assets of the Conservative allocation plan stood at Rs. 51 million representing Net Asset Value (NAV) of Rs. 114.9507 per unit as at June 30, 2021 as compared to Rs. 109.3637 as at June 30, 2020. The plan earned a return of 5.11% for the year under review against the benchmark return of 10.17%. The plan is invested to the extent of 19% in equity funds & 79% in fixed income funds.

### **Islamic Capital Preservation Plan**

During the period under review, the Islamic Capital Preservation Plan earned a total income and net income of Rs. 7.16 million and Rs. 5.50 million respectively. The plan marked its maturity on October 01, 2020.

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

During the year under review, the Islamic Dedicated Equity Fund earned a total and net income of Rs. 5.49 million and Rs. 4.32 million respectively. The net assets of the Islamic Dedicated Equity Fund stood at nil as at June 30, 2021 as all units in the Fund were redeemed during the period. The Fund earned a return of 7.85% for the year under review against the benchmark return of 39.32%.

### **MANAGEMENT COMPANY RATING**

The VIS Credit Rating Company Limited (JCR-VIS) has upgraded the management quality rating to 'AM2++' from 'AM2+' of the Management Company and the outlook on the assigned rating has been assessed as 'Stable'.

### **AUDITORS**

M/s Yousuf Adil, Chartered Accountants the existing auditors of HBL Islamic Stock Fund and HBL Islamic Dedicated Equity Fund have retired. The Board of Directors would consider the matter of the appointment of auditors of these funds in due course of time.

M/s BDO Ebrahim & Co. Chartered Accountants the existing auditors of HBL Islamic Income Fund and HBL Islamic Equity Fund have retired. The Board of Directors would consider the matter of the appointment of auditors of these funds in due course of time.

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 have retired. The Board of Directors would consider the matter of the appointment of auditors of these funds in due course of time.

## **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 Annual 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 the Securities & Exchange Commission of Pakistan, the Central Depository Company of Pakistan and the MCB Financial Services Limited as Trustees, the Pakistan Stock Exchange Limited and the 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 ہمسرت اپنی رپورٹ بشمول ایچ بی ایل اسلامک منی مارکیٹ فنڈ، ایچ بی ایل اسلامک آکم فنڈ، ایچ بی ایل اسلامک اسٹاک فنڈ، ایچ بی ایل اسلامک ایکویٹی فنڈ، ایچ بی ایل اسلامک ایسیٹ ایلوکیٹن فنڈ، ایچ بی ایل اسلامک فنانسل پلاننگ فنڈ اور ایچ بی ایل اسلامک ڈیڈ ویلکھڈ ایکویٹی فنڈ (دی فنڈز) کے مالیاتی حسابات برائے سال مختتمہ 30 جون 2021 پیش کر رہے ہیں۔

### اقتصادی جائزہ

کوویڈ-19 کی وبائی صورتحال کے بعد حکومت کی جانب سے کیے جانے والے پالیسی اقدامات کے نتیجے میں میکرو اکنامک صورتحال میں قدرے بہتری آئی، معیشت کو ویڈ سے قبل والی معمول کی صورتحال پر آنے لگی کیونکہ معاشی سرگرمیوں میں قابل قدر تیزی آنے لگی اور اس کا ثبوت مالی سال 21 کے لیے 3.94% کا عبوری جی ڈی پی شرح نمو کا حصول ہے۔ حکومت نے ترقی کا حامل بجٹ پیش کیا اور توقع ظاہر کی کہ مالیاتی سال 22 میں ترقی کا یہ سفر جاری رہے گا۔

مالی سال 21 کے دوران پاک روپے کی قدر میں لگ بھگ 6.3% تک بہتری آئی جس سے حقیقی موثر شرح تبادلہ 99.9 تک آگئی (ایس بی پی جون - 21 کے اعداد و شمار)۔ مرکزی بینک نے مالی سال 20 کی دوسری سہ ماہی میں شرح سود میں مجموعی طور پر کمی کی جانے والی 625 بی پی ایس کی کمی کے بعد کوویڈ-19 کی وبائی صورتحال کے پیش نظر مالی سال 21 میں بھی اسی شرح سود کو برقرار رکھا۔ بیرونی محاذ پر برآمدات 13.7% تک بڑھ گئیں جبکہ اس کے مقابلے میں درآمدات میں 23.2% تک اضافہ ہوا جس کے نتیجے میں مالی سال 21 میں تجارتی خسارہ 33.4% تک بڑھ کر 28.2 ارب ڈالر تک جا پہنچا۔ تاہم اس مدت کے دوران سروسز کا خسارہ 43.5% کم ہو کر 1.9 ارب ڈالر ہو گیا۔ زرتری سیالات نے بھی مالی سال 21 کے دوران 27.0% کی بہتری کے ساتھ حوصلہ افزا رجحان ظاہر کیا اور 29.4 ارب ڈالر تک پہنچ گئے۔ ان عناصر کے نتیجے میں مالی سال 21 کے لیے کرنٹ اکاؤنٹ خسارہ 9.1 ارب ڈالر (جی ڈی پی کا 0.6%) ہو گیا جب کہ گزشتہ برس کی اس مدت کے دوران کرنٹ اکاؤنٹ خسارہ مقابلتا 4.5 ارب ڈالر (جی ڈی پی کا 1.1%) تھا۔ پاکستان کی معیشت نے معاشی سرگرمیوں میں قابل قدر تیزی آنے کے بعد کوویڈ سے قبل والی صورتحال اختیار کر لی جیسا کہ مالی سال 21 کے 11 ماہ میں YoY 14.6% کی ایل ایس ایم گروتھ سے ظاہر ہوتا ہے۔ غیر ملکی زرمبادلہ کے مجموعی ذخائر 23.3 ارب ڈالر تک بڑھ گئے جو اس کے مقابلے میں مالی سال 20 کے آخر میں 18.9 ارب ڈالر پر موجود تھے۔

مالی سال 21 کے لیے سی پی آئی اوسطاً 8.9% رہا جو اس کے مقابلے میں گزشتہ برس کی اسی مدت میں معاشی سست روی اور ایشیائے جنوبی کے زخموں میں اضافے کی وجہ سے بنیادی مدت کے دوران 10.8% پر تھا۔ مالی لحاظ سے ایف بی آر کی ٹیکس وصولی YoY 18% تک بڑھ کر مالی سال 21 کے دوران 721,4 ارب روپے رہی جبکہ ٹیکس وصولی کا ہدف اس کے برخلاف 4,691 ارب روپے مقرر کیا گیا تھا۔

آگے بڑھتے ہوئے ہمیں یقین ہے کہ جی ڈی پی کی شرح نمو ممکنہ طور پر بحالی ظاہر کرنے لگی کیونکہ بیشتر کاروبار اب کھل چکے ہیں تاہم کوویڈ-19 کی چوتھی لہر بحالی کو کمزور کر سکتی ہے۔ توجہ کار مرکز کوویڈ-19 کے اعداد و شمار ہی رہیں گے اور حکومت کی جانب سے پالیسی اقدامات بھی اس وبائی صورتحال کو کنٹرول کرنے پر مرکوز رہیں گے۔

### اسٹاک مارکیٹ کا جائزہ

مارکیٹ نے مالی سال 21 میں اپنا تیزی کا رجحان برقرار رکھا جیسا کہ ایم آئی-30 انڈیکس نے اس مدت کے دوران 21,626 پوائنٹس کا اضافہ (39.3%+) ریکارڈ کیا اور 76,622 پوائنٹس پر بند ہوئی۔ انڈیکس کی اس مستحکم کارکردگی کو (1 کوویڈ-19 کی مقامی سطح پر وبائی صورتحال میں قدرے بہتری اور شرحوں کی بحالی، (2) شرح سود میں 625 بی پی ایس کی کٹوتی کے بعد ایکویٹی کے بہاؤ، (3) حکومت پاکستان کی جانب سے پیش کی گئیں کاروبار و دست پالیسیوں اور (4) میکرو اکنامک اشاریوں میں بہتری کے نتیجے میں کرنسی میں آنے والے استحکام اور بہتر کرنٹ اکاؤنٹ پوزیشن سے منسوب کیا جا سکتا ہے۔

اس مدت کے دوران تعمیراتی شعبے پر ایس بی پی اور حکومت کی جانب سے خصوصی توجہ کے سبب تعمیرات سے منسلک صنعتوں (سینٹ، اسٹیل اور گلاس) کے لیے مالیاتی سہولتیں فراہم کی گئیں۔ ٹیکنالوجی کا سیکٹر بھی توجہ کار مرکز بنا رہا کیونکہ کوویڈ-19 کی وبائی صورتحال کے پیش نظر ٹیکنالوجی پر انحصار بڑھ گیا۔ بینکاری کا شعبہ بھی پرکشش ویلیو ایڈیشنز کے باعث فروغ کی جانب گامزن رہا۔ بہاؤ کی جانب غیر ملکی مالی سال 21 کے دوران خالص فروخت کنندگان رہے اور 387 ملین امریکی ڈالر مالیت کے شیئرز فروخت کیے گئے جبکہ گزشتہ برس کی اسی مدت کے دوران 285 ملین ڈالر کی خالص فروخت کی گئی تھی۔

پاکستان ایکویٹیڈ کمپنیز ایکٹ 1974 (پبلو ایٹن) (ہم مرتبہ اوسطاً 15.7x کے برخلاف 1x.6 کی فارورڈ P/E پر تجارت) اور میکرو اکنامک جائزے میں بہتری کے باعث مثبت رجحان کا سلسلہ برقرار رکھیں گے۔ مارکیٹ کے شرکت کنندگان کو روٹاؤنس کے کیسز کے رجحان پر قریبی نگاہ رکھیں گے اور میکرو اعداد و شمار کو یقینی بنا رہے ہیں۔ گردش میں رہنے والے شعبے (سینٹ، اسٹیل) کے بارے میں توقع ہے کہ یہ حکومت کی جانب سے شروع کی گئی نیا پاکستان ہاؤسنگ اسکیم کے باعث فروغ حاصل کر سکیں گے۔ ٹیکسٹائل کا شعبہ بھی برآمدات میں موثر صلاحیت کی بدولت سرمایہ کاروں کی نمایاں توجہ کا مرکز ہے۔ ٹیکنالوجی سیکٹر بھی آمدنی کے بہتر وسائل کے پیش نظر توجہ کا مرکز بنے رہے گا، ہم ٹیٹا سطح سے اپنی حکمت عملی پر توجہ دینے کے ساتھ مستحکم آمدنی کی صلاحیت کے حصول اور اسٹاک کی جانب سے خصوصی توجہ دینے کا سلسلہ برقرار رکھیں گے۔

## مئی مارکیٹ کا جائزہ

مرکزی بینک کے کوویڈ-19 کی وبا کے پیش نظر مالی سال 20 کی دوسری ششماہی میں شرح سود میں مجموعی طور پر 625 بی پی ایس کی کمی کے بعد اس مدت کے دوران بھی اسی شرح سود کو برقرار رکھا۔ وبائی صورتحال کے آغاز پر ہی ایس بی پی نے واضح کر دیا تھا کہ یہ ترقی کے عمل اور روزگار کے مواقعوں پر کورونا کے اثرات کو کم کرنے کے لیے شرح سود کو زبردستی سطح پر لایا جاسکتا ہے۔ تازہ ترین دستیاب ڈیٹا کے مطابق اسلامی بینکاری کی صنعت کے اثاثہ جات نے 30.6% کی گروتھ ظاہر کی اور مارچ-21 تک 4,389 ارب روپے پر موجود تھے۔ اسی طرح اسلامی بینکوں کے ڈپازٹس نے بھی سال بہ سال 28.4% کی نمایاں شرح نمو ظاہر کی اور مارچ-21 تک 3,457 ارب روپے پر پہنچ گئے۔ حکومت نے سرکولر ڈیٹ کو جزوی طور پر نشتانے کے لیے مالی سال 20 کی آخری سہ ماہی میں 200 ارب روپے کے انرجی سلوک II جاری کیے۔ یہ ایک طویل مدتی انسٹرومنٹ تھا اور ایس ایل آر کا اہل تھا جسے اسلامی بینکوں کو اپنی اضافی لیکویڈیٹی نمٹانے میں مدد ملی۔ اسے وسیع طور پر پذیرائی ملی تو ایک اور انرجی سلوک مالی سال 21 میں جاری کیے جائیں گے تاہم یہ حتمی طے شدہ نہیں، اس کے ساتھ ہم توقع کرتے ہیں کہ مالی سال 22 میں انرجی سلوک متعارف کرائے جائیں گے جو اسلامی مالیاتی اداروں کے لیے سرمایہ کاری کی غرض سے مزید فراہم کریں گے۔

مالی سال 21 کے دوران حکومت نے اپنی قرضوں کی بڑی ضرورتوں کا کمرشل بینکوں کے ذریعے انتظام کیا۔ حکومت نے اس مدت کے دوران شیڈولڈ بینکوں سے 2,955 ارب روپے کے قرضہ جات حاصل کیے جبکہ گزشتہ برس اس مدت کے دوران 2,305 ارب روپے کے قرضے حاصل کیے گئے تھے۔ اسی دوران حکومت نے ایس بی پی سے اپنے قرضوں میں 1,268 ارب روپے کی کمی کی، اس کے برخلاف گزشتہ برس کی اس مدت میں 153 ارب روپے کے قرضوں کی کمی کی گئی تھی۔ قرضوں میں یہ مزید کمی اس وجہ سے کی گئی کیونکہ آئی ایم ایف نے افراتر 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۔

مئی-21 میں پیش کی گئی مانیٹری پالیسی میں ایس بی پی نے پالیسی ریٹ کا جوں کا توں برقرار رکھتے ہوئے اسے موجودہ سطح پر رکھا۔ آگے بڑھتے ہوئے ہم محسوس کرتے ہیں بڑے پیمانے پر مالیاتی آسانی ظاہر ہوگی اور ہم شرح سود کے دائرے کی ٹیٹا سطح پر ہوں گے۔ کوویڈ-19 کی جاری چوتھی اہر کے باعث ہم توقع رکھتے ہیں حکومت آئندہ چند ماہ تک ایس بی پی کے پالیسی ریٹ کو برقرار رکھے گی تاکہ معیشت کی بحالی میں معاونت مل سکے۔ مرکزی بینک اس حوالے مناسب مثبت شرح سود کو برقرار رکھنے کے لیے رہنمائی اس وقت تک فراہم کرتا رہے گا جب تک معیشت اپنی مکمل گنجائش تک بحال نہ ہو جائے۔ لہذا ہم توقع رکھتے ہیں کہ شرح سود میں مستقبل میں کوئی بھی اضافہ مناسب حد تک اور بتدریج کیا جائے گا۔

## مستقبل کا جائزہ

پاکستان ایکویٹیڈ کمپنیز کے بارے میں توقع ہے کہ کم ترین ویلیو ایٹن اور میکرو اکنامک اشاریے میں بہتری کے باعث مالی سال 22 میں بہتر کارکردگی کا مظاہرہ کریں گی۔ جی ڈی پی گروتھ کے بارے میں امکان ہے کہ یہ بھی اپنی پرانی سطح پر آجائے گی کیونکہ بیشتر کاروباری سرگرمیاں بحال ہو چکی ہیں۔ بیرونی اکاؤنٹ کی صورتحال بھی اطمینان بخش ہے اور اس کے ساتھ سال میں کرنٹ اکاؤنٹ قابل انتظام سطح پر برقرار ہے۔ ہم یقین رکھتے ہیں کہ پاکستان ایکویٹیڈ کمپنیز کی سرمایہ کاروں کے لیے شاندار داخلے کے مواقعوں کی پیشکش کرتی ہے۔

پاکستان اسٹاک مارکیٹ کی ویلیو ایٹن اب 15.7x کی مساوی اوسط کے مقابلے میں 1x.6 کی ملٹی پل آمدنی کے نرخوں کے ساتھ پرکشش ہو چکی ہیں۔ کے ایس ای-100 ڈسکاونٹ ظاہر ہوتا جا رہا ہے نیز مد مقابل مسابقت بالترتیب 41.3% اور 35.6% کی پانچ سالہ اوسطوں کے برخلاف 54.6% اور 50.4% ہے۔ ہم محسوس کرتے ہیں یہ ڈسکاونٹ قریب تر ہونا چاہیے کیونکہ مارکیٹ کی آمدنیوں مالی سال 22 کے دوران نمایاں حد تک بڑھنے کی توقع ہے۔ تعمیرات سے متعلق شعبوں (سینٹ، اسٹیل) کے بارے میں امکان ہے کہ اس میں فروغ کا سلسلہ جاری رہے گا کیونکہ حکومت کی نیا پاکستان ہاؤسنگ اسکیم کا آغاز ہو چکا ہے۔ برآمدات کے شعبے میں اسٹیکام آنے کے باعث ٹیکسٹائل کے سیکٹر میں بھی سرمایہ کاروں کی توجہ مسلسل بڑھنے کی توقع ہے۔ ٹیکنالوجی کا شعبہ بھی بہترین گروتھ کے پیش منظر کی وجہ سے مزید توجہ کا مرکز بنا رہے گا، لہذا ہم امید کرتے ہیں مجموعی مارکیٹ مثبت رجحان کے ساتھ مزید فروغ پائے گی۔

فلکڈاکم کے محاذ پر مالی سال 22 میں اوسطاً افراط زر کے بارے میں توقع ہے کہ یہ 7-9% کی رینج میں رہے گی اور اس کا انحصار ایشیائے ضروریہ کے زرخوں اور تیل کی بین الاقوامی قیمتوں کے اتار چڑھاؤ پر ہوگا۔ اسلامی محاذ پر ہمیں امید ہے کہ حکومت مالیاتی خلاقا کو پر کرنے کے لیے مالی سال 22 میں اجارہ سلوک اور انرجی سلوک جاری کرے گی، آگے بڑھتے ہوئے ہم محسوس کرتے ہیں کہ مانیٹری سہولت آجائے گی اور ہم شرح سود کے دائرے کی چمکی سطح پر ہوں گے۔ کوویڈ-19 کی جاری چوتھی لہر کے باعث ہمیں توقع ہے کہ حکومت معیشت کی بحالی میں معاونت کی غرض سے آئندہ چند ماہ کے لیے ایس بی پی کی پالیسی ریٹ کو جو کاتوں برقرار رکھے گی۔ مرکزی بینک اس حوالے مناسب مثبت شرح سود کو برقرار رکھنے کے لیے رہنمائی اس وقت تک فراہم کرتا رہے گا جب تک معیشت اپنی مکمل گنجائش تک بحال نہ ہو جائے۔ لہذا ہم توقع رکھتے ہیں کہ شرح سود میں مستقل کوئی بھی اضافہ مناسب حد تک اور بتدریج کیا جائے گا۔

## فنڈ کی کارکردگی اور پی اوٹس

### ایچ بی ایل اسلامک منی مارکیٹ فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2021 کو ختم ہونے والے سال کے دوران بالترتیب 501.90 ملین روپے اور 453.73 ملین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2021 کے مطابق 101.1940 روپے فی یونٹ تھی جو اس کے برخلاف 30 جون 2020 کو 3321.6 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد 101.1744 روپے فی یونٹ رہی تھی جس کے ذریعے 6.51% کا ایک سالانہ منافع دیا جا رہا ہے۔ سال کے دوران بیچ مارک (تین ماہ کا بینک ڈپازٹس ریٹس) منافع 3.41% تھا۔ فنڈ کا حجم 30 جون 2021 کے مطابق 16.64 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 42.8 بلین روپے رہا تھا۔

جے سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی نے فنڈ کے لیے (f) AA پر فنڈ اسٹیبلٹی ریٹنگ اپ گریڈ کی ہے۔

### ایچ بی ایل اسلامک انکم فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2021 کو ختم ہونے والے سال کے دوران بالترتیب 95.35 ملین روپے اور 67.31 ملین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2021 کے مطابق 101.7500 روپے فی یونٹ تھی جو اس کے برخلاف 30 جون 2020 کو 30.5 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد 101.5299 روپے فی یونٹ رہی تھی جس کے ذریعے 5.45% کا ایک سالانہ منافع دیا جا رہا ہے۔ اسی سال کے دوران بیچ مارک (چھ ماہ کا بینک ڈپازٹس ریٹس) منافع 3.56% تھا۔ فنڈ کا حجم 30 جون 2021 کے مطابق 1.02 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 42.1 بلین روپے رہا تھا۔

جے سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی نے فنڈ کے لیے (f) A+ پر فنڈ اسٹیبلٹی ریٹنگ کی دوبارہ توثیق کی ہے۔

### ایچ بی ایل اسلامک اسٹاک فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2021 کو ختم ہونے والے سال کے دوران بالترتیب 188.61 ملین روپے اور 150.71 ملین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2021 کے مطابق 123.9845 روپے فی یونٹ تھی جو اس کے برخلاف 30 جون 2020 کو 93.6583 روپے فی یونٹ رہی تھی جس کے ذریعے سال کے دوران 32.38% کا ایک سالانہ منافع دیا جا رہا ہے۔ اس کے برخلاف بیچ مارک (کے ایم آئی 30 انڈیکس) منافع 39.32% تھا۔ فنڈ کا حجم 30 جون 2021 کے مطابق 76.0 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 56.0 بلین روپے رہا تھا۔

### ایچ بی ایل اسلامک ایکویٹی فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2021 کو ختم ہونے والے سال کے دوران بالترتیب 102.08 ملین روپے اور 81.92 ملین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2021 کے مطابق 105.0735 روپے فی یونٹ تھی جو اس کے برخلاف 30 جون 2020 کو 77.5699 روپے فی یونٹ رہی تھی جس کے ذریعے سال کے دوران 35.46% کا ایک سالانہ

منافع دیا جا رہا ہے اس کے برخلاف بیٹج مارک (کے ایم آئی 30 انڈیکس) منافع 39.32% تھا۔ فنڈ کا حجم 30 جون 2021 کے مطابق 10.62 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 23.0 بلین روپے رہا تھا۔

### ایچ بی ایل اسلامک ایسٹیٹ ایلوکیشن فنڈ

ایچ بی ایل اسلامک ایسٹیٹ ایلوکیشن فنڈ (HBL-IAAF) کے تحت ایچ بی ایل اسلامک ایسٹیٹ ایلوکیشن فنڈ - پلان ون (HBL IAAF-Plan1)، 13 جولائی 2020 کو تشکیل دیا گیا تھا۔ فنڈ بشمول ایچ بی ایل اسلامک ایسٹیٹ ایلوکیشن فنڈ - پلان ون کی مجموعی اور خالص آمدنی 30 جون 2021 کو ختم ہونے والی مدت کے دوران بالترتیب 158.60 بلین روپے اور 147.92 بلین روپے رہی۔ ایچ بی ایل - آئی اے اے ایف کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 103.6330 روپے فی یونٹ تھی جو 30 جون 2021 کے مطابق (2.70 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد) 112.9636 روپے فی یونٹ ہو گئی، جس کے ذریعے اس مدت کے دوران %11.59 کا ایک سالانہ منافع بیٹج 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) %12.81 کے برخلاف دیا گیا۔ ایچ بی ایل - آئی اے اے ایف پلان ون کے خالص اثاثہ جات کی مالیت (NAV) 30 جون 2021 کے مطابق 100.4119 روپے فی یونٹ (7.00 روپے کا منافع منقسمہ تشکیل دینے کے بعد) تھی جس کے ذریعے اس مدت کے دوران %33 کے بیٹج مارک منافع کے برخلاف %7.42 کا ایک منافع دیا جا رہا ہے۔ فنڈ کا مجموعی حجم 30 جون 2021 کے مطابق 2.86 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 310 بلین روپے رہا تھا۔

### ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ

ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ ذیلی فنڈز (پلانز) بنام ایکٹو ایلوکیشن پلان، کنزرویٹو ایلوکیشن پلان اور اسلامک کیپیٹل پریزیرویشن پلان پر مشتمل ہے۔ اسلامک کیپیٹل پریزیرویشن پلان نے یکم اکتوبر 2020 کو اپنی چھوٹی کی مدت مکمل کی ہے۔ فنڈ نے مجموعی طور پر زیر جائزہ سال کے دوران بالترتیب 22.76 بلین روپے اور 98.9 بلین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ فنڈ کا حجم 0.10 ارب روپے پر موجود تھا۔

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

### ایکٹو ایلوکیشن پلان

زیر جائزہ سال کے دوران ایکٹو ایلوکیشن پلان نے بالترتیب 15.30 بلین روپے اور 14.26 بلین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ ایکٹو ایلوکیشن پلان کے خالص اثاثہ جات 54 بلین روپے پر موجود تھے جو 30 جون 2021 کے مطابق 115.8209 روپے فی یونٹ کے خالص اثاثہ جات کی ویلیو (NAV) کی نمائندگی کرتے ہیں جبکہ اس کے مقابلے میں 30 جون 2020 کے مطابق یہ 95.3020 روپے فی یونٹ تھے۔ پلان نے زیر جائزہ سال کے دوران %21.53 کا منافع اس کے %25.45 کے بیٹج مارک منافع کے برخلاف حاصل کیا۔ پلان نے ایکٹیو فنڈز میں %79 اور فکسڈ انکم فنڈز میں %19 تک کی سرمایہ کاری کی ہے۔

### کنزرویٹو ایلوکیشن پلان

زیر جائزہ سال کے دوران کنزرویٹو ایلوکیشن پلان نے بالترتیب 30.0 بلین روپے اور 22.0 بلین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ کنزرویٹو ایلوکیشن پلان کے خالص اثاثہ جات 51 بلین روپے پر موجود تھے جو 30 جون 2021 کے مطابق 114.9507 روپے فی یونٹ کے خالص اثاثہ جات کی ویلیو (NAV) کی نمائندگی کرتے ہیں جبکہ اس کے مقابلے میں 30 جون 2020 کے مطابق یہ 109.3637 روپے فی یونٹ تھے۔ پلان نے زیر جائزہ سال کے دوران %11.5 کا منافع اس کے %10.17 کے بیٹج مارک منافع کے برخلاف حاصل کیا۔ پلان نے ایکٹیو فنڈز میں %19 اور فکسڈ انکم فنڈز میں %79 تک کی سرمایہ کاری کی ہے۔

### اسلامک کیپیٹل پریزیرویشن پلان

زیر جائزہ مدت کے دوران اسلامک کیپیٹل پریزیرویشن پلان نے بالترتیب 16.7 بلین روپے اور 50.5 بلین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ پلان نے یکم اکتوبر 2020 کو اپنی چھوٹی کی مدت



مکمل کی۔

ایچ بی ایل اسلامک ڈیڈ ایکویٹی فنڈ

اسلامک ڈیڈ ایکویٹی فنڈ کی مجموعی اور خالص آمدنی زیر جائزہ سال کے لیے بالترتیب 49.5 ملین روپے اور 32.4 ملین روپے رہی۔ اسلامک ڈیڈ ایکویٹی فنڈ کے خالص اثاثہ جات کی مالیت 30 جون 2021 کے مطابق صفر (NIL) تھی کیونکہ اس مدت کے دوران فنڈ میں تمام نوٹس کا انفاک (ری ڈیم) کرا لیا گیا تھا۔ فنڈ نے اس زیر جائزہ سال کے دوران 85% کا منافع 39.32% کے ایچ مارک منافع کے برخلاف حاصل کیا۔

انتظامی کمپنی کی ریٹنگ

وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (جے سی آر۔ وی آئی ایس) نے انتظامی کمپنی کے لیے بیجنٹ کوالٹی ریٹنگ 'AM2+' (اے ایم ٹو پلس) سے 'AM2++' (اے ایم ٹو پلس پلس) پر اپ گریڈ کی ہے اور تقویض کردہ ریٹنگ پر آؤٹ لک 'مستحکم' ظاہر کیا ہے۔

آڈیٹرز

میسرز یوسف عادل، چارٹرڈ اکاؤنٹینٹس، جو موجودہ طور پر ایچ بی ایل اسلامک اسٹاک فنڈ اور ایچ بی ایل اسلامک ڈیڈ ایکویٹی فنڈ کے آڈیٹرز تھے، اب سبکدوش ہو چکے ہیں، بورڈ آف ڈائریکٹرز جلد ہی آڈیٹرز کے تقرر کے معاملے پر غور کریں گے۔

میسرز بی ڈی اداہم اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، جو موجودہ طور پر ایچ بی ایل اسلامک اسٹاک فنڈ اور ایچ بی ایل اسلامک ڈیڈ ایکویٹی فنڈ کے آڈیٹرز تھے، اب سبکدوش ہو چکے ہیں، بورڈ آف ڈائریکٹرز جلد ہی آڈیٹرز کے تقرر کے معاملے پر غور کریں گے۔

میسرز کے پی ایم جی تاثیر ہادی اینڈ کمپنی، چارٹرڈ اکاؤنٹینٹس، جو موجودہ طور پر ایچ بی ایل اسلامک منی مارکیٹ فنڈ، ایچ بی ایل اسلامک ایسیٹ ایلیکیشن فنڈ اور ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ کے آڈیٹرز تھے، اب سبکدوش ہو چکے ہیں، بورڈ آف ڈائریکٹرز جلد ہی آڈیٹرز کے تقرر کے معاملے پر غور کریں گے۔

یونٹ ہولڈنگ کا طریقہ کار

فنڈز کے متعلقہ مالیاتی حسابات میں یونٹ ہولڈنگ کے طریقہ کار (بیٹرن) کے بارے میں مفصل معلومات فراہم کر دی گئی ہیں۔ سائز کے لحاظ سے یونٹ ہولڈنگ کا بریک اپ متعلقہ فنڈز کے فنڈ منیجر کی رپورٹ کے متعلقہ سیکشن میں فراہم کیا گیا ہے۔

اعتراف

بورڈ اس موقع پر اپنے معزز یونٹ ہولڈرز کا ان کے مستقل تعاون اور سرپرستی کے لیے شکریہ ادا کرنا چاہتا ہے۔ اس سلسلے میں ہم سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، سینٹرل ڈپازٹری کمپنی آف پاکستان اور ایم سی بی فنانشل سروسز لمیٹڈ لٹورٹسٹی، 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 اسٹاف کی انتھک کاوشوں اور مخلصانہ جدوجہد پر ان کو بھی خراج تحسین پیش کرنا چاہتا ہے۔

منجانب بورڈ

ایچ بی ایل ایسیٹ منیجمنٹ لمیٹڈ

چیف ایگزیکٹو آفیسر



# HBL Islamic Money Market Fund

NAME OF FUND	<b>HBL</b> 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**

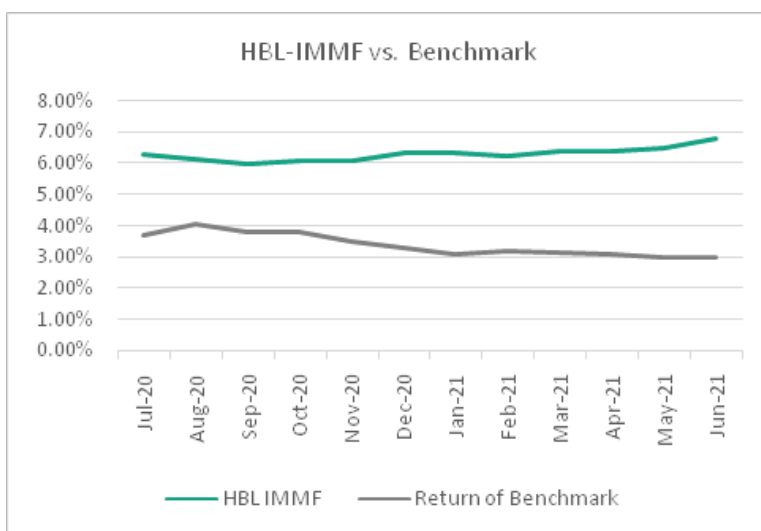
The investment objective of the Fund is to seek high liquidity, competitive return and maximum possible preservation of Capital for investors by investing in low risk Shariah Compliant securities. The investment objective is achieved.

**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:

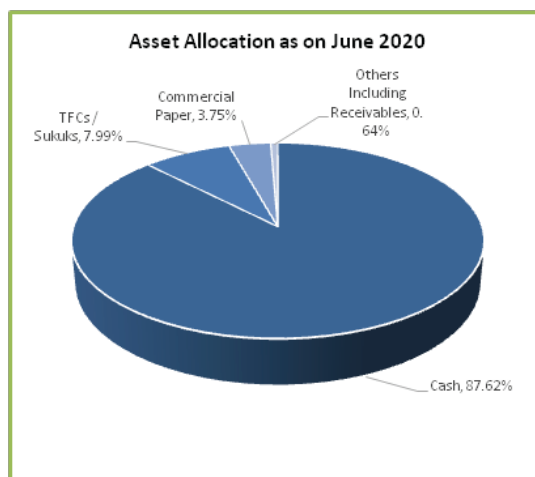
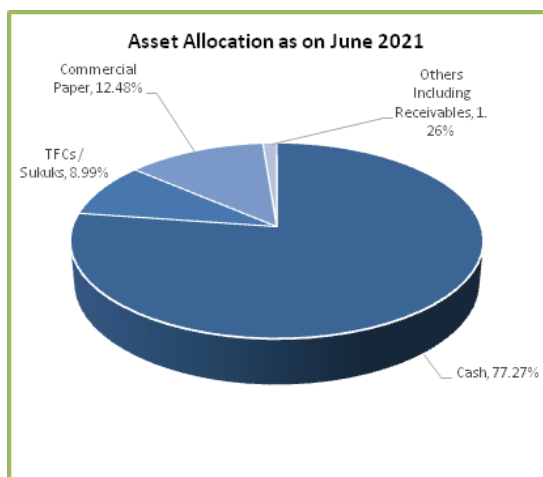
Month	HBL-IMMF	Benchmark
Jun-21	6.79%	3.01%
May-21	6.47%	3.02%
Apr-21	6.36%	3.11%
Mar-21	6.41%	3.18%
Feb-21	6.23%	3.20%
Jan-21	6.33%	3.13%
Dec-20	6.31%	3.33%
Nov-20	6.06%	3.51%
Oct-20	6.07%	3.83%
Sep-20	5.98%	3.82%
Aug-20	6.12%	4.06%
Jul-20	6.27%	3.72%



**Strategies and Policies employed during the Period**

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 assisted 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 77.27% investment in DPA accounts and remaining 21.47% in Islamic Commercial Papers and short term Sukuk. Going ahead, we will explore further options to invest the funds in shorter duration placement opportunities to augment the returns.

**Asset Allocation**



## Fund Performance

The total income and net income of the Fund was Rs. 501.90 million and Rs. 453.73 million respectively during the year ended June 30, 2021. The Net Asset Value (NAV) of the Fund was Rs. 101.1940 per unit as on June 30, 2021 as compared to Rs. 101.1744 per unit as on June 30, 2020, after incorporating dividend of Rs. 6.3321 per unit, thereby giving an annualized return of 6.51%. During the year the benchmark return (3 Month bank deposit rates) was 3.41%. The size of Fund was Rs. 6.64 billion as on June 30, 2021 as compared to Rs. 8.42 billion at the start of the year.

## Money Market Review

The Central bank maintained the interest rates in the period after a cumulative 625 bps decrease in interest rates in 2HFY20 in response to the Covid-19 pandemic. At the start of the pandemic SBP clearly stated that it will hold forward looking real interest rate at zero to cushion the impact of the Coronavirus shock on growth and employment.

As per latest data available, Islamic Banking industry assets posted 30.6% growth and stood at PKR 4,389 billion by Mar-21. Similarly, deposits of Islamic banks also witnessed a sharp growth of 28.4% YoY and reached PKR 3,457 billion by Mar-21. The government issued Energy Sukuk-II of PKR 200bn in the last quarter of FY20 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. It was widely anticipated that another Energy Sukuk will be issued in FY21 but it did not materialize. However we expect Energy Sukuk to be launched in FY22 which would provide additional avenue to invest for the Islamic financial institutions.

During FY21, Government largely managed its borrowing requirement through commercial banks. Government borrowed PKR 2,955bn from scheduled banks compared to borrowing of PKR 2,305bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 1,268bn during the period against decline in borrowing of PKR 153bn during same period last year. This further decline 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 May-21, SBP maintained status quo in the interest rates. Going forward, we feel that the monetary easing has taken place and we are at the bottom of the interest rate cycle. Due to the ongoing fourth wave of Covid-19 we expect the government to maintain status quo in the SBP policy rate for the next few months to support the recovery of the economy. The central bank has given its forward looking guidance to maintain mildly positive interest rates when economy return to full capacity. Thus we expect any future increase in the policy rate to be measured and gradual.

## Distribution

The Fund has distributed cash dividend up-to Rs. 6.3321 per unit for the year ended June 30, 2021.

## 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	1,807	28,774
101 – 500	149	34,103
501 – 1,000	51	38,725
1,001 – 10,000	356	1,723,876
10,001 – 100,000	343	11,013,020
100,001 – 500,000	63	12,775,633
500,001 – 1,000,000	3	2,277,784
1000,001 – 5,000,000	7	17,857,376
5,000,001 and above	1	19,870,241
<b>Total</b>	<b>2,780</b>	<b>65,619,532</b>

### **Unit Splits**

There were no unit splits during the year.

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

Investments are subject to market risk.

### **Soft Commission**

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



**PERFORMANCE TABLE –  
HBL ISLAMIC MONEY MARKET FUND**  
As at June 30, 2021

	2021	2020	2019	2018	2017	2016
Net assets at the period end(Rs'000)	6,640,304	8,423,242	1,050,315	957,109	835,282	506,741
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	101.1940	101.1744	100.9968	104.9735	100.6277	100.6132
Offer	101.1940		102.1381	104.9735	100.6277	100.6132
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	102.9680	103.2023	110.0993	104.9735	104.7144	104.6150
Lowest offer price per unit	101.1744	102.1381	100.8796	100.6620	100.5319	100.4203
Highest redemption price per unit	101.8175	102.0491	108.8691	104.9735	104.7144	104.6150
Lowest redemption price per unit	101.1744	100.9968	100.8796	100.6620	100.5319	100.4203
<b>RETURN ( % )</b>						
Total return	6.47%	11.38%	8.11%	4.32%	4.19%	4.29%
Income distribution	0.00%	10.77%	8.00%	4.15%	4.20%	4.10%
Capital growth	6.47%	0.61%	0.11%	0.17%	-0.01%	0.19%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	6.3321	10.7689	8.00	4.15	4.20	4.10
Date of Income Distribution	Different Dates	Different Dates	28-Jun-19	4-Jul-18	20-Jun-17	22-Jun-16
Total dividend distribution for the year/ period	6.33	10.77	8.00	4.15	4.20	4.10
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	6.47%	11.38%	8.11%	4.32%	4.19%	4.29%
Average annual return 2 year	8.90%	9.73%	6.20%	4.26%	4.25%	5.50%
Average annual return 3 year	8.63%	7.90%	5.53%	4.27%	5.06%	5.95%
Weighted average portfolio during (No. of days)						
PORTFOLIO COMPOSITION - (%)						
<b>Percentage of Total Assets as at 30 June:</b>						
Bank Balances	77.27%	87.62%	87.68%	90.67%	100%	99%
Commercial paper	12.48%	3.75%	11.16%	-	-	-
Placement with Banks and DFIs	0.00%	0.00%	0.00%	8.82%	-	-
TFCs / Sukuks	8.99%	7.99%	-	-	-	-
Others	1.26%	0.64%	1.16%	0.51%	-	1%

**Note:**

The Launch date of the Fund is May 10, 2011

**Disclaimer:**

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC MONEY MARKET 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 Money Market Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2021 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 20, 2021



**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, 2021. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 26, 2021

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



September 14, 2021

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, 2021 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

**Al-Hilal Shariah Advisors (Pvt) Limited**

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## 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, 2021, 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, 2021, 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 no such matters to report.

#### 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, 2021 but does not include the financial statements and our auditors' report thereon.





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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 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:





#### KPMG Taseer Hadi & Co.

- 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 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



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not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

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

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

Karachi

Date: 28 September 2021

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



KPMG Taseer Hadi & Co.  
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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 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, 2021, 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, 2021.

#### **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, 2021, 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: 28 September 2021**

**Karachi**

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

# HBL Islamic Money Market Fund

## Statement of Assets and Liabilities

As at June 30, 2021

		2021	2020
	Note	----- (Rupees in '000) -----	
<b>Assets</b>			
Bank balances	4	5,153,150	7,397,036
Investments	5	1,432,575	991,839
Accrued mark-up on bank deposits	6	82,971	53,814
Advances, deposits and prepayment	7	880	876
<b>Total Assets</b>		<b>6,669,576</b>	<b>8,443,565</b>
<b>Liabilities</b>			
Payable to the Management Company	8	1,769	3,389
Payable to the Trustee	9	400	517
Payable to Securities and Exchange Commission of Pakistan	10	1,452	616
Accrued expenses and other liabilities	11	25,650	17,307
<b>Total Liabilities</b>		<b>29,271</b>	<b>21,829</b>
<b>Net Assets</b>		<b>6,640,305</b>	<b>8,421,736</b>
<b>Unit Holders' fund (as per statement attached)</b>		<b>6,640,305</b>	<b>8,421,736</b>
<b>Contingencies and commitments</b>	12		
		----- (Number of units) -----	
<b>Number of units in issue</b>	13	<b>65,619,532</b>	<b>83,239,789</b>
		----- (Rupees) -----	
<b>Net assets value per unit</b>		<b>101.1940</b>	<b>101.1744</b>

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, 2021

	2021	2020
Note	----- (Rupees in '000) -----	
<b>Income</b>		
Profit on deposits with banks calculated using the effective yield method	313,136	279,458
Return on investments calculated using the effective yield method	188,219	33,555
Net realised gain on sale of investments	543	-
<b>Total income</b>	<b>501,898</b>	313,013
<b>Expenses</b>		
Remuneration of the Management Company	23,601	16,160
Remuneration of the Trustee	5,332	2,261
Annual fee to the Securities and Exchange Commission of Pakistan	1,452	616
Allocation of expenses related to registrar services, accounting, operation and valuation services	3,184	1,858
Selling and marketing expense	3,184	1,490
Auditors' remuneration	395	352
Settlement and bank charges	1,175	358
Fee and subscription	536	468
Printing and stationery	31	4
	<b>38,890</b>	23,567
<b>Net income from operating activities</b>	<b>463,008</b>	289,446
Provision for Sindh Workers' Welfare Fund	(9,280)	(5,789)
<b>Net income for the year before taxation</b>	<b>453,728</b>	283,657
Taxation	-	-
<b>Net income for the year after taxation</b>	<b>453,728</b>	283,657
<b>Allocation of net income for the year:</b>		
Net income for the year after taxation	453,728	283,657
Income already paid on redemption of units	(22,279)	(36,280)
	<b>431,449</b>	247,377
<b>Accounting income available for distribution:</b>		
- Relating to capital gains	-	-
- Excluding capital gains	431,449	247,377
	<b>431,449</b>	247,377
<b>Earnings per unit</b>	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



	2021	2020
	----- (Rupees in '000) -----	
<b>Net income for the year after taxation</b>	<b>453,728</b>	283,657
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>453,728</b>	283,657

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, 2021

Note	For the year ended June 30,					
	2021			2020		
	Capital value	Undistributed Income	Total	Capital value	Undistributed Income	Total
	----- (Rupees in '000) -----					
<b>Net assets at beginning of the year</b>	8,400,268	21,468	8,421,736	1,042,487	7,829	1,050,316
Issuance of 173,858,867 units (2020: 149,842,468 units)						
- Capital value (at net asset value per unit at the beginning of the period)	17,585,661	-	17,585,661	15,133,610	-	15,133,610
- Element of income	52,796	-	52,796	44,596	-	44,596
<b>Total proceeds on issuance of units</b>	<b>17,638,457</b>	<b>-</b>	<b>17,638,457</b>	<b>15,178,206</b>	<b>-</b>	<b>15,178,206</b>
<b>Redemption of 191,479,124 units (2020: 77,002,168 units)</b>						
- Capital value (at net asset value per unit at the beginning of the period)	(19,368,380)	-	(19,368,380)	(7,776,973)	-	(7,776,973)
- Element of loss	(5,655)	(22,279)	(27,934)	(4,962)	(36,280)	(41,242)
<b>Total payments on redemption of units</b>	<b>(19,374,035)</b>	<b>(22,279)</b>	<b>(19,396,314)</b>	<b>(7,781,935)</b>	<b>(36,280)</b>	<b>(7,818,215)</b>
Total comprehensive income for the year	-	453,728	453,728	-	283,657	283,657
Interim distribution	-	(431,210)	(431,210)	-	(233,738)	(233,738)
Refund of Capital	(46,092)	-	(46,092)	(38,490)	-	(38,490)
<b>Total distribution</b>	<b>(46,092)</b>	<b>(431,210)</b>	<b>(477,302)</b>	<b>(38,490)</b>	<b>(233,738)</b>	<b>(272,228)</b>
<b>Net assets at end of the year</b>	<b>6,618,598</b>	<b>21,707</b>	<b>6,640,305</b>	<b>8,400,268</b>	<b>21,468</b>	<b>8,421,736</b>
<b>Undistributed income brought forward</b>						
- Realised income		21,468			7,829	
- Unrealised income		-			-	
		21,468			7,829	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-			-	
- Excluding capital gains		431,449			247,377	
		431,449			247,377	
Interim distribution	13.2	(431,210)			(233,738)	
<b>Undistributed income carried forward</b>		<b>21,707</b>			<b>21,468</b>	
<b>Undistributed income carried forward</b>						
- Relating to realised gain		21,707			21,468	
- Relating to unrealised gain		-			-	
		21,707			21,468	
		(Rupees)			(Rupees)	
<b>Net assets value per unit at beginning of the year</b>		<b>101.1744</b>			<b>100.9968</b>	
<b>Net assets value per unit at end of the year</b>		<b>101.1940</b>			<b>101.1744</b>	

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, 2021

	2021	2020
Note	----- (Rupees in '000) -----	
<b>Cash flows from operating activities</b>		
Net income for the year before taxation	453,728	283,657
<b>Adjustments for:</b>		
Mark-up on bank deposits	(313,136)	(279,458)
Mark-up on term deposit receipts	-	-
Return on investments calculated using effective yield method	(188,219)	(33,555)
	<u>(47,627)</u>	<u>(29,356)</u>
<i>Increase in assets</i>		
Prepayments	(4)	(767)
Investments	(252,517)	(870,212)
	<u>(252,521)</u>	<u>(870,979)</u>
<i>Increase / (decrease) in liabilities</i>		
Payable to the Management Company	(1,620)	2,120
Payable to the Trustee	(117)	361
Payable to Securities and Exchange Commission of Pakistan	836	(174)
Accrued expenses and other liabilities	8,343	(19,504)
	<u>7,442</u>	<u>(17,197)</u>
Mark-up received on deposit with banks	283,979	271,694
<b>Net cash used in operating activities</b>	<u>(8,727)</u>	<u>(645,838)</u>
<b>Cash flows from financing activities</b>		
Amount received on issue of units	19 17,592,365	15,139,716
Payments against redemption of units	19 (19,396,314)	(7,818,215)
Cash distribution	(431,210)	(233,738)
<b>Net cash (used in) / generated from financing activities</b>	<u>(2,235,159)</u>	<u>7,087,763</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(2,243,886)</u>	<u>6,441,925</u>
Cash and cash equivalents at beginning of the year	<u>7,397,036</u>	<u>955,111</u>
<b>Cash and cash equivalents at end of the year</b>	4 <u><u>5,153,150</u></u>	<u><u>7,397,036</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

**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 as of 31 December 2020.

**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**

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Many governments are still taking stringent steps to help contain the spread of the virus, including vaccination campaigns, requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and "locking-down" cities/regions or even entire countries. Subsequent to the reporting date, the provincial government imposed complete lockdown only in Sindh amid increasing COVID-19 cases. This would result in disruption in business activities due to uncertainties created by the fourth wave of COVID-19 which could affect the overall operations and the business in future requiring close monitoring by the management as it is an alarming situation for overall economy of Pakistan. 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. 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 would be no significant impact that will adversely affect the operations and financial position of the Fund in future periods.

**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 01 July 2020:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an 'economically equivalent' basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The amendments are not likely to affect the financial statements of the Fund.
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to the other terms and conditions of the lease.

The amendments are not likely to affect the financial statements of the Fund.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises 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. The amendments are not likely to affect the financial statements of the Fund.

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 not likely to affect the financial statements of the Fund.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs 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 amendments are not likely to affect the financial statements of the Fund.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendments are not likely to affect the financial statements of the Fund.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. 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. The amendments are not likely to affect the financial statements of the Fund.



Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) - the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:

- requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. The amendments are not likely to affect the financial statements of the Fund.

- Definition of Accounting Estimates (Amendments to IAS 8) - The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The amendments are not likely to affect the financial statements of the Fund.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) - The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. The amendments are not likely to affect the financial statements of the Fund.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) - The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review. The amendments are not likely to affect the financial statements of the Fund.

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 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)

## **2.5 Basis of Measurement**

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

## **2.6 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.

<b>4. BANK BALANCES</b>	<i>Note</i>	<b>2021</b>	<b>2020</b>
----- (Rupees in '000) -----			
Balances with banks in:			
Savings accounts	4.1	<u>5,153,150</u>	<u>7,397,036</u>
		<u><b>5,153,150</b></u>	<u><b>7,397,036</b></u>

**4.1** This represents bank accounts held with different banks. Profit rates on these accounts range between 3.52% - 7.5%(June 30, 2020: 5.97% - 14.5%) per annum.

<b>5. INVESTMENTS</b>	<i>Note</i>	<b>2021</b>	<b>2020</b>
----- (Rupees in '000) -----			
<b>Investment by category</b>			
<b>Financial assets at amortised cost</b>			
Commercial paper	5.1	<b>832,575</b>	316,839
<b>Financial assets at fair value through profit or loss</b>			
Sukuk certificates	5.3	<u>600,000</u>	675,000
		<u><b>1,432,575</b></u>	<u><b>991,839</b></u>

# HBL Islamic Money Market Fund

## Notes to the financial statements

For the year ended June 30, 2019

5.1 Commercial papers - at amortised cost	Note	Maturity date	As at July 1, 2020	Placements made during the year	Income accrued	Matured / Sold during the year	As at June 30, 2021	Market value as a percentage of	
								Total investments of fund	Net Assets of fund
								----- (Rupees in '000) -----	
								----- (%) -----	
K - Electric Limited	5.1.1	October 19, 2021	-	193,844	1,337	-	195,181	13.62	2.94
K - Electric Limited	5.1.2	October 6, 2021	-	121,464	847	-	122,311	8.54	1.84
K - Electric Limited	5.1.3	August 10, 2021	-	637,372	5,772	176,977	466,167	32.54	7.02
K - Electric Limited	5.1.4	October 6, 2021	-	47,975	941	-	48,916	3.41	0.74
K - Electric Limited		April 20, 2021	-	529,749	20,251	550,000	-	-	-
K - Electric Limited		March 24, 2021	-	461,596	18,404	480,000	-	-	-
K - Electric Limited		Aug 14, 2020	121,908	-	2,092	124,000	-	0.00	0.00
K - Electric Limited		Aug 23, 2020	63,624	-	1,376	65,000	-	0.00	0.00
K - Electric Limited		Sep 10, 2020	87,703	-	2,297	90,000	-	0.00	0.00
K - Electric Limited		October 6, 2020	43,604	403,980	2,416	450,000	-	0.00	0.00
			<b>316,839</b>	<b>2,395,980</b>	<b>55,733</b>	<b>1,935,977</b>	<b>832,575</b>	<b>58.11</b>	<b>12.54</b>

5.1.1 This commercial paper has been placed at a mark-up rate of 8.09% and is being amortised over a year of 142 days.

5.1.2 This commercial paper has been placed at a mark-up rate of 8.18% and is being amortised over a year of 128 days.

5.1.3 This commercial paper has been placed at a mark-up rate of 7.81% and is being amortised over a year of 139 days.

5.1.4 This commercial paper has been placed at a mark-up rate of 8.25% and is being amortised over a year of 183 days.

5.2 Bai Muajjal - at amortised cost	Note	Maturity date	As at July 1, 2020	Placements made during the year	Income accrued	Matured / Sold during the year	As at June 30, 2021	Market value as a percentage of	
								Total investments of fund	Net Assets of fund
								----- (Rupees in '000) -----	
								----- (%) -----	
Pak Kuwait Investment Company Limited		December 17, 2020	-	533,008	8,845	541,853	-	-	-
Pak Kuwait Investment Company Limited		December 21, 2020	-	533,414	8,950	542,364	-	-	-
Pak China Investment Company Limited		January 20, 2021	-	251,967	4,206	256,173	-	-	-
Pak China Investment Company Limited		January 21, 2021	-	252,031	4,207	256,238	-	-	-
Pak China Investment Company Limited		January 22, 2021	-	252,222	4,117	256,338	-	-	-
Pak China Investment Company Limited		January 25, 2021	-	252,285	4,211	256,497	-	-	-
Pak Kuwait Investment Company Limited		May 28, 2021	-	469,000	5,417	474,417	-	-	-
Pak Brunei Investment Company Limited		June 1, 2021	-	398,400	4,836	403,236	-	-	-
Pak Kuwait Investment Company Limited		June 1, 2021	-	469,095	5,694	474,789	-	-	-
Pak Brunei Investment Company Limited		June 1, 2021	-	398,480	4,759	403,239	-	-	-
Pak Oman Investment Company (Pvt) Limited		June 11, 2021	-	848,881	9,755	858,637	-	-	-
			-	<b>4,658,783</b>	<b>64,997</b>	<b>4,723,781</b>	-	-	-

5.3 Sukuks certificate - At fair value through profit or loss	Note	As at July 1, 2020	Purchased during the year	Matured / Sold during the year	As at June 30, 2021	Amortised cost as at June 30, 2021	Market value as at June 30, 2021	Market value as a percentage of		
								Total investments of fund	Net Assets of fund	
								----- (Rupees in '000) -----		
								----- (%) -----		
HUB Power Company Limited		675,000	-	(675,000)	-	-	-	-	-	
HUB Power Company Limited		-	675,000	(675,000)	-	-	-	-	-	
HUB Power Company Limited		-	1,514,000	(1,514,000)	-	-	-	-	-	
HUB Power Company Limited	5.3.1	-	600,000	-	600,000	600,000	600,000	41.88	9.04	
			<b>675,000</b>	<b>2,789,000</b>	<b>(2,864,000)</b>	<b>600,000</b>	<b>600,000</b>	<b>600,000</b>	<b>41.88</b>	<b>9.04</b>

5.3.1 Significant terms and conditions of Sukuk certificates outstanding as at June 30, 2021 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 8.75%	5-May-21	5-Nov-21

## 6. ACCRUED MARK-UP

	Note	2021	2020
		----- (Rupees in '000) -----	
Mark-up accrued on bank deposits		<b>74,654</b>	46,188
Mark-up accrued on Sukuk certificates		<b>8,317</b>	7,626
		<b>82,971</b>	<b>53,814</b>

## 7. ADVANCES, DEPOSITS AND PREPAYMENT

Prepaid annual rating fee		<b>70</b>	66
CDC security deposit		<b>100</b>	100
Advance Tax	7.1	<b>710</b>	710
		<b>880</b>	<b>876</b>

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		2021	2020
		----- (Rupees in '000) -----	
In respect of:			
Management fee	8.1	1,089	2,113
Sindh Sales Tax on management fee	8.2	142	275
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	-	352
Sales load payable		97	48
Selling and Marketing expense payable		441	601
		<u>1,769</u>	<u>3,389</u>

**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 0.2% to 0.3% (2020: 0.3%) during the year. Currently at the rate of 0.20% of average annual Net Asset of the Fund which was revised from 15th May 2021.

**8.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (2020: 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.

9. PAYABLE TO THE TRUSTEE		2021	2020
	Note	----- (Rupees in '000) -----	
Trustee fee	9.1	354	458
Sindh Sales Tax		46	59
		<u>400</u>	<u>517</u>

**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, 2021.

**9.2** The Sindh Government has levied Sindh Sales Tax on services at the rate of 13% (2020: 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		2021	2020
	Note	----- (Rupees in '000) -----	
Annual fee	10.1	1,452	616

**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.

11. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2021 ----- (Rupees in '000) -----	2020
Auditors' remuneration		318	298
Federal Excise Duty	11.1	2,185	2,185
Withholding tax payable		2,569	3,135
Provision for Sindh Workers' Welfare Fund	11.2	19,002	9,722
Other payables		1,259	867
Capital gain tax payable		10	683
Dividend payable		307	417
		<u>25,650</u>	<u>17,307</u>

**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, 2021.

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, 2021 would have been higher by Rs. 0.0333 (2020: Rs. 0.0262) per unit.

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

However, subsequent to current year ended, the SRB through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Company's (AMCs) are covered under the term "financial institutions" as per the Sindh WWF Act 2014 and are therefore subject to SWWF charge whereas as the Mutual Funds/Pension Funds managed by those AMCs do not qualify as "financial institutions" as per SWWF Act 2014.

In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB. MUFAP has obtained concurrence from SECP on this matter as well.

In these financial statements the Fund has recognised provision for SWWF amounting to Rs. 19.02 million for the period from July 1, 2014 till June 30, 2021 which is reversed subsequently as on August 13, 2021. Had the provision not being made, the net asset value per unit as at June 30, 2021 would have been higher by Rs. 0.2896 (2020: Rs. 0.1168) per unit.

## 12. CONTINGENCIES AND COMMITMENTS

Other than already disclosed in the financial statements, there are no contingencies and commitments as at June 30, 2021.

13. NUMBER OF UNITS IN ISSUE	Note	2021	2020
		----- Number of units -----	
Total units in issue at the beginning of the year		83,239,789	10,399,489
Add: Units issued during the year	13.1	173,858,867	149,842,468
Less: Units redeemed during the year		(191,479,124)	(77,002,168)
<b>Total units in issue at the end of the year</b>		<b>65,619,532</b>	<b>83,239,789</b>

13.1 This includes 195,251 units issued at zero value as refund of capital.

13.2 Date of Distribution	Payout per Rupees	Cash (Rupees in '000)	Units issued at
August 10, 2020	0.6955	37,258	33,289
September 7, 2020	0.4689	26,474	47,091
October 5, 2020	0.4665	33,286	17,877
November 9, 2020	0.5891	44,874	66,707
December 7, 2020	0.4705	36,604	17,797
January 3, 2021	0.4935	33,222	12,490
February till June *		219,492	-
		<b>431,210</b>	<b>195,251</b>

\* From February 2, 2021, Fund started distributing their income on daily basis to the Unit holders.

14. MARK-UP / RETURN ON INVESTMENTS	2021	2020
	----- (Rupees in '000) -----	
Sukuk certificates	60,089	7,626
Commercial Paper	55,733	25,362
GoP Ijarah Sukuks	-	567
Bai Muajjal	64,997	-
UBL certificate	7,400	-
	<b>188,219</b>	<b>33,555</b>

## 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	74	31
	<b>395</b>	<b>352</b>

**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 atleast 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 2021 is 0.65% (June 30, 2020 : 0.95%) which includes 0.19% (2020: 0.27%) 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, 2020	-	-	-
Receivable against issuance of units	17,592,365	-	17,592,365
Payable against redemption of units	-	19,396,314	19,396,314
Amount received on issuance of units	(17,592,365)	-	(17,592,365)
Amount paid on redemption of units	-	(19,396,314)	(19,396,314)
<b>Closing balance as at June 30, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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:

<b>20.1 Transactions during the year</b>	<b>2021</b>	<b>2020</b>
	----- (Rupees in '000) -----	
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee including sales tax	<b>23,601</b>	16,160
Allocation of expenses related to registrar services, accounting, operation and valuation services	<b>3,184</b>	-
Selling and marketing expense	<b>3,184</b>	1,490
Issuance of 1,205,225 units (2020: 699,213 units)	<b>121,938</b>	70,563
Redemption of Nil units (2020: 700,961 units)	-	71,769
Dividend Paid	<b>2,280</b>	733
	----- (Rupees in '000) -----	
<b>Habib Bank Limited - Sponsor</b>		
Redemption of 2,240,000 units (2020: Nil units)	<b>227,622</b>	-
Bank charges paid	<b>370</b>	266
Profit on bank deposits received	<b>88,356</b>	69,592
Dividend paid	<b>5,143</b>	24,122
<b>Executive and Key management personnel</b>		
Issuance of 149,577 units (2020: 56,750 units)	<b>15,160</b>	5,720
Redemption of 160,115 units (2020: 68,054 units)	<b>16,225</b>	7,332
Dividend paid	<b>135</b>	506
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	<b>5,332</b>	2,261
<b>MCBFSL Trustee HBL Islamic Capital Preservation Plan - Associate</b>		
Redemption of Nil units (2020: 1,521 units)	-	154
<b>Artistic Milliners Pvt Limited - Connected Person Due To holding 10% or more units.</b>		
Issuance of 20,297,942 (2020: 29,703,911 units)	<b>2,053,632</b>	3,000,000
Redemption of 30,131,613 (2020: Nil Units)	<b>3,048,548</b>	-
Dividend paid	<b>162,519</b>	48,171

20.2 Balances outstanding as at year end	2021	2020
	----- (Rupees in '000) -----	
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	1,089	2,113
Sindh Sales Tax	142	275
Allocation of expenses related to registrar services, accounting, operation and valuation services	-	352
Investment held in the Fund: 1,205,225 units (2020: Nil units)	121,961	-
Sale load payable	97	48
Selling and marketing cost	441	601
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: Nil units (2020: 2,240,000 units)	-	226,631
Bank balances	5,146,720	1,947,811
Sale load payable	875	568
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable including sales tax thereon	400	517
<b>Executive and Key management personnel</b>		
Investment held in the Fund: 34,615 units (2020: 48,155 units)	3,503	4,871
<b>Artistic Milliners Pvt Limited - Connected Person due to holding 10% or more units.*</b>		
Investment held in the Fund: 19,870,241 units (2020: 29,703,911 units)	2,010,749	3,005,275

\* 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, 2021, that could expose the Fund to cash flow interest rate risk. The net income for the year would have increased / (decreased) by Rs. 51.53 million (2020: Rs. 73.97 million) had the interest rates on savings accounts with the banks increased / (decreased) by 100 basis points.

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

##### **1. Sensitivity analysis for fixed rate instruments**

The Fund hold sukuk of Hub Power Holdings Limited sukuk as at June 30, 2021 at fair value through profit or loss, exposing the fund to fair value interest rate risk. In case of 100 basis points increase in mark up rates on June 30, 2021, with all other variables constant, the impact on total exposure of the fund would be Rs. 3.112 million and in case of 100 basis points decrease in mark up rates on June 30, 2021, with all other variables constant, the impact on total exposure of the fund would be Rs.17.14 million (2020: Rs. 2.689 million and 7.874 million).

### **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, 2021 and June 30, 2020 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, 2021 and June 30, 2020:

	2021	2020
	----- (Rupees in '000) -----	
Sukuk certificates	<u>600,000</u>	<u>675,000</u>
Accrued mark-up	<u>82,971</u>	<u>53,814</u>
Advances, deposits and prepayment	<u>880</u>	<u>876</u>

### Balances with banks by rating category

Name of bank	2021		
	Rating agency	Rating	Amount (Rupees in '000)
Dubai Islamic Bank Pakistan Limited	VIS	AA	96
Askari Bank Limited	PACRA	AA+	24
Meezan Bank Limited	VIS	AAA	13
Habib Metropolitan Bank Limited	PACRA	AA+	13
Bank Al Habib Limited	PACRA	AAA	18
Faysal Bank Limited	VIS	AA	13
MCB bank Limited	PACRA	AAA	6,028
Summit Bank Limited	VIS	N/A	11
Habib bank Limited	PACRA	AAA	5,146,720
Allied Bank Limited	PACRA	AAA	48
United Bank Limited	VIS	AAA	94
Soneri Bank Limited	PACRA	AA-	72
			<u>5,153,150</u>

Name of bank	2020		Amount (Rupees in '000)
	Rating agency	Rating	
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

### 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;

	2021			Total
	Upto three months	More than three months and upto one year	More than one year	
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company	1,769	-	-	1,769
Payable to the Trustee	400	-	-	400
Accrued expenses and other liabilities	1,884	-	-	1,884
	4,053	-	-	4,053
Unit holders' Fund	6,640,305	-	-	6,640,305

	2020			Total
	Upto three months	More than three months and upto one year	More than one year	
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company	3,389	-	-	3,389
Payable to the Trustee	517	-	-	517
Accrued expenses and other liabilities	1,582	-	-	1,582
	<u>5,488</u>	<u>-</u>	<u>-</u>	<u>5,488</u>
Unit holders' Fund	<u>8,421,736</u>	<u>-</u>	<u>-</u>	<u>8,421,736</u>

## 21.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risk arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- ethical and business standards; and

## 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	2021					
		Carrying amount			Fair value		
		Fair value through profit or loss	At Amortised cost	Total	Level 1	Level 2	Level 3
		(Rupees in '000)					
<b>Financial instruments</b>							
<b>Financial assets measured at fair value</b>							
	22.1						
Sukuk certificates		600,000	-	600,000	-	-	600,000
		<u>600,000</u>	<u>-</u>	<u>600,000</u>			
<b>Financial assets not measured at fair value</b>							
	22.1						
Commercial paper		-	832,575	832,575			
Bank balances		-	5,153,150	5,153,150			
Accrued mark-up on bank deposits		-	82,971	82,971			
Deposit		-	100	100			
		<u>-</u>	<u>6,068,796</u>	<u>6,068,796</u>			
<b>Financial liabilities not measured at fair value</b>							
	22.1						
Payable to Management Company		-	1,769	1,769			
Payable to Trustee		-	354	354			
Accrued expenses and other liabilities		-	1,884	1,884			
		<u>-</u>	<u>4,007</u>	<u>4,007</u>			



	2020						
	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) -----						
<b>Financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Sukuk certificates	675,000	-	675,000	-	-	675,000	675,000
	<u>675,000</u>	<u>-</u>	<u>675,000</u>				
<b>Financial assets not measured at fair value</b>							
	22.1						
Commercial paper	-	316,839	316,839				
Bank balances	-	7,397,036	7,397,036				
Accrued mark-up on bank deposits	-	53,814	53,814				
Deposit	-	100	100				
		<u>-</u>	<u>7,767,789</u>	<u>7,767,789</u>			
<b>Financial liabilities not measured at fair value</b>							
	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>			

**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**

	2021		
	At fair value through profit or loss	At Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Assets</b>			
Commercial paper	-	832,575	832,575
Sukuk Certificates	600,000	-	600,000
Bank balances	-	5,153,150	5,153,150
Accrued mark-up on banks	-	82,971	82,971
Deposit	-	100	100
	<u>600,000</u>	<u>6,068,796</u>	<u>6,668,796</u>
<b>Liabilities</b>			
Payable to the Management Company	-	1,769	1,769
Payable to the Trustee	-	400	400
Accrued expenses and other liabilities	-	1,884	1,884
	<u>-</u>	<u>4,053</u>	<u>4,053</u>

	2020		
	At fair value through profit or loss	At Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Assets</b>			
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
	<u>675,000</u>	<u>7,767,889</u>	<u>8,442,889</u>
<b>Liabilities</b>			
Payable to the Management Company	-	3,389	3,389
Payable to the Trustee	-	517	517
Accrued expenses and other liabilities	-	1,582	1,582
	<u>-</u>	<u>5,488</u>	<u>5,488</u>

#### 24. 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.

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

Details of members of the Investment Committee of the Fund as on June 30, 2021, are as follows:

S.No.	Name of Members	Designation	Qualification	Experience in years
1	Mr. Mir Adil Rashid	Chief Executive Officer	BSc	22
2	Mr. Muhammad Wamiq Sakrani *	Acting Head of Fixed Income / Fund Manager	MBA	11
3	Mr. Raza Inam	Acting Head of Research	Bsc (Hons), CFA	8
4	Mr. Karim Khawaja	Head of Risk	MBA, CMA	18

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

**26. PATTERN OF UNIT HOLDING**

	2021			
	Number of unit holders	Units held	Investment amount (Rupees in '000)	Percentage investment
Individuals	2,717	20,122,486	2,036,274	30.67
Associated company	1	1,205,225	121,961	1.84
Trust	8	1,224,430	123,905	1.87
Insurance Companies	3	498,447	50,440	0.76
Retirement funds	16	1,819,901	184,163	2.77
Banks / DFIs	1	3,958,646	400,591	6.03
Others	34	36,790,397	3,722,971	56.06
	<b>2,780</b>	<b>65,619,532</b>	<b>6,640,305</b>	<b>100.00</b>

	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
	<b>2,363</b>	<b>83,239,789</b>	<b>8,421,736</b>	<b>100.00</b>

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

Seven meetings of the Board of Directors were held on July 28 & 29, 2020, August 27, 2020, September 30, 2020, October 12, 2020, October 29, 2020, February 10, 2021 and April 30, 2021 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. Mir Adil Rashid	7	7	-	-
2	Ms. Ava A. Cowasjee	7	7	-	-
3	Mr. Rayomond H. Kotwal	7	7	-	-
4	Mr. Rizwan Haider *	2	2	-	-
5	Mr. Shabbir Hussain Hashmi	7	7	-	-
6	Mr. Shahid Ghaffar	7	7	-	-
7	Mr. Muhammad Afaq Khan **	6	6	-	-
8	Mr. Abrar Ahmed Mir **	6	6	-	-
9	Mr. Tariq Masaud ***	4	4	-	-

\* Mr. Rizwan Haider resigned as director on September 18, 2020.

\*\* Mr. Muhammad Afaq Khan and Mr .Abrar Ahmed Mir appointed as director on July 29, 2020.

\*\*\* Mr .Tariq Masaud appointed as director on September 22, 2020.

## 28. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 26, 2021 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

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

**Type and Category of Fund**

**Open end Shariah Complaint Asset Allocation Fund**

**Investment Objective and Accomplishment of Objective**

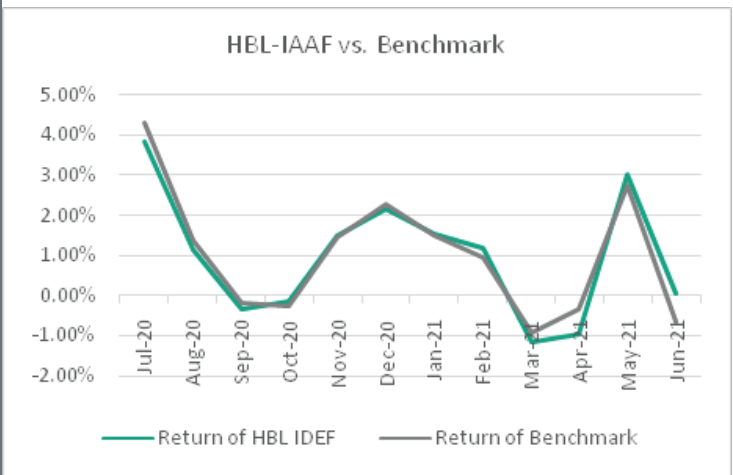
The objective of the Fund is to provide superior returns through investments in Shariah Complaint equity securities and Shariah Compliant income /money market instruments.

**Benchmark and Performance Comparison with Benchmark**

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

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

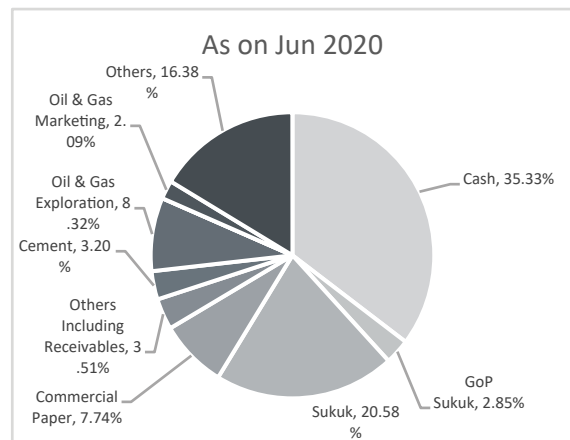
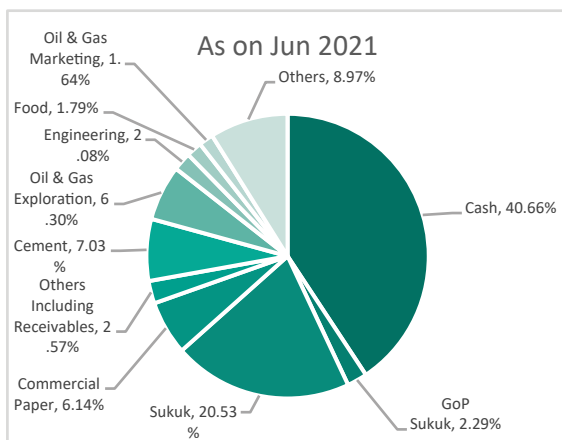
Month	Return of Fund	
	HBL -IAAF	Benchmark
Jun-21	0.04%	-0.62%
May-21	3.01%	2.76%
Apr-21	-0.96%	-0.34%
Mar-21	-1.17%	-0.91%
Feb-21	1.16%	0.94%
Jan-21	1.52%	1.52%
Dec-20	2.16%	2.28%
Nov-20	1.50%	1.46%
Oct-20	-0.16%	-0.26%
Sep-20	-0.34%	-0.16%
Aug-20	1.12%	1.38%
Jul-20	3.83%	4.30%



**Strategies and Policies employed during the Year**

During the year under review the Fund has increased its exposure in equity securities from 30% as on June 30, 2020 to 27.84% on June 30, 2021. 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 including HBL IAAF-Plan1 was Rs. 158.60 million and Rs. 147.92 million respectively during the period ended June 30, 2021. The Net Asset Value (NAV) of the HBL-IAAF increased from Rs. 103.6330 per unit as on June 30, 2020 to Rs. 112.9636 per unit as on June 30, 2021 (after incorporating dividend of Rs. 2.70) thereby giving a return of 11.59% during the period against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of 12.81%. The Net Asset Value (NAV) of the HBL-IAAF Plan-1 was Rs. 100.4119 per unit as on June 30, 2021 (after incorporating dividend of Rs. 7.00) thereby giving a return of 7.42% during the period against the benchmark return of 2.33%. The collective size of Fund was Rs. 2.86 billion as on June 30, 2021 as compared to Rs. 310million 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, 2021 and June 30, 2020:

Sector Name	As on Jun 2021	As on Jun 2020
Cash	40.66%	35.33%
GoP Sukuk	2.29%	2.85%
Sukuk	20.53%	20.58%
Commercial Paper	6.14%	7.74%
Others Including Receivables	2.57%	3.51%
Cement	7.03%	3.20%
Oil & Gas Exploration	6.30%	8.32%
Engineering	2.08%	0.00%
Food	1.79%	0.00%
Oil & Gas Marketing	1.64%	2.09%
Others	9.0%	16.4%
Total	100.00%	100.00%

## Review of Market invested in

### Money Market Review

The Central bank maintained the interest rates in the period after a cumulative 625 bps decrease in interest rates in 2HFY20 in response to the Covid-19 pandemic. At the start of the pandemic SBP clearly stated that it will hold forward looking real interest rate at zero to cushion the impact of the Coronavirus shock on growth and employment.

As per latest data available, Islamic Banking industry assets posted 30.6% growth and stood at PKR 4,389 billion by Mar-21. Similarly, deposits of Islamic banks also witnessed a sharp growth of 28.4% YoY and reached PKR 3,457 billion by Mar-21. The government issued Energy Sukuk-II of PKR 200bn in the last quarter of FY20 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. It was widely anticipated that another Energy Sukuk will be issued in FY21 but it did not materialize. However we expect Energy Sukuk to be launched in FY22 which would provide additional avenue to invest for the Islamic financial institutions.

During FY21, Government largely managed its borrowing requirement through commercial banks. Government borrowed PKR 2,955bn from scheduled banks compared to borrowing of PKR 2,305bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 1,268bn during the period against decline in borrowing of PKR 153bn during same period last year. This further decline 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 May-21, SBP maintained status quo in the interest rates. Going forward, we feel that the monetary easing has taken place and we are at the bottom of the interest rate cycle. Due to the ongoing fourth wave of Covid-19 we expect the government to maintain status quo in the SBP policy rate for the next few months to support the recovery of the economy. The central bank has given its forward looking guidance to maintain mildly positive interest rates when economy return to full capacity. Thus we expect any future increase in the policy rate to be measured and gradual.

## Stock Market Review

The market sustained its bullish momentum in FY21 as the KMI-30 index recorded 21,626 points increase (+39.3%) during the period to close at 76,622 points. The stellar performance of the index can be attributed to 1) relative improvement in domestic COVID-19 infection and recovery rates, 2) flows into equities post 625bps cut in interest rates, 3) business friendly policies induced by the GoP and 4) Improvement in macroeconomic indicators led by strengthening currency and better current account position.

During the period construction linked industries (Cement, Steel, and Glass) rallied on the back of the monetary easing done by the SBP and government focus on construction sector. Technology sector also remained in limelight due to increasing focus on technology post Covid-19 pandemic. On the flows side, foreigners were the net sellers during FY21 and sold shares of worth USD 387mn, compared to net selling of USD 285mn during same period last year.

Pakistan equities are likely to continue the positive momentum due to cheaper valuation (trading at a Forward P/E of 6.1x against peer average 15.7x) and improvement in the macroeconomic landscape. Market participants would closely follow trend of coronavirus cases and the ensuring macro numbers. Cyclical sectors (Cement, Steel) are expected to continue their rally due to Government's push towards Naya Pakistan Housing Scheme. Textile sector is also expected to garner investors' attention due to huge export potential. Technology sector would also remain in limelight due to rerating of the sector due to improved earnings outlook. 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. 2.70 per unit to the unit holders for the year ended June 30, 2021.

## 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	35	1,161
101 – 500	27	6,213
501 – 1,000	15	10,975
1,001 – 10,000	46	212,574
10,001 – 100,000	42	1,023,163
1,000,001 – 5,000,000	3	776,369
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	1	1,404,025
5,000,001 and above	-	-
<b>Total</b>	<b>169</b>	<b>3,434,480</b>

## Unit Splits

There were no unit splits during the year.

## Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

## Soft Commission

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

# PERFORMANCE TABLE - HBL ISLAMIC ASSET ALLOCATION FUND

As at June 30, 2021

	2021	2020	2019	2018	2017	2016
Net assets at the period end (Rs'000)	387,971	310,399	1,130,868	2,469,559	2,623,318	1,349,890
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	112.9636	103.6330	103.2688	104.7748	105.5962	102.5411
Offer	115.5166	105.9751	105.6027	107.1427	108.3890	105.2531
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit	119.267	118.2841	109.9945	108.8114	118.9345	106.8742
Lowest offer price per unit	106.7077	100.7388	103.5444	102.4066	100.6004	100.0000
Highest redemption price per unit	116.6311	115.67	107.5636	106.4066	116.3060	104.1204
Lowest redemption price per unit	104.3494	98.5124	101.256	100.1434	100.6004	100.0000
RETURN ( % )						
Total return	11.59%	6.42%	-1.15%	-0.78%	9.83%	3.35%
Income distribution	2.70%	6.25%	0.00%	0.30%	6.50%	0.80%
Capital growth	8.89%	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	2.7	6.25	0	0.3	6.50	0.80
Date of Income Distribution	18-Jun-21	26-Jun-20	-	03-Jul-18	22-Jun-17	28-Jun-16
Total dividend distribution for the year (Rs)	2.70	6.25	-	0.30	6.50	0.80
AVERAGE RETURNS ( % )						
Average annual return 1 year	11.59%	6.42%	-1.15%	-0.78%	9.83%	3.35%
Average annual return 2 year	8.97%	2.57%	-0.97%	4.24%	8.94%	-
Average annual return 3 year	5.49%	1.44%	2.51%	3.94%	-	-
PORTFOLIO COMPOSITION - (%)						
Percentage of Net Assets as at 30 June:						
Bank Balances	40.66%	35.33%	19.81%	43.05%	73%	22%
GoP Ijarah Sukuks	2.29%	2.85%	-	-	-	15%
Certificate of Modaraba		7.74%				
Commercial Paper	6.14%	0.00%	16.05%	-	-	-
TFC / Sukuks	20.53%	20.58%	37.39%	28.69%	2%	3%
Stock/Equities	27.81%	29.99%	23.11%	27.31%	25%	1%
Others	2.57%	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.

# PROXY VOTING DISCLOSURE-

For the year ended June 30, 2021

Summary of Actual Proxy voted by CIS

HBL IAAF	Meetings	Resolutions	For	Against
Number	7	16	16	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Adamjee Insurance Co Ltd		(26-4-21) (16-3-21)
AGP Limited	(26-04-202)	(02/04/2021)(09-06-2021)
Aisha Steel Mills Ltd	28-10-20	
Amreli Steels Limited	27-10-20	06-05-21
Attock Cement Pakistan Ltd	22-10-20	
Attock Refinery Ltd	19-10-20	
Avanceon Limited	26-05-21	12-01-21
Azgard Nine Ltd	28-10-20	03-04-21
Bank Al-Falah Ltd	09-03-21	27-05-21
Bank Al-Habib Limited	25-03-21	
Bank of Punjab Ltd	30-03-21	
BankIslami Pakistan Limited	30-03-21	11-02-21
Cherat Cement Company Ltd.	27-10-20	
Clover Pakistan Limited	20-01-2021	05-05-21
D G Khan Cement Co.Ltd.	28-10-20	
Engro Corporation Ltd	26-04-21	
Engro Fertilizers Limited	30-03-21	
Engro Polymer & Chemicals Ltd	08-04-21	
Fauji Fertilizer Bin Qasim Ltd	29-03-21	(09/09/2020)(25-11-2020)
Fauji Fertilizer Co Ltd	18-03-21	06-11-20
Fauji Foods Limited	25-03-21	
Faysal Bank Limited	29-03-21	
General Tyre & Rubber Co of Pakistan Ltd	28-10-20	20-08-20
GlaxoSmithKline Pakistan Ltd	27-04-21	
Gul Ahmed Textile Mills Ltd	28-10-20	29-06-21
Habib Bank Ltd	26-03-21	
Hascol Petroleum Ltd	11-08-20	(08/09/2020)(23-02-2021)
Highnoon Laboratories Limited	27-04-21	
Hub Power Company Ltd	24-09-20	
IGI Holdings Limited	29-04-21	
IGI LIFE INSURANCE LIMITED	28-04-21	
Interloop Limited	15-10-20	10-12-20
International Industries Ltd	30-09-20	
International Steels Limited	29-09-20	
K-Electric Limited	26-11-20	
Kohat Cement Ltd	28-10-20	
Lucky Cement Ltd	29-09-20	
Maple Leaf Cement Factory Ltd	27-10-20	
Mari Petroleum Company Ltd	29-09-20	24-06-21
MCB Bank Ltd	27-03-21	
Mughal Iron & Steel Inds Ltd	28-10-20	19-04-21
National Bank of Pakistan Ltd	29-03-21	27-07-2020
National Refinery Ltd	22-10-20	
Netsol Technologies	23-10-20	
Nimir Resins Limited	21-10-20	10-06-21
Nishat (Chunian) Ltd		16-04-21
Nishat Mills Ltd	28-10-20	15-12-20
Oil & Gas Development Co Ltd	28-10-20	17-03-21
Pak Elektron Ltd	29-04-21	
Pak Suzuki Motor Company Limited	22-04-21	29-01-2021
Pakistan National Shipping Corp Ltd	26-10-20	
Pakistan Oilfields Ltd	19-10-20	
Pakistan Petroleum Ltd	26-10-20	23-12-20
Pakistan State Oil Company Ltd	21-10-20	
Pioneer Cement Limited	28-10-20	
Sitara Chemical Industries Limited	26-10-20	
Standard Chartered Bank (Pakistan) Ltd	29-03-21	
Sui Northern Gas Pipeline Ltd	15-08-20	
Systems Limited	31-03-2021	03-12-20
Tariq Glass Industries Ltd		02-09-20
Thal Limited	22-10-20	
The Organic Meat Company Limited	27-10-20	
The Searle Company Ltd	28-10-20	28-06-21
TPL Insurance Limited	22-04-21	21-12-20
TPL Properties Ltd	27-10-20	
TPL Trakker Limited	26-10-20	
TRG Pakistan Ltd	27-11-20	
United Bank Limited	31-03-21	
Unity Foods Limited	23-10-20	22-03-21
Waves Singer Pakistan Limited	(23-04-2021)	(11/08/2020)(09-09-2020)
WorldCall Telecom Ltd	30-07-20	

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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Email: [info@cdcpak.com](mailto: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, 2021 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 20, 2021



**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, 2021. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 26, 2021

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



September 14, 2021

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, 2021 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Asset Allocation Fund (HBL-IAAF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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

Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

**Al-Hilal Shariah Advisors (Pvt) Limited**

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Chartered Accountants  
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## 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, 2021, 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, 2021, 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 no such matters to report.

### 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, 2021 but does not include the financial statements and our auditors' report thereon.



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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 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:



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- 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 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



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not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

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

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

Karachi

Date: 28 September 2021

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





KPMG Taseer Hadi & Co.  
Chartered Accountants  
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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, 2021, 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, 2021.

#### **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, 2021, 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: 28 September 2021**

**Karachi**

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

# HBL ISLAMIC ASSET ALLOCATION FUND

## Statement of Assets and Liabilities

As at June 30, 2021

	Note	2021			2020
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	Islamic Asset Allocation Fund
----- (Rupees in '000) -----					
<b>Assets</b>					
Bank balances	4	164,167	423,352	587,519	139,710
Investments	5	231,213	2,012,096	2,243,309	172,555
Dividend receivable and accrued mark-up	6	3,301	43,139	46,440	2,481
Preliminary expenses and flotation costs	7	-	172	172	105
Advances, deposits and other receivables	8	4,756	100	4,856	8,133
<b>Total assets</b>		<b>403,437</b>	<b>2,478,859</b>	<b>2,882,296</b>	<b>322,984</b>
<b>Liabilities</b>					
Payable to the Management Company	9	1,433	582	2,015	1,430
Payable to the Trustee	10	72	169	241	70
Payable to Securities and Exchange Commission of Pakistan	11	73	389	462	143
Accrued expenses and other liabilities	12	9,942	3,477	13,419	10,942
Payable against purchase of investment		3,946	-	3,946	-
<b>Total liabilities</b>		<b>15,466</b>	<b>4,617</b>	<b>20,083</b>	<b>12,585</b>
<b>Net assets</b>		<b>387,971</b>	<b>2,474,242</b>	<b>2,862,213</b>	<b>310,399</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>387,971</b>	<b>2,474,242</b>		<b>310,399</b>
<b>Contingencies and commitments</b>					
----- Number of units -----					
Number of units in issue	14	3,434,480	24,640,941		2,995,175
----- (Rupees) -----					
Net assets value per unit		112.9636	100.4119		103.6330

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 ASSET ALLOCATION FUND

## Income Statement

For the year ended June 30, 2021

	Note	2021		2020	
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	Islamic Asset Allocation Fund
		For the period from July 13, 2020 to June 30, 2021			
		----- (Rupees in '000) -----			
<b>Income</b>					
Net realised gain / (loss) on sale of investments		11,516	375	11,891	29,115
Dividend income		4,215	-	4,215	10,799
Return on investments calculated using effective yield method	15	8,115	133,205	141,320	38,459
Profit on deposits with banks calculated using effective yield method	16	11,149	21,101	32,250	28,275
Net Unrealised diminution on remeasurement of investments classified as 'financial asset at fair value through profit or loss'	5.6	17,822	3,915	21,737	1,310
Other income		24	-	24	-
<b>Total income / (loss)</b>		<b>52,841</b>	<b>158,596</b>	<b>211,437</b>	<b>107,958</b>
<b>Expenses</b>					
Remuneration of the Management Company	9.1 & 9.2	6,158	3,295	9,453	12,088
Remuneration of the Trustee	10.1	821	1,719	2,540	1,588
Annual fee to Securities and Exchange Commission of Pakistan	11	73	389	462	143
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	2,725	383	3,108	3,847
Selling and marketing expenses	9.3	2,362	-	2,362	3,493
Auditors' remuneration	17	72	317	389	370
Amortisation of preliminary expenses and flotation costs		105	43	148	210
Settlement and bank charges		444	286	730	468
Fees and subscription		58	173	231	231
Securities transaction costs		335	1,007	1,342	1,056
Printing charges		5	50	55	-
Charity expense		234	-	234	744
<b>Total operating expenses</b>		<b>13,392</b>	<b>7,662</b>	<b>21,054</b>	<b>24,238</b>
<b>Net income from operating activities</b>		<b>39,449</b>	<b>150,934</b>	<b>190,383</b>	<b>83,720</b>
Provision for Sindh Workers' Welfare fund		(789)	(3,019)	(3,808)	(1,674)
<b>Net income for the year / period before taxation</b>		<b>38,660</b>	<b>147,915</b>	<b>186,575</b>	<b>82,046</b>
Taxation	18	-	-	-	-
<b>Net income for the year / period after taxation</b>		<b>38,660</b>	<b>147,915</b>	<b>186,575</b>	<b>82,046</b>
<b>Allocation of net income for the year / period after taxation</b>					
Net income / (loss) for the year after taxation		38,660	147,915		82,046
Income already paid on units redeemed		(3,142)	(143,696)		(65,335)
Accounting income available for distribution		<b>35,518</b>	<b>4,219</b>		<b>16,711</b>
<b>Accounting income available for distribution:</b>					
- Relating to capital gains		26,703	-		-
- Excluding capital gains		8,815	4,219		16,711
		<b>35,518</b>	<b>4,219</b>		<b>16,711</b>

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 ASSET ALLOCATION FUND**  
**Statement of Comprehensive Income**  
 For the year ended June 30, 2021

	2021		2020	
	For the period from July 13, 2020 to June 30, 2021			
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	
			Islamic Asset Allocation Fund	
	----- (Rupees in '000) -----			
Net income for the year / period after taxation	38,660	147,915	186,575	82,046
Other comprehensive income for the year / period	-	-	-	-
<b>Total comprehensive income for the year / period</b>	<b>38,660</b>	<b>147,915</b>	<b>186,575</b>	<b>82,046</b>

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 ASSET ALLOCATION FUND**  
**Statement of Movement in Unit Holders' Fund**  
 For the year ended June 30, 2021

	HBL Islamic Asset Allocation Fund					
	2021			2020		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
----- (Rupees in '000) -----						
<b>Net assets at the beginning of the year</b>	208,300	102,099	310,399	1,027,854	103,014	1,130,868
<b>Issuance of units: 1,222,947 (2020: 710,608 units)</b>						
- Capital value	126,738	-	126,738	73,384	-	73,384
- Element of (loss) / income	8,504	-	8,504	(15,715)	-	(15,715)
<b>Total proceeds on issuance of units</b>	<b>135,242</b>	<b>-</b>	<b>135,242</b>	<b>57,669</b>	<b>-</b>	<b>57,669</b>
<b>Redemption of units: 783,642 (2020: 8,666,149 units)</b>						
- Capital value	(81,211)	-	(81,211)	(894,943)	-	(894,943)
- Element of (loss) / income	(2,926)	(3,142)	(6,068)	18,410	(65,335)	(46,925)
<b>Total payment on redemption of units</b>	<b>(84,137)</b>	<b>(3,142)</b>	<b>(87,279)</b>	<b>(876,533)</b>	<b>(65,335)</b>	<b>(941,868)</b>
Total comprehensive income / (loss) for the year	-	38,660	38,660	-	82,046	82,046
Interim Distribution for the year ended 30 June 2021: 2.7 per unit declared on 21 June 2021	-	(8,713)	(8,713)	-	(17,626)	(17,626)
Refund of Capital	(338)	-	(338)	(690)	-	(690)
Total distribution	(338)	(8,713)	(9,051)	(690)	(17,626)	(18,316)
<b>Net assets at the end of the year</b>	<b>259,067</b>	<b>128,904</b>	<b>387,971</b>	<b>208,300</b>	<b>102,099</b>	<b>310,399</b>
<b>Undistributed income brought forward</b>						
- Realised income		100,789			164,250	
- Unrealised income / (loss)		1,310			(61,236)	
		102,099			103,014	
<b>Accounting income available for distribution</b>						
- Relating to capital gains	26,703			-		
- Excluding capital gains	8,815			16,711		
	35,518			16,711		
Interim Distribution for the year ended 30 June 2021: 2.7 per unit declared on 21 June 2021		(8,713)			(17,626)	
<b>Undistributed income carried forward</b>		<b>128,904</b>			<b>102,099</b>	
<b>Undistributed income carried forward comprises of:</b>						
- Realised income		111,082			100,789	
- Unrealised income / (loss)		17,822			1,310	
		128,904			102,099	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			<b>103.6330</b>			<b>103.2688</b>
<b>Net assets value per unit at end of the year</b>			<b>112.9636</b>			<b>103.6330</b>

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 ASSET ALLOCATION FUND

## Cash Flow Statement

For the period from 13 July 2020 to 30 June 2021

HBL Islamic Asset Allocation Fund Plan 1			
2021			
Capital value	Undistributed income	Total	
----- (Rupees in '000) -----			
<b>Issuance of units: 50,762,385</b>			
- Capital value	5,076,239	-	5,076,239
- Element of (loss) / income	192,277	-	192,277
<b>Total proceeds on issuance of units</b>	<b>5,268,516</b>	<b>-</b>	<b>5,268,516</b>
<b>Redemption of units: 26,121,444</b>			
- Capital value	(2,612,144)	-	(2,612,144)
- Element of (loss) / income	(25,114)	(143,696)	(168,810)
<b>Total payment on redemption of units</b>	<b>(2,637,258)</b>	<b>(143,696)</b>	<b>(2,780,954)</b>
 Total comprehensive income / (loss) for the year	 -	 147,915	 147,915
Interim Distribution for the year ended 30 June 2021:			
7 per unit declared on 21 June 2021	-	(654)	(654)
Refund of Capital	(160,581)	-	(160,581)
Total distribution	(160,581)	(654)	(161,235)
 <b>Net assets at the end of the year</b>	 <b>2,470,677</b>	 <b>3,565</b>	 <b>2,474,242</b>
 <b>Accounting income available for distribution</b>			
- Relating to capital gains		-	
- Excluding capital gains		4,219	
		4,219	
Interim Distribution for the year ended 30 June 2021:			
per unit declared on 21 June 2021		(654)	
<b>Undistributed income carried forward</b>		<b>3,565</b>	
 <b>Undistributed income carried forward comprises of:</b>			
- Realised income		(350)	
- Unrealised income / (loss)		3,915	
		<b>3,565</b>	
 <b>Net assets value per unit at end of the year</b>			 <b>100.4119</b>

(Rupees)

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

	June 30, 2021			June 30, 2020
	For the period from July 13, 2020 to June 30, 2021			
Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total		
------(Rupees in '000)-----				
<b>Cash flows from operating activities</b>				
Net income for the year / period before taxation	38,660	147,915	186,575	82,046
<b>Adjustments</b>				
Net realised (gain) / loss on sale of investments	(11,516)	(375)	(11,891)	(29,115)
Profit on deposits with banks calculated using effective yield method	(11,149)	(21,101)	(32,250)	(28,275)
Return on investments calculated using effective yield method	(8,115)	(133,205)	(141,320)	(38,459)
Dividend income	(4,215)	-	(4,215)	(10,799)
Amortisation of preliminary expenses and flotation costs	105	43	148	210
Net unrealised (appreciation) / diminution on remeasurement of investments classified as 'financial asset at fair value through profit or loss'	(17,822)	(3,915)	(21,737)	(1,310)
	(14,052)	(10,638)	(24,690)	(25,702)
<i>Decrease / (Increase) in assets</i>				
Investments	(25,374)	(2,007,806)	(2,033,180)	886,871
Advances, deposits, other receivables and receivable against sale of investments	3,482	(315)	3,167	27,688
	(21,892)	(2,008,121)	(2,030,013)	914,559
<i>(Decrease) / increase in liabilities</i>				
Payable to Management Company	3	582	585	(2,074)
Payable to Trustee	2	169	171	(149)
Payable to Securities and Exchange Commission of Pakistan	(70)	389	319	(1,848)
Accrued expenses and other liabilities	(1,000)	3,477	2,477	2,702
	(1,065)	4,617	3,552	(1,369)
<b>Net cash generated in operations</b>	(37,009)	(2,014,142)	(2,051,151)	887,488
Profit received on bank deposits	10,007	18,953	28,960	29,462
Dividend income received	4,027	-	4,027	13,888
Markup received on investments	8,520	92,214	100,734	49,934
<b>Net cash generated from operating activities</b>	(14,455)	(1,902,975)	(1,917,430)	980,772
<b>Cash flows from financing activities</b>				
Amount received on issue of units	134,904	5,107,935	5,242,839	80,632
Payment against redemption of units	(87,279)	(2,780,954)	(2,868,233)	(1,177,485)
Cash distribution	(8,713)	(654)	(9,367)	(17,626)
<b>Net cash used in financing activities</b>	38,912	2,326,327	2,365,239	(1,114,479)
<b>Net decrease in cash and cash equivalents</b>	24,457	423,352	447,809	(133,707)
Cash and cash equivalents at beginning of the year / period	139,710	-	139,710	273,417
<b>Cash and cash equivalents at end of the year</b>	<b>164,167</b>	<b>423,352</b>	<b>587,519</b>	<b>139,710</b>

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 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 fund comprises of the original fund and a sub-fund, namely Plan 1 which shall be perpetual. The initial public offer period for IAAF was from January 07, 2016 to January 08, 2016 (both days inclusive) and the initial public offer period for IAAF Plan 1 was from the start of banking hours from July 13, 2020 to the closure of banking hours on July 13, 2020 . 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++' (Stable) 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**

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Many governments are still taking stringent steps to help contain the spread of the virus, including vaccination campaigns, requiring self-isolation/ quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and “locking-down” cities/regions or even entire countries. Subsequent to the reporting date, the provincial government imposed complete lockdown only in Sindh amid increasing COVID-19 cases. This would result in disruption in business activities due to uncertainties created by the fourth wave of COVID-19 which could affect the overall operations and the business in future requiring close monitoring by the management as it is an alarming situation for overall economy of Pakistan. 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. 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 would be no significant impact that will adversely affect the operations and financial position of the Fund in future periods.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules 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, 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 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after 1 January 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The amendments are not likely to affect the financial statements of the Fund.
- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard’s previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications.

The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before 30 June 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.



Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to the other terms and conditions of the lease.

The amendments are not likely to affect the financial statements of the Fund.

- **Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)** effective for the annual periods beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises 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. The amendments are not likely to affect the financial statements of the Fund.
- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.
- **IFRS 9** – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- **IFRS 16** – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- **IAS 41** – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The amendments are not likely to affect the financial statements of the Fund.

- **Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)** effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs 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 amendments are not likely to affect the financial statements of the Fund.

- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3 . An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendments are not likely to affect the financial statements of the Fund.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after 1 January 2023. 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. The amendments are not likely to affect the financial statements of the Fund.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. The amendments are not likely to affect the financial statements of the Fund.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The amendments are not likely to affect the financial statements of the Fund.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1

January 2023 with earlier application permitted. The amendments are not likely to affect the financial statements of the Fund.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review. The amendments are not likely to affect the financial statements of the Fund.

### **2.3 Basis of measurement**

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

### **2.4 Functional and presentation currency**

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

### **2.5 Critical accounting estimates and judgments**

The preparation of financial statements 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, 2021 is included in the following notes:

- Note 3.2.1 (ii) - Valuation 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:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective yield method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt securities at FVOCI</b>	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 income statement.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

The fair value of financial assets are determined as follows:

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

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 24 October 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 24 October 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 flotation 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 period 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 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 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.

### 3.11 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.

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	2021			2020
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	
----- (Rupees in '000) -----					
Savings account	4.1	164,167	423,352	587,519	114,118
Certificate of Musharaka		-	-	-	25,592
		<b>164,167</b>	<b>423,352</b>	<b>587,519</b>	<b>139,710</b>

- 4.1 This represents bank accounts held with different banks. Profit rates on these accounts ranges between 3% - 6.95% per annum (2020: 3.75% - 13.5% p.a.).

5. INVESTMENTS	Note	2021			2020
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	
----- (Rupees in '000) -----					
<b>Financial assets at fair value through profit or loss</b>					
Listed equity securities	5.1	112,288	-	112,288	96,867
GoP ijarah sukuks	5.2	9,226	497,400	506,626	9,215
Term finance certificates and sukuk bonds	5.3	49,843	1,514,696	1,564,539	66,473
		<b>171,357</b>	<b>2,012,096</b>	<b>2,183,453</b>	172,555
<b>Financial assets at amortised cost</b>					
Term finance certificates and sukuk bonds	5.4	35,069	-	35,069	-
Commercial paper	5.5	24,787	-	24,787	-
		<b>59,856</b>	<b>-</b>	<b>59,856</b>	<b>-</b>
		<b>231,213</b>	<b>2,012,096</b>	<b>2,243,309</b>	<b>172,555</b>

### 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.

Name of the Investee Company	As at July 01, 01, 2020	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2021	Cost of holdings as at June 30, 2021	Market value as at June 30, 2021	Market value as a percentage of Total Investments	Market value as a percentage of Net Assets	Par value as a percentage of issued capital of the investee company
	----- (Number of shares) -----					----- (Rupees in '000) -----		----- % -----		
<b>Automobiles Parts &amp; Accessories</b>										
Panther Tyres Limited	-	16,031	-	-	16,031	1,094	1,108	0.48	0.29	0.01
Thal Limited (Rs. 5 each)	14,650	-	-	14,650	-	-	-	-	-	-
	<b>14,650</b>	<b>16,031</b>	<b>-</b>	<b>14,650</b>	<b>16,031</b>	<b>1,094</b>	<b>1,108</b>	<b>0.48</b>	<b>0.29</b>	<b>0.01</b>
<b>Food and Allied Industries</b>										
The Organic Meat Company Limited	-	230,329	-	34,000	196,329	3,989	7,213	3.12	1.86	1.76
	-	230,329	-	34,000	196,329	3,989	7,213	3.12	1.86	1.76
<b>Food and Personal Care Products</b>										
Unity Food Limited	-	242,500	-	163,000	79,500	2,946	3,539	1.53	0.91	0.01
	-	242,500	-	163,000	79,500	2,946	3,539	1.53	0.91	0.01
<b>Automobile Assembler</b>										
Pak Suzuki Motor Company Limited	-	5,500	-	-	5,500	1,528	1,955	0.85	0.50	0.07
Millat Tractors Limited	-	3,700	137	3,837	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	9,000	-	6,000	3,000	1,188	1,037	0.45	0.27	0.02
	-	18,200	137	9,837	8,500	2,716	2,992	1.30	0.77	0.09
<b>Cable and Electrical Goods</b>										
Pak Elektron Limited	-	35,500	-	-	35,500	1,383	1,245	0.54	0.32	0.01
Waves Singer Pakistan Limited	-	60,000	-	20,000	40,000	1,120	1,090	0.47	0.28	0.01
	-	95,500	-	20,000	75,500	2,503	2,335	1.01	0.60	0.02
<b>Cement</b>										
Kohat Cement Limited	16,570	-	-	11,600	4,970	683	1,026	0.44	0.26	0.00
Fauji Cement Company Limited	-	55,000	-	55,000	-	-	-	-	-	-
Pioneer Cement Limited	-	22,000	-	-	22,000	2,892	2,884	1.25	0.74	0.01
Cherat Cement Company Limited	-	9,000	-	500	8,500	1,100	1,508	0.65	0.39	0.00
Attock Cement Pakistan Limited	-	26,000	-	-	26,000	4,634	4,675	2.02	1.21	0.02
DG Khan Cement Company Limited	-	35,500	-	3,000	32,500	3,295	3,832	1.66	0.99	0.01
Lucky Cement Limited	5.1.1	15,250	-	2,100	13,150	6,070	11,354	4.91	2.93	0.00
Maple Leaf Cement Factory Limited	-	38,000	-	8,000	67,000	2,146	3,148	1.36	0.81	0.00
		<b>69,820</b>	<b>184,500</b>	<b>-</b>	<b>80,200</b>	<b>174,120</b>	<b>20,820</b>	<b>12.29</b>	<b>7.33</b>	<b>0.04</b>
<b>Chemical</b>										
Engro Polymer & Chemicals Limited	23,431	20,000	-	43,431	-	-	-	-	-	-
Nimir Resins Limited	-	100,000	-	100,000	-	-	-	-	-	-
Sitara Chemical Industries Limited	6,100	5,400	-	11,500	-	-	-	-	-	-
Sitara Peroxide Limited	25,000	20,000	-	45,000	-	-	-	-	-	-
	<b>54,531</b>	<b>145,400</b>	<b>-</b>	<b>199,931</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Commercial Banks</b>										
Bank Islami Pakistan Limited	-	100,000	-	-	100,000	1,040	1,124	0.49	0.29	0.01
Meezan Bank Limited	67,020	24,500	1,902	52,000	41,422	3,344	4,781	2.07	1.23	0.00
	<b>67,020</b>	<b>124,500</b>	<b>1,902</b>	<b>52,000</b>	<b>141,422</b>	<b>4,384</b>	<b>5,905</b>	<b>2.56</b>	<b>1.52</b>	<b>0.01</b>

# HBL ISLAMIC ASSET ALLOCATION FUND

## Notes to the Financial Statements

For the year ended June 30, 2021

Name of the Investee Company	As at June 01, 2020	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2021	Cost of holdings as at June 30, 2021	Market value as at June 30, 2021	Market value as a percentage of Total Investments	Market value as a percentage of Net Assets	Par value as a percentage of issued capital of the investee company
	----- (Number of shares) -----				----- (Rupees in '000) -----		----- % -----			
<b>Technology and Communication</b>										
Avanceon Limited	-	27,500	5,500	-	33,000	2,011	3,025	1.31	0.78	0.02
	-	27,500	5,500	-	33,000	2,011	3,025	1.31	0.78	0.02
<b>Engineering</b>										
Aisha Steel Mills Limited	-	50,000	-	-	50,000	1,277	1,246	0.54	0.32	0.01
Agha Steel Industries Limited	-	45,000	-	-	45,000	1,656	1,518	0.66	0.39	0.01
Mughal Iron and Steel Industries Limited	-	32,720	-	8,360	24,360	2,057	2,543	1.10	0.66	0.01
International Industries Limited	-	12,500	-	800	11,700	2,159	2,469	1.07	0.64	0.01
International Steels Limited	-	7,000	-	500	6,500	492	607	0.26	0.16	0.00
	-	147,220	-	9,660	137,560	7,641	8,383	3.63	2.17	0.04
<b>Fertilizer</b>										
Engro Corporation Limited	36,340	15,000	-	40,340	11,000	3,398	3,241	1.40	0.84	0.00
Engro Fertilizers Limited	55,000	-	-	55,000	-	-	-	-	-	-
Fauji Fertilizer Company Limited	44,000	10,000	-	54,000	-	-	-	-	-	-
	135,340	25,000	-	149,340	11,000	3,398	3,241	1.40	0.84	0.00
<b>Glass &amp; Ceramics</b>										
Tariq Glass Industries Limited	-	12,500	2,625	15,125	-	-	-	-	-	-
	-	12,500	2,625	15,125	-	-	-	-	-	-
<b>Oil &amp; Gas Exploration Companies</b>										
Mari Petroleum Company Limited	6,995	500	-	3,400	4,095	5,248	6,242	2.70	1.61	0.00
Oil & Gas Development Company Limited	5.1.1	84,600	29,500	-	21,100	93,000	9,699	8,838	3.82	2.28
Pakistan Oilfields Limited	-	4,500	-	-	4,500	1,792	1,772	0.77	0.46	0.00
Pakistan Petroleum Limited	5.1.1	103,592	4,500	-	9,500	98,592	8,562	8,561	3.70	2.21
		195,187	39,000	-	34,000	200,187	25,301	25,413	10.99	6.56
<b>Oil &amp; Gas Marketing Companies</b>										
Pakistan State Oil Company Limited	5.1.1 & 5.1.2	28,959	15,800	-	15,200	29,559	5,409	6,629	2.87	1.71
Hascol Petroleum Limited	-	18,000	-	18,000	-	-	-	-	-	-
Shell Pakistan Limited	-	4,300	-	4,300	-	-	-	-	-	-
Sui Northern Gas Pipeline Limited	-	34,800	5,500	-	40,300	-	-	-	-	-
		63,759	43,600	-	77,800	29,559	5,409	6,629	2.87	1.71
<b>Refinery</b>										
Attock Refinery Limited	-	16,500	-	12,000	4,500	1,035	1,154	0.50	0.30	0.00
National Refinery Limited	-	10,700	-	8,200	2,500	1,266	1,308	0.57	0.34	0.00
Pakistan Refinery Limited	-	80,000	-	80,000	-	-	-	-	-	-
	-	107,200	-	100,200	7,000	2,301	2,462	1.06	0.63	0.01
<b>Pharmaceuticals</b>										
AGP Limited	22,000	10,500	-	32,500	-	-	-	-	-	-
Ferozsons Laboratories Limited	-	6,000	600	6,600	-	-	-	-	-	-
The Searle Company Limited	5.1.2	14,117	-	13,296	821	164	199	0.09	0.05	0.00
Highnoon Laboratories Limited	-	5,500	-	5,500	-	-	-	-	-	-
		41,617	16,500	600	57,896	821	164	0.09	0.05	0.00
<b>Power Generation &amp; Distribution</b>										
Hub Power Company Limited	5.1.1	118,387	-	-	54,700	63,687	4,617	5,074	2.19	1.31
K - Electric Limited (Rs. 3.5 each)	-	300,000	-	300,000	-	-	-	-	-	-
		118,387	300,000	-	354,700	63,687	4,617	5,074	2.19	1.31
<b>Textile Composite</b>										
Interloop Limited	47,250	7,000	-	6,500	47,750	2,301	3,344	1.45	0.86	0.05
Kohinoor Textile Mills Limited	-	10,500	-	3,000	7,500	458	564	0.24	0.15	0.01
Nishat Mills Limited	36,700	5,000	-	19,500	22,200	1,857	2,071	0.90	0.53	0.01
	83,950	22,500	-	29,000	77,450	4,616	5,979	2.59	1.54	0.08
<b>Transport</b>										
Pakistan National Shipping Corporation Limited	10,000	-	-	5,000	5,000	378	364	0.16	0.09	0.00
	10,000	-	-	5,000	5,000	378	364	0.16	0.09	0.00
<b>Total as at June 30, 2021</b>	<b>854,261</b>	<b>1,797,980</b>	<b>10,764</b>	<b>1,406,339</b>	<b>1,256,666</b>	<b>94,288</b>	<b>112,288</b>	<b>48.58</b>	<b>28.96</b>	<b>2.09</b>

**5.1.1** The above investments include shares with market value aggregating to Rs. 32.32 million (2020: Rs. 35.014 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. 0.3120 million at June 30, 2021 (June 30, 2020: Rs. 0.2432 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 - Ijarah Sukuk - At fair value through profit or loss

### Islamic Asset Allocation Fund

Issue Date	Tenor	Face value			Amortised cost as at June 30, 2021	Market value as at June 30, 2021	Market value as a percentage of		
		As at July 1, 2020	Purchases during the year	Sales during the year			As at June 30, 2021	Total investments of sub-fund	Net assets of sub- fund
----- (Rupees in '000) -----							----- (%) -----		
April 30, 2020	5 Years	9,500	-	-	9,500	9,215	9,226	3.99	2.38
		<u>9,500</u>	<u>-</u>	<u>-</u>	<u>9,500</u>	<u>9,215</u>	<u>9,226</u>	<u>3.99</u>	<u>2.38</u>

**5.2.1** These carry markup at the rate of 6.40% per annum receivable semi-annually in arrears, maturing in April 2025.

### Islamic Asset Allocation Fund Plan 1

Issue Date	Tenor	Face value			Amortised cost as at June 30, 2021	Market value as at June 30, 2021	Market value as a percentage of		
		As at July 1, 2020	Purchases during the period	Sales during the period			As at June 30, 2021	Total investments of sub-fund	Net assets of sub- fund
----- (Rupees in '000) -----							----- (%) -----		
July 29, 2020	5 Years	-	875,000	375,000	500,000	493,356	497,400	24.72	20.10
		<u>-</u>	<u>875,000</u>	<u>375,000</u>	<u>500,000</u>	<u>493,356</u>	<u>497,400</u>	<u>24.72</u>	<u>20.10</u>

**5.2.2** These carry markup at the rate of 8.37% per annum receivable semi-annually in arrears, maturing in July 2025.

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

# HBL ISLAMIC ASSET ALLOCATION FUND

## Notes to the Financial Statements

For the year ended June 30, 2021

Name of the Investee Company	As at July 01, 2020	Purchases during the year	Sales / matured during the year	As at June 30, 2021	Amortised Cost as at June 30, 2021	Market value as at June 30, 2021	Market value as percentage of investments	Net Assets
	----- (Number of certificates) -----				----- (Rupees in '000) -----		----- % -----	
<b>Islamic Asset Allocation Fund</b>								
<b>Investment Company</b>								
Dawood Hercules Corporation Limited*	343	-	343	-	-	-	-	-
	<b>343</b>	<b>-</b>	<b>343</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Miscellaneous</b>								
International Brands Limited	100	-	-	100	4,032	4,094	1.77	1.06
TPL Trakker Limited	-	13	-	13	13,000	13,308	5.76	3.43
Agha Steel Industries Limited	33	-	-	33	33,000	32,441	14.03	8.36
	<b>133</b>	<b>13</b>	<b>-</b>	<b>146</b>	<b>50,032</b>	<b>49,843</b>	<b>21.56</b>	<b>12.85</b>
<b>Total</b>	<b>476</b>	<b>13</b>	<b>343</b>	<b>146</b>	<b>50,032</b>	<b>49,843</b>	<b>21.56</b>	<b>12.85</b>
<b>Islamic Asset Allocation Fund 1</b>								
<b>Commercial Banks</b>								
Meezan Bank Limited	-	307	-	307	309,675	310,812	15.45	12.56
Dubai Islamic Bank Pakistan Limited	-	4,175	-	4,175	199,375	199,894	9.93	8.08
	<b>-</b>	<b>4,482</b>	<b>-</b>	<b>4,482</b>	<b>509,050</b>	<b>510,706</b>	<b>25.38</b>	<b>20.64</b>
<b>Power Generation &amp; Distribution</b>								
Hub Power Company Limited	-	1,750	-	1,750	179,813	179,200	8.91	7.24
Pakistan Energy Sukuk Limited	-	193,500	50,000	143,500	723,462	723,240	35.94	29.23
K-Electric Limited	-	20,000	-	20,000	102,500	101,550	5.05	4.10
	<b>-</b>	<b>215,250</b>	<b>50,000</b>	<b>165,250</b>	<b>1,005,775</b>	<b>1,003,990</b>	<b>49.90</b>	<b>40.57</b>
<b>Total</b>	<b>-</b>	<b>219,732</b>	<b>50,000</b>	<b>169,732</b>	<b>1,514,825</b>	<b>1,514,696</b>	<b>75.28</b>	<b>61.21</b>

Significant terms and conditions of Sukuk bonds outstanding as at June 30, 2021 are as follows:

Name of Security	Remaining Principal (per Sukuk)	Mark-up rate (per annum)	Date of Issue	Maturity Date
<b>Islamic Asset Allocation Fund</b>				
Agha Steel Industries Limited	1,000,000	3 months KIBOR + 0.8%	9-Oct-18	09-Oct-24
TPL Trakker Limited	1,000,000	3 months KIBOR + 3%	30-Mar-21	30-Mar-26
International Brands Limited	41,036	3 months KIBOR + 0.50%	15-Nov-17	15-Nov-21
<b>Islamic Asset Allocation Fund 1</b>				
Meezan Bank Limited	1,000,000	6 Months KIBOR + 0.5%	22-Sep-16	22-Sep-26
Meezan Bank limited - Perpetual	1,000,000	3 months KIBOR + 1.75%	1-Aug-18	-
Dubai Islamic Bank Pakistan Limited	1,000,000	6 months KIBOR + 0.5%	14-Jul-17	14-Jul-27
Dubai Islamic Bank Pakistan Limited - Perpetual	5,000	3 months KIBOR + 1.75%	31-Dec-18	-
Hub Power Company Limited	100,000	1 year KIBOR + 1.9%	19-Mar-20	19-Mar-24
Pakistan Energy Sukuk Limited	5,000	6 Month KIBOR + 0.1%	21-May-20	21-May-30
K-Electric Limited	5,000	3 Month KIBOR + 1.7%	03-Aug-20	03-Aug-27

#### 5.4 Term Finance Certificates and Sukuk Bonds - At amortised cost

Name of the Investee Company	Maturity date	As at July 1, 2020	Placements made during the year	Income accrued	Matured / Sale during the year	Market value as at June 30, 2021	Market value as a percentage of Total investments	Net Assets
		----- (Rupees in '000) -----					----- % -----	
<b>Islamic Asset Allocation Fund</b>								
Hub Power Holdings Limited	November 10, 2022	-	32,983	2,086	-	35,069	15.17	9.04
		<b>-</b>	<b>32,983</b>	<b>44,875</b>	<b>-</b>	<b>35,069</b>	<b>15.17</b>	<b>9.04</b>

#### 5.5 Commercial papers - At amortised cost

Maturity date	As at July 1, 2020	Placements made during the year	Income accrued	Matured / Sale during the year	As at June 30, 2021	Market value as a percentage of Total investments of fund	Net Assets of fund	
	----- (Rupees in '000) -----					----- (%) -----		
<b>Islamic Asset Allocation Fund</b>								
K - Electric Limited	August 10, 2021	-	24,051	736	-	24,787	11%	6%
		<b>-</b>	<b>24,051</b>	<b>736</b>	<b>-</b>	<b>24,787</b>	<b>11%</b>	<b>6%</b>

	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total June 30, 2021
----- (Rupees in '000) -----			
Market value of investments	171,357	2,012,096	2,183,453
Less: cost / carrying value of investments	(153,535)	(2,008,181)	(2,161,716)
	<u>17,822</u>	<u>3,915</u>	<u>21,737</u>

	June 30, 2021		June 30, 2020
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total Islamic Asset Allocation Fund

## 6. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP

	----- (Rupees in '000) -----			
Dividend receivable	204	-	204	16
Mark-up accrued on deposits with banks	2,344	2,148	4,492	1,200
Mark-up accrued on Term finance certificate - Listed	650	23,492	24,142	1,158
Mark-up accrued on GOP Ijara	103	17,499	17,602	107
	<u>3,301</u>	<u>43,139</u>	<u>46,440</u>	<u>2,481</u>

## 7. PRELIMINARY EXPENSES AND FLOTATION COSTS

Opening balance	105	215	320	315
Less: amortised during the year / period	(105)	(43)	(148)	(210)
Closing balance	<u>-</u>	<u>172</u>	<u>172</u>	<u>105</u>

7.1 Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operations of the Fund and Plan 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.

## 8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES

	Note	June 30, 2021		June 30, 2020
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total Islamic Asset Allocation Fund
----- (Rupees in '000) -----				
Security deposit with National Clearing Company of Pakistan Limited		2,500	-	2,500
Security deposit with Central Depository Company of Pakistan Limited		100	100	200
Advance against TFCs and equity	8.1	1,956	-	1,956
Initial Listing Fees		14	-	14
Advance Tax	8.2	186	-	186
		<u>4,756</u>	<u>100</u>	<u>4,856</u>
				<u>8,133</u>

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

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	June 30, 2021			June 30, 2020
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	Islamic Asset Allocation Fund
----- (Rupees in '000) -----					
Management fee	9.1	480	298	778	464
Sindh Sales Tax	9.2	62	39	101	60
Sales load payable		27	-	27	58
Selling and marketing expenses payable	9.3	624	-	624	616
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	240	-	240	232
Formation Cost Payable		-	245	245	-
		<b>1,433</b>	<b>582</b>	<b>2,015</b>	<b>1,430</b>

**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 20 June 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 during the year (2020: 1.5%).

**9.2** The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2020: 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 20 June 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 (2020: 0.4% to 0.65%) and allocation of expenses pertaining to registrar services, accounting, operation, valuation services varied between 0.05% to 0.75% per annum (2020: 0.1% to 0.75%) of net assets of the Fund.

**10. PAYABLE TO THE TRUSTEE**

	Note	June 30, 2021			2020
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	Islamic Asset Allocation Fund
----- (Rupees in '000) -----					
Trustee's remuneration	10.1	64	149	213	62
Sindh Sales Tax	10.2	8	20	28	8
		<b>72</b>	<b>169</b>	<b>241</b>	<b>70</b>

- 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, 2021 is as follows:

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

<b>Net assets</b>	<b>Tariff per annum</b>
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(1)/2019 dated: 28 June 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	June 30, 2021			June 30, 2020
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	Islamic Asset Allocation Fund
----- (Rupees in '000) -----					
Auditors' remuneration payable		40	257	297	298
Charity payable	12.1	234	-	234	744
Federal excise duty	12.2	1,063	-	1,063	1,063
Withholding tax payable		1,067	98	1,165	2,092
Payable to brokers		47	30	77	42
Provision for Sindh Workers' Welfare Fund	12.3	7,130	3,019	10,149	6,341
Dividend payable		54	-	54	25
Payable to NCCPL		30	25	55	26
Payable to Shariah advisor		2	15	17	17
Other payable		275	33	308	294
		<b>9,942</b>	<b>3,477</b>	<b>13,419</b>	<b>10,942</b>

- 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, 2021 would have been higher by Rs. 0.3095 in HBL IAAF (June 30, 2020 : Rs. 0.3548).

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

However, subsequent to current year ended, the SRB through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Company's (AMCs) are covered under the term "financial institutions" as per the Sindh WWF Act 2014 and are therefore subject to SWWF charge whereas as the Mutual Funds/Pension Funds managed by those AMCs do not qualify as "financial institutions" as per SWWF Act 2014.

In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB. MUFAP has obtained concurrence from SECP on this matter as well.

In these financial statements the Fund has recognised provision for SWWF amounting to Rs. 7.13 million in HBL IAAF and Rs. 3.109 in HBL IAAF Plan 1 for the period from July 1, 2014 till June 30, 2021 which is reversed subsequently as on August 13, 2021. Had the provision not being made, the net asset value per unit as at June 30, 2021 would have been higher by Rs. 2.0760 in HBL IAAF and Rs. 0.1225 in HBL IAAF Plan 1 (2020: Rs. 2.1169) per unit.

**13. CONTINGENCIES AND COMMITMENTS**

Other than already disclosed, there are no contingencies and commitments as at June 30, 2021.

**14. NUMBER OF UNITS IN ISSUE**

	Note	June 30, 2021			June 30, 2020
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	Islamic Asset Allocation Fund
----- (Rupees in '000) -----					
Total units in issue at the beginning of the year		2,995,175	-	2,995,175	10,950,716
Units issued during the year / period	14.1	1,222,947	50,762,385	51,985,332	710,608
Units redeemed during the year / period		(783,642)	(26,121,444)	(26,905,086)	(8,666,149)
Total units in issue at the end of the year		3,434,480	24,640,941	28,075,421	2,995,175

**14.1** This includes 2,978 units issued at zero value as refund of capital for HBL IAAF and 1,601,793 units issued at zero value as refund of capital for HBL IAAF Plan 1.

**14.2** The Management Company on June 21, 2021 declared final distribution of Rs. 2.7 per unit (for full year) for the year ended June 30, 2021 for HBL IAAF and Rs.7 per unit for HBL IAAF Plan 1. The aggregate cash distribution amounted to Rs. 9.367 million was in addition to refund of capital / element of income by issuing 2,978 additional units to eligible unitholders of HBL IAAF and 1,601,793 additional units to eligible unitholders of HBL IAAF Plan 1 at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.

<b>15. MARK-UP / RETURN ON INVESTMENTS</b>	<b>June 30, 2021</b>			<b>June 30, 2020</b>
	<b>Islamic Asset Allocation Fund</b>	<b>Islamic Asset Allocation Fund Plan 1</b>	<b>Total</b>	<b>Islamic Asset Allocation Fund</b>
	----- (Rupees in '000) -----			
Sukuk certificates	4,699	113,816	118,515	31,190
Commercial Paper	2,822	-	2,822	6,436
Government of Pakistan - Ijarah Sukuks	594	19,389	19,983	833
	<b>8,115</b>	<b>133,205</b>	<b>141,320</b>	<b>38,459</b>

<b>16. MARK-UP ON DEPOSITS WITH BANKS</b>				
Mark-up on savings accounts	<b>11,149</b>	<b>21,101</b>	<b>32,250</b>	<b>28,275</b>

<b>17. AUDITORS' REMUNERATION</b>				
Annual audit fee	47	205	252	252
Fee for half yearly review	11	49	60	60
Shariah compliance audit fee	1	4	5	5
Other certifications and out of pocket expenses	13	59	72	53
	<b>72</b>	<b>317</b>	<b>389</b>	<b>370</b>

**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 amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund has distributed more than 90% of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the period. Accordingly, no provision has been made in the financial statements for the period ended June 30, 2021.

**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**

	2021				2021			
	Islamic Asset Allocation Fund				Islamic Asset Allocation Fund Plan 1			
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
<b>Financial assets</b>								
Bank balances	164,167	-	-	164,167	423,352	-	-	423,352
Investments	59,856	-	171,357	231,213	-	-	2,012,096	2,012,096
Dividend receivable and accrued mark-up	3,301	-	-	3,301	43,139	-	-	43,139
Advances, deposits and other receivables	4,756	-	-	4,756	100	-	-	100
	<u>232,080</u>	<u>-</u>	<u>171,357</u>	<u>403,437</u>	<u>466,591</u>	<u>-</u>	<u>2,012,096</u>	<u>2,478,687</u>
<b>Financial liabilities</b>								
Payable to Management Company	480	-	-	480	298	-	-	298
Payable to Trustee	64	-	-	64	149	-	-	149
Accrued expenses and other liabilities	682	-	-	682	360	-	-	360
	<u>1,226</u>	<u>-</u>	<u>-</u>	<u>1,226</u>	<u>807</u>	<u>-</u>	<u>-</u>	<u>807</u>
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
	2020							
	Islamic Asset Allocation Fund							
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total				
	----- (Rupees in '000) -----							
<b>Financial assets</b>								
Bank balances					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>-</u>	<u>150,324</u>	<u>150,324</u>	<u>-</u>	<u>172,555</u>	<u>322,879</u>
<b>Financial liabilities</b>								
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>	<u>2,946</u>	<u>-</u>	<u>-</u>	<u>2,946</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 10 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**

	June 30, 2021	For the period from July 13, 2020 to June 30, 2021	June 30, 2020
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund
	----- (Rupees in '000) -----		
<b>HBL Asset Management Limited - Management Company</b>			
Management fee	5,450	2,916	10,697
Sindh Sales Tax	708	379	1,391
Allocation of Expenses related to registrar services, accounting, operation and valuation services	2,725	383	3,847
Selling and marketing expenses	2,362	-	3,493
<b>Habib Bank Limited - Sponsor</b>			
Issue of 33,346 units (2020: 84,906 units)	3,791	-	8,775
Redemption of 33,346 units (2020: 2,973,424 units)	3,791	-	333,775
Bank charges paid	30	-	21
Profit on bank deposits earned	4,666	-	1,943
<b>Central Depository Company of Pakistan Limited - Trustee</b>			
Remuneration	821	1,719	1,588
CDC charges	85	71	55
<b>HBL Asset Management Ltd Employees Provident Fund</b>			
Issue of 657 units (2020: 1,578 units)	75	-	163
Redemption of 328 units (2020: 789 units)	37	-	82
<b>HBL Asset Management Ltd Employees Gratuity Fund</b>			
Issue of 227 units (2020: 547 units)	26	-	57
Redemption of 114 units (2020: 273 units)	13	-	28
<b>System Limited - Connected Person Due to holding more than 10% units</b>			
Issue of 481,243 units (2020: nil units)	52,322	-	-
Redemption of 10,945 units (2020: nil units)	1,244	-	-
<b>Executives and their relatives</b>			
Issue of 18,463 units (2020: nil units)	1,988	-	-
Redemption of 25,223 units (2020: nil units)	2,730	-	-
<b>Pak-Qatar Individual Family Participant Investment Fund</b>			
Issue of 21,128,214 units (2020: nil units)	-	2,191,692	-
Redemption of 11,062,482 units (2020: nil units)	-	1,175,802	-
<b>Pak-Qatar Investment Account</b>			
Issue of 24,897,360 units (2020: nil units)	-	2,582,604	-
Redemption of 12,695,510 units (2020: nil units)	-	1,352,811	-
Purchase of DIB Sukuk	-	200,120	-
Purchase of Meezan Sukuk	-	216,036	-
Purchase of HUBCO Sukuk	-	189,739	-
Purchase of GOP Ijara Sukuk	-	254,918	-
<b>HBL Cash Fund</b>			
Sale of The HUB Power Company Limited Sukuks: nil (2020: 20,000 units)	-	-	101,404
Sale of K-Electric Limited Commercial Papers: nil (2020: 30 units)	-	-	29,188
<b>HBL Income Fund</b>			
Sale of TPL Corporation Limited Commercial Papers: nil (2020: 20 units)	-	-	19,844
<b>Jubilee Life Insurance Company Limited</b>			
Sale of GOP Ijarah Sukuk: nil units (2020: 655 Units)	-	-	65,500
<b>SIUT Trust - Connected Person due to holding more than 10% units</b>			
Issue of units: Nil (2020: nil)	-	-	-
Redemption of units: nil (2020: 2,806,411)	-	-	317,986

**21.2 Amounts outstanding as at year end**

	June 30, 2021		June 30,
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	2020 Islamic Asset Allocation Fund
	----- (Rupees in '000) -----		
<b>HBL Asset Management Limited - Management Company</b>			
Management fee	480	298	464
Sindh Sales Tax	62	39	60
Allocation of expenses related to registrar services, accounting, operation and valuation services	240		232
Charging of selling and marketing expenses	624		616
Sale load payable	27		58
Formation Cost		245	
<b>Habib Bank Limited - Sponsor</b>			
Investment held in the Fund: 1,404,025 units (June 2020: 1,404,025 units)	158,604		145,503
Bank balances	160,237		101,034
Profit receivable on deposits with banks	1,769		1,096
<b>HBL Asset Management Limited - Employees Gratuity Fund - Associate</b>			
Investment held in the Fund: 4,909 units (June 2020: 4,795 units)	554	-	497
<b>HBL Asset Management Limited - Employees Provident Fund - Associate</b>			
Investment held in the Fund: 14,169 units (June 2020: 13,840 units)	1,601	-	1,434
<b>Central Depository Company of Pakistan Limited - Trustee</b>			
Remuneration payable	64	149	62
Sindh Sales Tax	8	20	8
Security deposit	100	100	100
<b>Systems Limited</b>			
Investment held in the Fund: 470,298 units (June 2020: nil units)	53,127	-	-
<b>Pak-Qatar Individual Family Participant Investment Fund</b>			
Investment held in the Fund: 10,075,732 units (June 2020: nil units)	-	1,011,723	-
<b>Pak-Qatar Individual Family Participant Investment Fund</b>			
Investment held in the Fund: 12,201,850 units (June 2020: nil units)	-	1,225,211	-

**22. INVESTMENT COMMITTEE**

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

Name	Designation	Experience in years	Qualification
1 Mr. Mir Adil Rashid	Chief Executive Officer	22	BSc
2 Mr. Adeel Abdul Wahab	Head of Equities / Fund Manager	13	ACCA
3 Mr. Muhammad Wamiq Sakrani	Acting Head of Fixed Income / Fund Manager	11	MBA
4 Mr. Raza Inam	Acting Head of Research	8	Bsc (Hons), CFA
5 Mr. Karim Khawaja	Head of Risk	18	MBA, CMA

\* They are joint Fund Managers of all other HBL funds managed by Management Company.



**23 PATTERN OF UNIT HOLDING**

	At June 30, 2021			
	Number of		Investment amount (Rupees in '000)	Percentage
	Unit holders	Units held		
<b>Islamic Asset Allocation Fund</b>				
Individuals	161	1,391,326	157,169	40.51%
Retirement Funds	2	75,092	8,483	2.19%
Trust	1	48,785	5,511	1.42%
Associated Companies	3	1,423,103	160,759	41.44%
Other corporate	2	496,174	56,050	14.44%
	<b>169</b>	<b>3,434,480</b>	<b>387,971</b>	<b>100.00%</b>
<b>Islamic Asset Allocation Fund Plan 1</b>				
Insurance companies	4	24,640,941	2,474,242	100.00%
	<b>4</b>	<b>24,640,941</b>	<b>2,474,242</b>	<b>100.00%</b>
	At June 30, 2020			
	Number of		Investment amount (Rupees in '000)	Percentage
	Unit holders	Units held		
Individuals	151	1,436,436	148,862	47.96%
Retirement Funds	2	73,606	7,628	2.46%
Trust	1	47,820	4,956	1.60%
Associated Companies	3	1,422,660	147,435	47.50%
Others	1	14,653	1,518	0.49%
	<b>158</b>	<b>2,995,175</b>	<b>310,399</b>	<b>100.00%</b>

**24 DIRECTORS' MEETING ATTENDANCE**

Seven meetings of the Board of Directors were held on July 28 and 29, 2020, August 27, 2020, September 12, 2020, September 30, 2020 and October 29, 2020, February 10, 2021, and April 30, 2021 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. Mir Adil Rashid	7	7	-	-
2	Ms. Ava A. Cowasjee	7	7	-	-
3	Mr. Rayomond H. Kotwal	7	7	-	-
4	Mr. Rizwan Haider*	2	2	-	-
5	Mr. Shabbir Hussain Hashmi	7	7	-	-
6	Mr. Shahid Ghaffar	7	7	-	-
7	Mr. Muhammad Afaq Khan**	6	6	-	-
8	Mr. Abrar Ahmed Mir**	6	6	-	-
9	Mr. Tariq Masaud***	4	4	-	-

\* Mr. Rizwan Haider resigned on September 18, 2020.

\*\* Mr. Muhammad Afaq Khan and Mr. Abrar Ahmed Mir appointed as of July 29, 2020.

\*\*\* Mr. Tariq Masaud appointed as of September 22, 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	2021		2020
			IAAF	IAAF Plan 1	IAAF
			----- (Rupees in '000) -----		
Habib Bank Limited	VIS	AAA	160,219	-	100,351
Dubai Islamic Bank Pakistan Limited	VIS	AA-	2,573	-	13,304
Bank Islami Pakistan Limited	PACRA	A+	1,109	158,446	245
Bank of Khyber Limited	VIS	A+	81	8	-
Bank Al Habib Limited	PACRA	AAA	23	-	22
Askari Bank Limited	PACRA	AA+	16	-	18
Soneri Bank Limited	PACRA	AA-	73	264,898	85
Al-Baraka Bank Pakistan Limited	PACRA	A	12	-	11
Summit Bank Limited	VIS	N/A	11	-	11
Allied Bank Limited	PACRA	AAA	6	-	27
MIB Bank Limited	PACRA	A	44	-	44
			<b>164,167</b>	<b>423,352</b>	<b>114,118</b>

	2021			2020
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	Islamic Asset Allocation Fund
	----- (Rupees in '000) -----			
<b>Sukuk certificates by rating category</b>				
AAA	-	723,240	723,240	
AA+	-	280,750	280,750	25,592
AA	4,094	310,812	314,906	33,473
AA-	-	199,894	199,894	-
A+	45,749	-	45,749	33,000
	<u>49,843</u>	<u>1,514,696</u>	<u>1,564,539</u>	<u>92,065</u>
<b>Government Securities</b>				
GoP Ijarah	<u>9,226</u>	<u>497,400</u>	<u>506,626</u>	<u>-</u>
<b>Investment in commercial paper</b>				
A-1+	<u>24,787</u>	<u>-</u>	<u>24,787</u>	<u>-</u>
<b>Dividend receivable and accrued mark-up</b>	<u>3,301</u>	<u>43,139</u>	<u>46,440</u>	<u>2,481</u>
<b>Deposits, prepayments and other receivables</b>	<u>2,600</u>	<u>100</u>	<u>2,700</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 counter-parties 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.

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

### 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, 2021.

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, 2021:

	At June 30, 2021					At June 30, 2020				
	Islamic Asset Allocation Fund				Total	Islamic Asset Allocation Fund Plan 1				Total
	Maturity Up to			More than one year		Maturity Up to			More than one year	
	Three months	Six months	One year		Three months	Six months	One year			
<b>Financial liabilities</b>	(Rupees in '000)					(Rupees in '000)				
Payable to Management Company	480	-	-	-	480	298	-	-	-	298
Payable to Trustee	64	-	-	-	64	149	-	-	-	149
Accrued expenses and other liabilities	682	-	-	-	682	360	-	-	-	360
	<u>1,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,226</u>	<u>807</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>807</u>
Unit holders' fund	<u>387,971</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>387,971</u>	<u>2,474,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,474,242</u>
<b>Financial liabilities</b>	(Rupees in '000)					(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
						<u>2,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,946</u>
Unit holders' fund						<u>310,399</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,399</u>

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 2021, the balances that may be exposed to profit rate risk are as follows:

	2021			2020
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	Islamic Asset Allocation Fund
	------(Rupees in '000)-----			
<i>Variable rate instruments</i>				
Bank balances	164,167	423,352	587,519	114,118
Investments - At fair value through profit or loss	171,357	2,012,096	2,183,453	75,688
	<u>335,524</u>	<u>2,435,448</u>	<u>2,770,972</u>	<u>189,806</u>
<i>Fixed rate instrument</i>				
Certificate of Musharaka	-	-	-	25,592
Investments - At Amortised cost	59,856	-	24,787	-
	<u>59,856</u>	<u>-</u>	<u>24,787</u>	<u>25,592</u>

#### Cash flow sensitivity analysis for variable rate instruments

As at June 30, 2021, 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, 2021, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

	Total Exposure			2020
	2021			
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	Islamic Asset Allocation Fund
	------(Rupees in '000)-----			
GoP Ijarah	9,226	-	9,226	-
Term finance certificates and sukuk bonds	49,843	1,514,696	1,564,539	66,473
	<u>59,069</u>	<u>1,514,696</u>	<u>1,573,765</u>	<u>66,473</u>
	<b>Effect on total comprehensive income and net assets</b>			
	2021			2020
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	Islamic Asset Allocation Fund
	------(Rupees in '000)-----			
Change in basis points - Fair value interest rate risk				
100	(1,354)	(70,995)	(72,349)	2,386
(100)	1,468	163,581	165,049	4,303
Change in basis points - Cash Flow interest rate risk				
100	114	2,501	2,615	101
(100)	(114)	(2,501)	(2,615)	(101)

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association are expected to change overtime. Accordingly, the sensitivity analysis prepared as of June 30, 2021, is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield I 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.

#### Fair Value sensitivity analysis for fixed rate instruments

As at June 30, 2021, the Fund hold GoP Ijarah Sukuk amounting to Rs. 497,400 in HBL IAAF Plan 1, having sensitivity as follows:

	2021			2020
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	Islamic Asset Allocation Fund
<b>Change in basis points</b>	----- (Rupees in '000) -----			
100	-	126,145	126,145	(2,561)
(100)	-	138,807	138,807	(1,539)

	At June 30, 2021						
	Interest rate (%)	Maturity Up to			More than one year	Not exposed to profit rate risk	Total
		Three months	Six months	One year			
<b>On-balance sheet financial instruments</b>	----- (Rupees in '000) -----						
<b>Islamic Asset Allocation Fund</b>							
<b>Financial assets</b>							
Bank balances	3 - 6.95	164,167	-	-	-	164,167	
Investments classified as:							
'At fair value through Profit or Loss'							
- Listed Equity securities		-	-	-	112,288	112,288	
- Sukuk Certificates	KIBOR 3M 0.5%-3%	-	-	49,843	-	49,843	
- GoP Ijarah Sukuks		-	-	-	9,226	9,226	
'At amortised cost'							
- Commercial paper		-	-	-	59,856	59,856	
Dividend receivable and accrued mark-up		-	-	-	3,301	3,301	
Advances, deposits and other receivables		-	-	-	4,756	4,756	
<b>Total financial assets</b>		<b>164,167</b>	<b>-</b>	<b>-</b>	<b>49,843</b>	<b>189,427</b>	
<b>Financial liabilities</b>							
Payable to Management Company		-	-	-	480	480	
Payable to Trustee		-	-	-	64	64	
Accrued expenses and other liabilities		-	-	-	682	682	
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,226</b>	<b>1,226</b>	
<b>On-balance sheet gap</b>		<b>164,167</b>	<b>-</b>	<b>-</b>	<b>49,843</b>	<b>188,201</b>	
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Islamic Asset Allocation Fund Plan 1</b>							
<b>Financial assets</b>							
Bank balances	3% - 6.95%	423,352	-	-	-	423,352	
Investments classified as:							
'At fair value through Profit or Loss'							
- Listed Equity securities		-	-	-	-	-	
- Sukuk Certificates	KIBOR 3M-1Y 0.1%-1.9%	-	-	1,514,696	-	1,514,696	
- GoP Ijarah Sukuks		-	-	-	497,400	497,400	
Dividend receivable and accrued mark-up		-	-	-	43,139	43,139	
Advances, deposits and other receivables		-	-	-	100	100	
<b>Total financial assets</b>		<b>423,352</b>	<b>-</b>	<b>-</b>	<b>1,514,696</b>	<b>540,639</b>	
<b>Financial liabilities</b>							
Payable to Management Company		-	-	-	298	298	
Payable to Trustee		-	-	-	149	149	
Accrued expenses and other liabilities		-	-	-	360	360	
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>807</b>	<b>807</b>	
<b>On-balance sheet gap</b>		<b>423,352</b>	<b>-</b>	<b>-</b>	<b>1,514,696</b>	<b>539,832</b>	
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

	Interest rate (%)	At 30 June 2020				Not exposed to profit rate risk	Total
		Maturity Up to		One year	More than one year		
		Three months	Six months				
----- (Rupees in '000) -----							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets</b>							
Bank balances	3 to 10.25	114,118	-	-	-	-	114,118
Certificate of Musharaka		25,592	-	-	-	-	25,592
Investments classified as:							
'At fair value through Profit or Loss'							
- Listed Equity securities		-	-	-	-	96,867	96,867
- Sukuk Certificates	KIBOR 3M-6M 0.5%-1.0%	-	-	-	66,473	-	66,473
- GoP Ijarah Sukuks		-	-	-	-	9,215	9,215
'At amortised cost'							
- Commercial paper		-	-	-	-	-	-
Dividend receivable and accrued mark-up		-	-	-	-	2,481	2,481
Advances, deposits and other receivables		-	-	-	-	8,133	8,133
<b>Total financial assets</b>		<b>139,710</b>	<b>-</b>	<b>-</b>	<b>66,473</b>	<b>116,696</b>	<b>322,879</b>
<b>Financial liabilities</b>							
Payable to Management Company		-	-	-	-	1,430	1,430
Payable to Trustee		-	-	-	-	70	70
Accrued expenses and other liabilities		-	-	-	-	1,446	1,446
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,946</b>	<b>2,946</b>
<b>On-balance sheet gap</b>		<b>139,710</b>	<b>-</b>	<b>-</b>	<b>66,473</b>	<b>113,750</b>	<b>319,933</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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.



	2021		2020	
	Islamic Asset Allocation Fund Fund Equity Portfolio	KMI-30 Benchmark Portfolio	Islamic Asset Allocation Fund Fund Equity Portfolio	KMI-30 Benchmark Portfolio
	-----%-----		-----%-----	
Textile Composite	5.32	4.47	5.10	3.32
Cement	29.83	23.67	19.50	15.14
Chemical	-	-	2.88	1.50
Engineering	7.47	5.28	-	-
Automobile Assembler	2.66	3.02	-	-
Cable and electrical goods	2.08	0.96	-	-
Oil and gas exploration companies	22.63	36.88	27.73	43.98
Oil and gas marketing companies	5.90	4.04	6.69	5.50
Refinery	2.19	2.66	-	-
Commercial banks	5.26	6.75	4.76	4.48
Fertilizer	2.89	6.52	19.41	19.68
Technology and communication	2.69	0.90	-	-
Food and personal care products	3.15	1.70	-	-
Others*	7.93	3.14	13.94	6.41
	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

\* Other include Transport, Pharmaceutical, Food and Allied Industries and Automobile parts and accessories sector.

In case of 5% increase / decrease in KMI-30 index on June 30, 2021, with all other variables held constant, other 'components of equity and the net assets of the Fund would increase / decrease by Rs. 5.65 million as a result of gains / losses on equity securities.

The analysis is based on the assumption that the equity index had increased I decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2021 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KMI-30 index.

## 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.

## 25.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risk arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

## 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 and 3.3 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:

On-balance sheet financial instruments		Islamic Asset Allocation Fund								
		At June 30, 2021					Fair Value			
		Carrying amount			At amortised cost	Total	Level 1	Level 2	Level 3	Total
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	At fair value through other comprehensive income							
		(Rupees in '000)								
<b>Financial assets measured at fair value</b>										
	Listed equity securities									
	Term finance certificates and sukuk bonds	112,288	-	-	-	112,288	112,288	-	112,288	
	GoP ijarah sukuk	49,843	-	-	-	49,843	-	49,843	49,843	
		9,226	-	-	-	9,226	-	9,226	9,226	
		<u>171,357</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,357</u>				
<b>Financial assets not measured at fair value</b>										
	Bank balances									
26.2	Term finance certificates and sukuk bonds	-	-	-	164,167	164,167				
	Commercial paper	-	-	-	35,069	35,069				
	Dividend receivable and accrued mark-up	-	-	-	24,787	24,787				
	Advances, deposits and other receivables	-	-	-	3,301	3,301				
		-	-	-	4,756	4,756				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>232,080</u>	<u>232,080</u>				
<b>Financial liabilities not measured at fair value</b>										
	Payable to Management Company									
26.2	Payable to Trustee	-	-	-	480	480				
	Accrued expenses and other liabilities	-	-	-	64	64				
		-	-	-	682	682				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,226</u>	<u>1,226</u>				
		(Rupees in '000)								
<b>On-balance sheet financial instruments</b>		Islamic Asset Allocation Fund Plan 1								
		At June 30, 2021					Fair Value			
		Carrying amount			At amortised cost	Total	Level 1	Level 2	Level 3	Total
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	At fair value through other comprehensive income							
		(Rupees in '000)								
<b>Financial assets measured at fair value</b>										
	Term finance certificates and sukuk bonds									
	GoP ijarah sukuk	1,514,696	-	-	-	1,514,696	-	1,514,696	-	1,514,696
26.1		497,400	-	-	-	497,400	-	497,400	-	497,400
		<u>2,012,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,012,096</u>				
<b>Financial assets not measured at fair value</b>										
	Bank balances									
26.2	Dividend receivable and accrued mark-up	-	-	-	423,352	423,352				
	Preliminary expenses and flotation costs	-	-	-	43,139	43,139				
	Advances, deposits and other receivables	-	-	-	172	172				
		-	-	-	100	100				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>466,763</u>	<u>466,763</u>				
<b>Financial liabilities not measured at fair value</b>										
	Payable to Management Company									
26.2	Payable to Trustee	-	-	-	298	298				
	Accrued expenses and other liabilities	-	-	-	149	149				
		-	-	-	360	360				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>807</u>	<u>807</u>				
		(Rupees in '000)								
<b>On-balance sheet financial instruments</b>		Islamic Asset Allocation Fund								
		At 30 June 2020					Fair Value			
		Carrying amount			At amortised cost	Total	Level 1	Level 2	Level 3	Total
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	At fair value through other comprehensive income							
		(Rupees in '000)								
<b>Financial assets measured at fair value</b>										
	Listed equity securities									
	Term finance certificates and sukuk bonds	96,867	-	-	-	96,867	96,867	-	96,867	
	GoP ijarah sukuk	66,473	-	-	-	66,473	-	66,473	66,473	
26.1		9,215	-	-	-	9,215	-	9,215	9,215	
		<u>172,555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>172,555</u>				
<b>Financial assets not measured at fair value</b>										
	Bank balances									
26.2	Certificate of Musharaka	-	-	-	139,710	139,710				
	Dividend receivable and accrued mark-up	-	-	-	25,592	25,592				
	Advances, deposits and other receivables	-	-	-	2,481	2,481				
		-	-	-	8,133	8,133				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>175,916</u>	<u>175,916</u>				
<b>Financial liabilities not measured at fair value</b>										
	Payable to Management Company									
26.2	Payable to Trustee	-	-	-	1,430	1,430				
	Accrued expenses and other liabilities	-	-	-	70	70				
		-	-	-	1,446	1,446				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,946</u>	<u>2,946</u>				

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

Investments in GoP Ijarah Sukuks are valued on the basis of the PKISRVs 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 repriced 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**

	HBL IAAF			HBL IAAF Plan 1		
	Reveivable against sale of units	Payable against redemption of units	Total	Reveivable against sale of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
Opening balance as at July 1, 2020	-	-	-	-	-	-
Receivable against issuance of units	135,242	-	135,242	5,268,516	-	5,268,516
Payable against redemption of units	-	84,137	84,137	-	2,637,258	2,637,258
	135,242	84,137	219,380	5,268,516	2,637,258	7,905,773
Amount received on issuance of units	(135,242)	-	(135,242)	(5,268,516)	-	(5,268,516)
Amount paid on redemption of units	-	(84,137)	(84,137)	-	(2,637,258)	(2,637,258)
	(135,242)	(84,137)	(219,380)	(5,268,516)	(2,637,258)	(7,905,773)
<b>Closing balance as at June 30, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	HBL IAAF					
	Reveivable 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)			
<b>Closing balance as at June 30, 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>			

**28 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 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, 2021 is 3.84% (2020: 3.53%) for HBL IAAF and 0.53% for HBL IAAF Plan 1 which includes 0.46% (2020: 0.48%) and 0.20% for HBL IAAF Plan 1 representing Government Levy and SECP fee.

**29 CORESPONDING 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**

**30.1 Date of authorisation for issue**

These financial statements were authorised for issue by Board of Directors of the Management Company on August 26, 2021 .

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

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**Chief Financial Officer**

---

**Chief Executive Officer**

---

**Director**



**HBL** Islamic Stock Fund

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



Type and Category of Fund

**Open end Equity Fund**

Investment Objective and Accomplishment of Objective

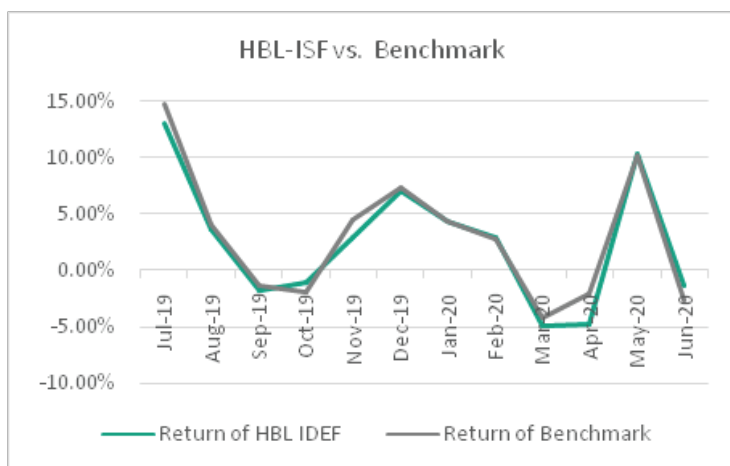
The investment objective of the Fund is to achieve long term capital growth by investing mainly in Shariah Compliant equity securities.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KMI-30 Index.

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

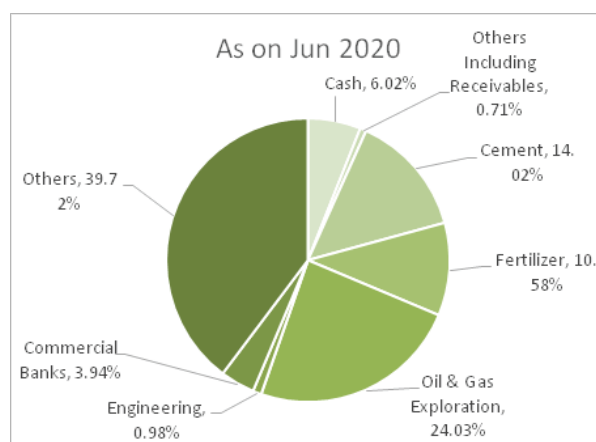
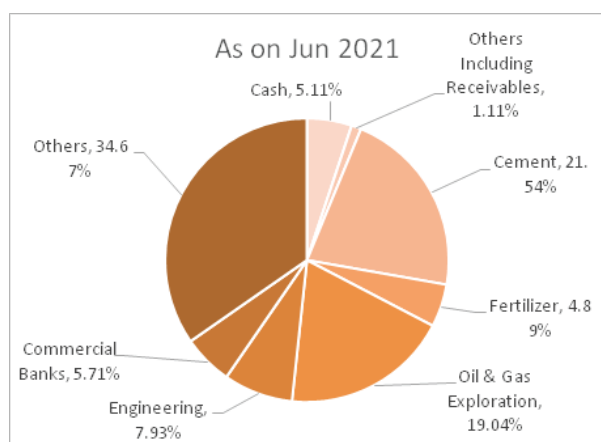
Month	Return of Fund	
	HBL-ISF	Benchmark
Jun-21	-1.37%	-2.70%
May-21	10.32%	10.17%
Apr-21	-4.75%	-2.14%
Mar-21	-4.88%	-4.25%
Feb-21	2.96%	2.77%
Jan-21	4.29%	4.29%
Dec-20	6.98%	7.31%
Nov-20	2.86%	4.44%
Oct-20	-1.15%	-1.92%
Sep-20	-1.81%	-1.39%
Aug-20	3.59%	4.03%
Jul-20	13.05%	14.75%



**Strategies and Policies employed during the Year**

During the year under review, the Fund maintained its exposure in equity from 93% of total assets as on June 2020 to 93.25% in June 2021. 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, 2021 and June 30, 2020

Sector Name	As on Jun 2021	As on Jun 2020
Cash	5.11%	6.02%
Others Including Receivables	1.11%	0.71%
Cement	21.54%	14.02%
Fertilizer	4.89%	10.58%
Oil & Gas Exploration	19.04%	24.03%
Engineering	7.93%	0.98%
Commercial Banks	5.71%	3.94%
Others	34.7%	39.7%
Total	100.00%	100.00%

## Fund Performance

The total and net income of the Fund was Rs. 188.61 million and Rs. 150.71 million respectively during the year ended June 30, 2021. The Net Asset Value (NAV) of the Fund was Rs. 123.9845 per unit as on June 30, 2021 as compared to Rs. 93.6583 per unit as on June 30, 2020, thereby giving a return of 32.38% during the year, against the benchmark return (KMI 30 Index) of 39.32%. The size of Fund was Rs. 0.76 billion as on June 30, 2021 as compared to Rs. 0.56 billion at the start of the year.

## Review of Market invested in

The market sustained its bullish momentum in FY21 as the KMI-30 index recorded 21,626 points increase (+39.3%) during the period to close at 76,622 points. The stellar performance of the index can be attributed to 1) relative improvement in domestic COVID-19 infection and recovery rates, 2) flows into equities post 625bps cut in interest rates, 3) business friendly policies induced by the GoP and 4) Improvement in macroeconomic indicators led by strengthening currency and better current account position.

During the period construction linked industries (Cement, Steel, and Glass) rallied on the back of the monetary easing done by the SBP and government focus on construction sector. Technology sector also remained in limelight due to increasing focus on technology post Covid-19 pandemic. On the flows side, foreigners were the net sellers during FY21 and sold shares of worth USD 387mn, compared to net selling of USD 285mn during same period last year.

Pakistan equities are likely to continue the positive momentum due to cheaper valuation (trading at a Forward P/E of 6.1x against peer average 15.7x) and improvement in the macroeconomic landscape. Market participants would closely follow trend of coronavirus cases and the ensuring macro numbers. Cyclical sectors (Cement, Steel) are expected to continue their rally due to Government's push towards Naya Pakistan Housing Scheme. Textile sector is also expected to garner investors' attention due to huge export potential. Technology sector would also remain in limelight due to rerating of the sector due to improved earnings outlook. 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 dividend to the unit holders for the year ended June 30, 2021.

### 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	155	4,945
101 – 500	77	19,607
501 – 1,000	30	22,469
100,1 – 10,000	118	425,837
10,001 – 100,000	63	1,898,853
100,001 – 500,000	7	1,222,474
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	1	2,539,414
5,000,001 and above	-	-
<b>Total</b>	<b>451</b>	<b>6,133,599</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE - HBL ISLAMIC STOCK FUND

	2021	2020	2019	2018	2017	2016
Net assets at the period end(Rs'000)	760,471	555,017	635,161	2,541,942	1,043,544	784,634
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES						
Redemption	123.9845	93.6585	91.2924	111.8276	130.0225	128.0108
Offer	126.7865	95.7752	93.3556	111.8276	132.9611	131.3964
OFFER / REDEMPTION DURING THE PERIOD - RUPEES						
Highest offer price per unit	131.925	119.9859	93.3743	114.5959	184.8553	137.7412
Lowest offer price per unit	97.9654	74.3357	93.3743	114.3608	131.9828	111.9416
Highest redemption price per unit	129.0094	117.3341	91.3107	112.0633	180.7699	134.1921
Lowest redemption price per unit	95.8003	72.6928	91.3107	111.8334	129.0659	109.0573
RETURN ( % )						
Total return	32.38%	2.95%	-18.36%	-13.99%	24.51%	0.98%
Income distribution	0.00%	0.32%	0.00%	0.00%	29.00%	1.50%
Capital growth	32.38%	2.63%	-18.36%	-13.99%	-4.49%	-0.52%
DISTRIBUTION						
Final dividend distribution- Rs	-	0.32	-	-	29.00	1.50
Date of Income Distribution	-	26-Jun-20	-	-	22-Jun-17	28-Jun-16
Total dividend distribution for the year/ period	-	0.32	-	-	29.00	1.50
AVERAGE RETURNS ( % )						
Average annual return 1 year	32.38%	2.95%	-18.36%	-13.99%	24.51%	0.98%
Average annual return 2 year	16.74%	-8.32%	-16.21%	3.48%	12.15%	-
Average annual return 3 year	3.62%	-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	5%	6%	8%	22%	6%	6%
GoP Ijarah Sukuks				-	-	-
Placement with Banks and DFIs				-	-	-
Corporate Sukuks				-	-	-
Stock / Equities	94%	93%	89%	78%	92%	93%
Others	1%	1%	3%	0%	2%	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	2	8	8	-
(%ages)		100%	100%	-

### (h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
AGP Limited	26-04-202	(02/04/2021)(09-06-2021)
Aisha Steel Mills Ltd	28-10-20	
Amreli Steels Limited	27-10-20	06-05-21
Attock Cement Pakistan Ltd	22-10-20	
Attock Refinery Ltd	19-10-20	
Avanceon Limited	26-05-21	12-01-21
Azgard Nine Ltd	28-10-20	03-04-21
BankIslami Pakistan Limited	30-03-21	11-02-21
Cherat Cement Company Ltd.	27-10-20	
Clover Pakistan Limited	20-01-2021	05-05-21
D G Khan Cement Co.Ltd.	28-10-20	
Engro Corporation Ltd	26-04-21	
Engro Fertilizers Limited	30-03-21	
Engro Polymer & Chemicals Ltd	08-04-21	
Fauji Fertilizer Bin Qasim Ltd	29-03-21	(09/09/2020)(25-11-2020)
Fauji Fertilizer Co Ltd	18-03-21	06-11-20
Fauji Foods Limited	25-03-21	
General Tyre & Rubber Co of Pakistan Ltd	28-10-20	20-08-20
GlaxoSmithKline Pakistan Ltd	27-04-21	
Gul Ahmed Textile Mills Ltd	28-10-20	29-06-21
Hascol Petroleum Ltd	11-08-20	(08/09/2020)(23-02-2021)
Highnoon Laboratories Limited	27-04-21	
Hub Power Company Ltd	24-09-20	
IGI Holdings Limited	29-04-21	
Interloop Limited	15-10-20	10-12-20
International Industries Ltd	30-09-20	
International Steels Limited	29-09-20	
K-Electric Limited	26-11-20	
Kohat Cement Ltd	28-10-20	
Lucky Cement Ltd	29-09-20	
Maple Leaf Cement Factory Ltd	27-10-20	
Mari Petroleum Company Ltd	29-09-20	24-06-21
Mughal Iron & Steel Inds Ltd	28-10-20	19-04-21
National Refinery Ltd	22-10-20	
Netsol Technologies	23-10-20	
Nimir Resins Limited	21-10-20	10-06-21
Nishat (Chunian) Ltd		16-04-21
Nishat Mills Ltd	28-10-20	15-12-20
Oil & Gas Development Co Ltd	28-10-20	17-03-21
Pak Elektron Ltd	29-04-21	
Pak Suzuki Motor Company Limited	22-04-21	29-01-2021
Pakistan National Shipping Corp Ltd	26-10-20	
Pakistan Oilfields Ltd	19-10-20	
Pakistan Petroleum Ltd	26-10-20	23-12-20
Pakistan State Oil Company Ltd	21-10-20	
Pioneer Cement Limited	28-10-20	
Sitara Chemical Industries Limited	26-10-20	
Sui Northern Gas Pipeline Ltd	15-08-20	
Systems Limited	31-03-2021	03-12-20
Tariq Glass Industries Ltd		
Thal Limited	22-10-20	
The Organic Meat Company Limited	27-10-20	
The Searle Company Ltd	28-10-20	28-06-21
TPL Properties Ltd	27-10-20	
TPL Trakker Limited	26-10-20	
TRG Pakistan Ltd	27-11-20	
Unity Foods Limited	23-10-20	22-03-21
Waves Singer Pakistan Limited	(23-04-2021)	(11/08/2020)(09-09-2020)
WorldCall Telecom Ltd	30-07-20	

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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S.M.C.H.S., Main Shahra-e-Faisal  
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URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)

Email: [info@cdcpak.com](mailto: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, 2021 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 17, 2021



**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, 2021. This has been duly confirmed by the Shariah Advisor of the Fund.



**Mir Adil Rashid**

Chief Executive Officer

Dated: August 26, 2021



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



September 14, 2021

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, 2021 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**

807 8th Floor Horizon Tower, Khayban-e-Saadi, Block - 3 Clifton,  
Karachi, Pakistan. Tel :+92-21-35305931-37, Web: www.alhilalsa.com

## INDEPENDENT AUDITOR'S 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, 2021, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement 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, 2021, 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 HBL Asset Management Limited (the 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 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.

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Valuation and existence of investment</b></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>The Fund's primary activity is, inter alia, to invest in listed equity securities; which is the main driver of the Fund's performance.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> <li>obtained understanding of relevant controls placed by the Management Company applicable to the balance;</li> <li>independently verified existence of investments from the Central Deposit Company (CDC) account statement;</li> </ul>



S. No.	Key audit matter	How the matter was addressed in our audit
	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.	<ul style="list-style-type: none"> <li>independently tested the valuations directly with the prices quoted on Pakistan Stock Exchange Limited (PSX);</li> <li>performed test of details on sale and purchase of investments on a sample basis; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>

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

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

Board of Directors 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.

#### **Report on other legal and regulatory requirements**

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

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

  
Chartered Accountants

Place: Karachi

Dated: September 27, 2021

**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 Shariah Principles (the Statement) for the year ended June 30, 2021. 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 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 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 Engagement other than Audit or Reviews of Historical Financial Statements'. This standard requires that we comply with the ethical requirements, including independent requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with 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 risks of material non-compliance with the Shariah Principles whether due to Fraud or error. In making those risk assessments, we have considered Internal controls relevant to the Fund's Compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for purpose of expressing an opinion in the effectiveness of the Fund's Internal control.

The Procedures performed include:

- Checking compliance of specified guideline issued by the Shariah Advisor relating to the 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 Investment made by the Fund during the year ended June 30, 2021 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 Fund's compliance with Shariah Principles in the Trust Deed and the guideline issued by the Shariah Advisor for the year ended June 30, 2021.

  
Chartered Accountants**Place:** Karachi  
**Dated:** September 27, 2021

	Note	2021 ----- Rupees in '000 -----	2020
<b>ASSETS</b>			
Bank balances	5	40,776	34,983
Investments	6	749,065	538,096
Dividend receivable and accrued mark-up	7	212	457
Advances and deposits	8	7,470	3,521
Receivable against sale of investments		1,183	-
		<u>798,706</u>	<u>577,057</u>
<b>LIABILITIES</b>			
Payable to the Management Company	9	2,714	2,610
Payable to the Trustee	10	148	103
Payable to Securities and Exchange Commission of Pakistan	11	136	116
Payable against purchase of investments		16,262	2,800
Dividend payable		-	815
Accrued expenses and other liabilities	12	18,975	15,597
		<u>38,235</u>	<u>22,041</u>
<b>NET ASSETS</b>		<u>760,471</u>	<u>555,016</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>760,471</u>	<u>555,016</u>
<b>Contingencies and commitments</b>	13	----- Number of units -----	
<b>Number of units in issue</b>	18	<u>6,133,599</u>	<u>5,925,966</u>
		----- Rupees -----	
<b>Net assets value per unit</b>	4.6	<u>123.9845</u>	<u>93.6583</u>

The annexed notes from 1 to 28 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, 2021

	Note	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
<b>INCOME</b>			
Dividend income		27,360	22,387
Mark-up on bank deposits		2,501	5,409
Net gain / (loss) on sale of investments		118,514	(561)
Net unrealised gain on remeasurement of investments classified as 'financial assets at fair value through profit or loss'	6.2	40,232	5,011
<b>Total income</b>		<b>188,607</b>	<b>32,246</b>
<b>EXPENSES</b>			
Remuneration of the Management Company	9.1 & 9.2	15,353	12,775
Remuneration of the Trustee	10.1 & 10.2	1,535	1,306
Annual fee to the Securities and Exchange Commission of Pakistan	11	136	116
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	3,736	1,795
Selling and marketing expenses	9.3	5,869	4,751
Auditors' remuneration	14	360	370
Settlement and bank charges		700	505
Brokerage fees		5,432	2,911
Fee and subscription		214	231
Charity		1,483	1,524
<b>Total expenses</b>		<b>34,818</b>	<b>26,284</b>
<b>Net income from operating activities</b>		<b>153,789</b>	<b>5,962</b>
Provision for Sindh Workers' Welfare Fund	12.3	(3,076)	(119)
<b>Net income for the year before taxation</b>		<b>150,713</b>	<b>5,843</b>
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<b>150,713</b>	<b>5,843</b>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		150,713	5,843
Income already paid on redemption of units		(74,585)	(83)
		76,128	5,760
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		76,128	4,367
- Excluding capital gains		-	1,393
		76,128	5,760
<b>Earnings per unit</b>	16		

The annexed notes from 1 to 28 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



	2021	2020
	----- Rupees in '000 -----	
Net income for the year after taxation	150,713	5,843
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>150,713</b>	<b>5,843</b>

The annexed notes from 1 to 28 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, 2021

	2021			2020		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
	----- Rupees in '000 -----					
<b>Net assets at beginning of the year</b>	867,824	(312,808)	555,016	951,824	(316,663)	635,161
Issuance of 16,908,432 units (2020: 10,701,011 units)						
- Capital value	1,583,615	-	1,583,615	976,938	-	976,938
- Element of income	358,282	-	358,282	61,638	-	61,638
Total proceed on issuance of units	1,941,897	-	1,941,897	1,038,576	-	1,038,576
Redemption of 16,700,799 units (2020: 11,732,480 units)						
- Capital value	(1,564,169)	-	(1,564,169)	(1,071,105)	-	(1,071,105)
- Element of income	(248,402)	(74,585)	(322,987)	(51,453)	(83)	(51,536)
Total payment on redemption of units	(1,812,571)	(74,585)	(1,887,156)	(1,122,558)	(83)	(1,122,641)
Total comprehensive income for the year	-	150,713	150,713	-	5,843	5,843
Distribution For the year ended June 30, 2021 (cash distribution @ Rs. 0.32 per units declared on June 30, 2020)	-	-	-	(18)	(1,905)	(1,923)
Net income / (loss) for the year less distribution	-	150,713	150,713	(18)	3,938	3,920
<b>Net assets at end of the year</b>	<b>997,150</b>	<b>(236,680)</b>	<b>760,471</b>	<b>867,824</b>	<b>(312,808)</b>	<b>555,016</b>
<b>Undistributed loss brought forward comprising of:</b>						
- Realised		(317,819)			(208,097)	
- Unrealised		5,011			(108,566)	
		(312,808)			(316,663)	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		76,128			4,367	
- Excluding capital gains		-			1,393	
		76,128			5,760	
Distribution during the year		-			(1,905)	
Undistributed loss carried forward		(236,680)			(312,808)	
<b>Undistributed loss carried forward comprising of:</b>						
- Realised		(276,912)			(317,819)	
- Unrealised		40,232			5,011	
		(236,680)			(312,808)	
		---- Rupees ----			---- Rupees ----	
<b>Net assets value per unit at beginning of the year</b>			93.6583			91.2924
<b>Net assets value per unit at end of the year</b>			123.9845			93.6583

The annexed notes from 1 to 28 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, 2021

Note	2021 ----- Rupees in '000 -----	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	150,713	5,843
<b>Adjustments for:</b>		
Net (gain) / loss on sale of investments	(118,514)	561
Net unrealised gain on remeasurement of investments classified as 'financial assets at fair value through profit or loss'	(40,232)	(5,011)
Mark-up on bank deposits	(2,501)	(5,409)
Dividend income	(27,360)	(22,387)
Provision for Sindh Worker's Welfare Fund	3,076	119
	<u>(34,818)</u>	<u>(26,284)</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	(52,223)	51,958
Receivable against sale of investments	(1,183)	10,033
Advances and deposits	(3,949)	-
	<u>(57,355)</u>	<u>61,991</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	104	408
Payable to the Trustee	45	(17)
Payable to Securities and Exchange Commission of Pakistan	20	(1,801)
Payable against purchase of investments	13,462	2,800
Accrued expenses and other liabilities	302	(2,277)
	<u>13,933</u>	<u>(887)</u>
Mark-up received on bank deposits	2,626	5,583
Dividend received	27,481	24,103
<b>Net cash (used in) / generated from operating activities</b>	<u>(48,133)</u>	<u>64,506</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issuance of units	1,941,897	1,038,576
Payment against redemption of units	(1,887,156)	(1,122,641)
Cash dividend paid	(815)	(1,108)
<b>Net cash generated from / (used in) financing activities</b>	<u>53,926</u>	<u>(85,173)</u>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	<u>5,793</u>	<u>(20,667)</u>
Cash and cash equivalents at beginning of the year	34,983	55,650
<b>Cash and cash equivalents at end of the year</b>	<u>5</u> <u>40,776</u>	<u>34,983</u>

The annexed notes from 1 to 28 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++' (stable 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**

The coronavirus (COVID-19) outbreak situation emerged last year in March 2020, has caused governments around the world to implement measures to help control its spread, including, smart lock-downs, travel bans, quarantines, social-distancing closures or reduced operations for non-essential businesses, governmental agencies, schools and other institutions and vaccination.

General economic activities in Pakistan was although affected but continued since then. Stock markets and financial institutions remained open throughout the year. Activities of the Fund were operational during the year as staff of the Management Company were working without any disruption either from office or online remotely.

The management of the Fund is closely monitoring the situation, and there has not been any material adverse impact on fiscal and economic fronts facing the country and therefore not materially affected the financial performance 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; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, 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, 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 for the investments which are stated at fair value.

**2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund. All amounts have been rounded to the nearest thousands of Rupee, unless otherwise indicated.

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgements, 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 judgements 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:

(i) Classification and valuation of financial assets (notes 4.2)

(ii) Provisions (Notes 4.4)

**3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS**

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2021**

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. 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.

	<b>Effective from accounting periods beginning on or after:</b>
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
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

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

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

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:**

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) January 01, 2021

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021 April 01, 2021

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

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current January 01, 2023

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates January 01, 2023

Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction. January 01, 2023

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 comprises savings accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

##### **4.2 Financial assets and liabilities**

###### **4.2.1 Initial recognition**

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

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

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

###### **4.2.2 Classification and measurement**

###### **4.2.2.1 Financial assets**

There are 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 FVTOCI**

A financial asset is measured at FVTOCI 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.

FVTOCI 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 FVTOCI).

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 FVTOCI 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 income statement.

### **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.

#### **4.2.2.2 Financial liabilities**

The Company classifies its financial liabilities in the following categories:

- Measured at amortized cost ("AC"), or
- Fair value through profit or loss ("FVTPL").

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Fund has opted to measure them at FVTPL.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

#### **4.2.3 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.

#### **4.2.4 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 . 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.

#### **4.2.5 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 instruments at amortised cost**

Subsequent to initial recognition, financial instruments 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 instruments carried at amortised cost are derecognised or impaired, and through the amortisation process.

#### **4.2.6 Derecognition**

##### **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.

##### **Financial liabilities**

The Fund derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired.

#### **4.2.7 Offsetting of financial instruments**

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

#### **4.3 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. The sales load is payable to the Management Company.

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.

#### **4.4 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 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 (excluding distribution made by issuance of bonus units).

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**

- Gain / (loss) arising on sale of investments are included in the 'income statement' on the date at which the sale transaction takes place.
- Unrealised gain / (loss) arising on remeasurement 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 is recognized when the right to receive the dividend is established.
- Mark-up / return on bank deposits and government securities are recognised at effective profit rates based on a time proportion basis using the effective interest method.
- Profit on debt securities classified as non performing assets are recognised on receipt basis.

**4.10 Expenses**

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

	Note	2021 ----- Rupees in '000 -----	2020
<b>5. BANK BALANCES</b>			
Savings accounts	5.1	<u>40,776</u>	<u>34,983</u>

**5.1** This includes balances of Rs. 10.627 million (2020: 14.029 million) with Habib Bank Limited (a related party) and carries profit at the rates of 5% (2020: 6.56%) per annum. Other PLS accounts of the Fund carry profit at the rates of 4.50% to 6.75% (2020: 5% to 13.25%) per annum.

Note **2021** **2020**  
----- Rupees in '000 -----

## 6. INVESTMENTS

### At fair value through profit or loss

Listed equity securities **6.1** **749,065** **538,096**

### 6.1 Listed equity securities

Sectors / Name of investee companies	Number of shares					Market value as at June 30, 2021 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 01, 2020	Acquired during the year	Bonus / Rights issue during the year	Disposed during the year	As at June 30, 2021		Total investments	Net assets	
Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise									
<b>AUTOMOBILE ASSEMBLER</b>									
Ghandhara Nissan Limited	-	30,000	-	30,000	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	45,100	-	45,100	-	-	-	-	-
Indus Motor Company Limited	-	6,300	-	6,300	-	-	-	-	-
Millat Tractors Limited	-	16,100	-	16,100	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	123,600	-	101,000	22,600	8,033	1.07%	1.06%	0.03%
	-	221,100	-	198,500	22,600	8,033			
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>									
Panther Tyres Limited	-	498,160	-	182,000	316,160	21,856	2.92%	2.87%	0.23%
Thal Limited (Par value Rs. 5 / share)	42,450	600	-	43,050	-	-	-	-	-
	42,450	498,760	-	225,050	316,160	21,856			
<b>CEMENT</b>									
Attock Cement Pakistan Limited	-	180,800	-	16,500	164,300	29,544	3.94%	3.89%	0.12%
Cherat Cement Company Limited	130,000	71,000	-	149,000	52,000	9,224	1.23%	1.21%	0.03%
D G Khan Cement Company Limited	33,000	378,000	-	315,900	95,100	11,214	1.50%	1.47%	0.02%
Fauji Cement Company Limited	-	893,000	-	893,000	-	-	-	-	-
Kohat Cement Limited	58,190	76,000	-	61,700	72,490	14,969	2.00%	1.97%	0.04%
Lucky Cement Limited (note 6.1.1)	96,750	102,200	-	117,900	81,050	69,982	9.34%	9.20%	0.03%
Maple Leaf Cement Factory Limited	542,500	461,000	-	603,500	400,000	18,792	2.51%	2.47%	0.04%
Pioneer Cement Limited	-	192,000	-	118,000	74,000	9,699	1.29%	1.28%	0.03%
Thatta Cement Company Limited	-	925,000	-	500,000	425,000	8,810	1.18%	1.16%	0.43%
	860,440	3,279,000	-	2,775,500	1,363,940	172,234			
<b>COMMERCIAL BANK</b>									
BankIslami Pakistan Limited	1,069,500	1,230,000	-	1,240,000	1,059,500	11,909	1.59%	1.57%	0.10%
Meezan Bank Limited	200,240	441,100	12,324	361,533	292,131	33,715	4.50%	4.43%	0.02%
	1,269,740	1,671,100	12,324	1,601,533	1,351,631	45,624			
<b>CHEMICAL</b>									
Engro Polymer & Chemicals Limited	284,566	517,000	-	801,566	-	-	-	-	-
ICI Pakistan Limited	33,800	3,500	-	37,300	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	550,000	-	550,000	-	-	-	-	-
Nimir Resins Limited (Par value Rs. 5 / share)	-	1,190,000	-	840,000	350,000	7,053	0.94%	0.93%	0.12%
Sitara Chemical Industries Limited	31,400	14,800	-	46,200	-	-	-	-	-
Sitara Peroxide Limited	251,000	63,000	-	314,000	-	-	-	-	-
	600,766	2,338,300	-	2,589,066	350,000	7,053			
<b>ENGINEERING</b>									
Agha Steel Industries Limited	-	794,000	-	338,000	456,000	15,381	2.05%	2.02%	0.08%
Aisha Steel Mills Limited	-	780,000	-	473,500	306,500	7,635	1.02%	1.00%	0.04%
International Industries Limited	-	159,500	-	87,300	72,200	15,236	2.03%	2.00%	0.05%
International Steels Limited	-	163,000	-	80,000	83,000	7,753	1.04%	1.02%	0.02%
Mughal Iron & Steel Industries Limited	137,000	298,560	-	270,000	165,560	17,284	2.31%	2.27%	0.06%
Mughal Iron & Steel Industries Limited - LoR	-	42,560	-	42,560	-	-	-	-	-
	137,000	2,237,620	-	1,291,360	1,083,260	63,289			
<b>FERTILIZER</b>									
Engro Corporation Limited (note 6.1.1)	150,093	262,000	-	279,593	132,500	39,036	5.21%	5.13%	0.02%
Engro Fertilizers Limited	94,000	80,000	-	174,000	-	-	-	-	-
Fauji Fertilizer Company Limited	103,900	156,500	-	260,400	-	-	-	-	-
	347,993	498,500	-	713,993	132,500	39,036			
<b>GLASS &amp; CERAMICS</b>									
Tariq Glass Industries Limited	-	139,000	32,250	171,250	-	-	-	-	-
	-	139,000	32,250	171,250	-	-	-	-	-
<b>INVESTMENT BANKS/ INVESTMENT COMPANIES/ SECURITIES COMPANIES</b>									
Dawood Hercules Corporation Limited	65,000	-	-	65,000	-	-	-	-	-
	65,000	-	-	65,000	-	-	-	-	-
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited (note 6.1.1)	39,259	23,700	-	47,380	15,579	23,748	3.17%	3.12%	0.01%
Oil & Gas Development Co Limited (note 6.1.1)	467,400	913,000	-	686,000	694,400	65,989	8.81%	8.68%	0.02%
Pakistan Oilfields Limited	30,800	21,000	-	31,800	20,000	7,877	1.05%	1.04%	0.01%
Pakistan Petroleum Limited (note 6.1.1)	326,886	932,500	-	632,000	627,386	54,476	7.27%	7.16%	0.02%
	864,345	1,890,200	-	1,397,180	1,357,365	152,090			

Sectors / Name of investee companies	Number of shares					Market value as at June 30, 2021 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 01, 2020	Acquired during the year	Bonus / Rights issue during the year	Disposed during the year	As at June 30, 2021		Total investments	Net assets	
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Hascol Petroleum Limited	-	1,221,000	-	1,221,000	-	-	-	-	-
Pakistan State Oil Company Limited (note 6.1.1)	132,496	210,000	-	177,200	165,296	37,068	4.95%	4.87%	0.04%
Shell Pakistan Limited	-	27,000	-	27,000	-	-	-	-	-
Sui Northern Gas Pipeline Limited	247,300	61,500	-	308,800	-	-	-	-	-
	<u>379,796</u>	<u>1,519,500</u>	<u>-</u>	<u>1,734,000</u>	<u>165,296</u>	<u>37,068</u>			
<b>PHARMACEUTICALS</b>									
AGP Limited	101,250	87,500	-	188,750	-	-	-	-	-
Ferozsons Laboratories Limited	-	23,500	-	23,500	-	-	-	-	-
GlaxoSmithKline Pakistan Limited	63,400	-	-	63,400	-	-	-	-	-
Highnoon Laboratories Limited	31,855	6,500	-	38,355	-	-	-	-	-
The Searl Co Limited LOR	-	2,353	-	2,353	-	-	-	-	-
The Searle Company Limited	53,224	10,800	-	62,197	1,827	443	0.06%	0.06%	0.00%
	<u>249,729</u>	<u>130,653</u>	<u>-</u>	<u>378,555</u>	<u>1,827</u>	<u>443</u>			
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited (note 6.1.1)	421,841	616,500	-	660,500	377,841	30,103	4.02%	3.96%	0.03%
K-Electric Limited	1,237,000	1,161,000	-	2,398,000	-	-	-	-	-
	<u>1,658,841</u>	<u>1,777,500</u>	<u>-</u>	<u>3,058,500</u>	<u>377,841</u>	<u>30,103</u>			
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
Avanceon Limited	-	292,000	34,900	117,500	209,400	19,198	2.56%	2.52%	0.08%
Systems Limited	123,000	18,500	2,010	122,700	20,810	11,658	1.56%	1.53%	0.02%
WorldCall Telecom Limited	-	600,000	-	-	600,000	2,376	0.32%	0.31%	0.03%
	<u>123,000</u>	<u>910,500</u>	<u>36,910</u>	<u>240,200</u>	<u>830,210</u>	<u>33,232</u>			
<b>TEXTILE COMPOSITE</b>									
Interloop Limited	128,750	344,500	-	229,000	244,250	17,105	2.28%	2.25%	0.03%
Kohinoor Textile Mills Limited	-	291,500	-	81,500	210,000	15,792	2.11%	2.08%	0.07%
Nishat Mills Limited	188,100	166,500	-	309,500	45,100	4,208	0.56%	0.55%	0.01%
	<u>316,850</u>	<u>802,500</u>	<u>-</u>	<u>620,000</u>	<u>499,350</u>	<u>37,105</u>			
<b>TRANSPORT</b>									
Pakistan International Bulk Terminal Limited	-	846,500	-	846,500	-	-	-	-	-
Pakistan National Shipping Corp Limited	42,500	13,500	-	56,000	-	-	-	-	-
	<u>42,500</u>	<u>860,000</u>	<u>-</u>	<u>902,500</u>	<u>-</u>	<u>-</u>			
<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>									
National Foods Limited	-	24,000	-	24,000	-	-	-	-	-
Unity Foods Limited	-	4,909,500	-	4,391,500	518,000	23,061	3.08%	3.03%	0.05%
The Organic Meat Company Limited	-	2,137,850	-	1,467,000	670,850	24,647	3.29%	3.24%	0.60%
	<u>-</u>	<u>7,071,350</u>	<u>-</u>	<u>5,882,500</u>	<u>1,188,850</u>	<u>47,708</u>			
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	-	458,000	-	215,500	242,500	8,502	1.14%	1.12%	0.05%
Waves Singer Pakistan Limited	-	1,110,500	-	828,500	282,000	7,687	1.03%	1.01%	0.10%
	<u>-</u>	<u>1,568,500</u>	<u>-</u>	<u>1,044,000</u>	<u>524,500</u>	<u>16,189</u>			
<b>REFINERY</b>									
Attock Refinery Limited	-	163,500	-	126,500	37,000	9,489	1.27%	1.25%	0.03%
Byco Petroleum Pakistan Limited	-	570,000	-	570,000	-	-	-	-	-
National Refinery Limited	-	172,300	-	117,800	54,500	28,514	3.81%	3.75%	0.07%
Pakistan Refinery Limited	-	1,112,000	-	1,112,000	-	-	-	-	-
	<u>-</u>	<u>2,017,800</u>	<u>-</u>	<u>1,926,300</u>	<u>91,500</u>	<u>38,003</u>			
<b>Total as at June 30, 2021</b>	<b>6,958,450</b>	<b>29,431,883</b>	<b>81,484</b>	<b>26,814,987</b>	<b>9,656,830</b>	<b>749,065</b>			
Total as at June 30, 2020	8,217,827	12,000,100	125,550	13,385,027	6,958,450	538,096			
Carrying value of investments at June 30, 2021						<b>708,833</b>			

**6.1.1** Investments include 200,000 shares of The Hub Power Company Limited, 37,000 shares of Lucky Cement Limited, 5,000 shares of Mari Petroleum Company Limited, 250,000 shares of Oil & Gas Development Company Limited, 300,000 shares of Pakistan Petroleum Limited and 40,000 shares of Pakistan State Oil Company Limited amounting to Rs.15.934 million, Rs. 31.947 million, Rs. 7.622 million, Rs. 23.758 million, Rs. 26.049 million and Rs. 8.970 million respectively (2020: 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) 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.



**6.1.2** Finance Act, 2014 brought amendments to 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. 0.634 million at June 30, 2021 (June 30, 2020: Rs. 0.498 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.

Further, Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 therefore, bonus shares, subsequent to this amendment, issued to the Fund were not withheld by the investee companies.

	Note	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
<b>6.2</b>	<b>Net unrealised gain on re-measurement of investments classified as 'financial assets at fair value through profit or loss'</b>		
	Market value of investments	749,065	538,096
	Less: carrying value of investments before mark to market	<u>(708,833)</u>	<u>(533,085)</u>
		<u>40,232</u>	<u>5,011</u>
<b>7.</b>	<b>DIVIDEND RECEIVABLE AND ACCRUED MARK-UP</b>		
	Dividend receivable	17	138
	Mark-up accrued on bank deposits	<u>195</u>	<u>319</u>
		<u>212</u>	<u>457</u>
<b>8.</b>	<b>ADVANCES AND DEPOSITS</b>		
	Security deposit with:		
	- National Clearing Company of Pakistan Limited	2,500	2,500
	- Central Depository Company of Pakistan Limited	100	100
	Advance tax	921	921
	Advance against IPO subscription	<u>3,949</u>	-
		<u>7,470</u>	<u>3,521</u>
<b>8.1</b>	This represent the advance paid in the book building procedure of Pakistan Aluminum Beverages Can Limited.		
<b>9.</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
	Remuneration of the Management Company	9.1 1,310	909
	Sindh Sales Tax on remuneration of the Management Company	9.2 170	118
	Sales load	8	116
	Selling and marketing expenses	9.3 866	1,217
	Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4 360	250
		<u>2,714</u>	<u>2,610</u>

- 9.1** Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. Resultantly, the management fee expense charged by the asset Management Company at the rate of 2% (2020: 1.7% to 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% (2020: 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).The selling and marketing expenses charged by the Asset Management Company at the rate of 1.05% (2020: 0.4% to 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 at the rate of 0.55% (2020: 0.1% to 0.55%) of average annual net assets of the fund.

	Note	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
<b>10. PAYABLE TO THE TRUSTEE</b>			
Remuneration of the Trustee	10.1	131	91
Sindh Sales Tax on remuneration of the Trustee	10.2	17	12
		<b>148</b>	103
		<b>148</b>	103

- 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
Up to 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 Provincial Government had levied Sindh Sales Tax at the rate of 13% (2020: 13%) on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011.

**11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

As per SRO 685(I)/2019 dated June 28, 2019, annual fee at the rate of 0.02% (2020: 0.02%) of the daily net assets of the fund has been charged during the year by Securities and Exchange Commission of Pakistan.

	Note	2021 ----- Rupees in '000 -----	2020 -----
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Charity payable	12.1	1,485	1,524
Federal excise duty payable on Management Company's remuneration	12.2	6,785	6,785
Provision for Sindh Workers' Welfare Fund	12.3	9,507	6,431
Withholding tax payable		-	173
Auditors' remuneration		258	276
Payable to brokers		345	235
Others		595	173
		<b>18,975</b>	<b>15,597</b>

**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, 2021.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED on remuneration of the Management Company with effect from June 13, 2013 till June 30, 2016, aggregating to Rs. 6.785 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2021 would have been higher by Rs. 1.106 (2020: Rs. 1.145) per unit.

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

However, subsequent to current year ended, the SRB through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Company's (AMCs) are covered under the term "financial institutions" as per the Sindh WWF Act 2014 and are therefore subject to SWWF charge whereas as the Mutual Funds/Pension Funds managed by those AMCs do not qualify as "financial institutions" as per SWWF Act 2014.

In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB.

In these financial statements the Fund has recognised provision for SWWF amounting to Rs. 9.507 million for the period from July 1, 2014 till June 30, 2021 which were reversed subsequently as on August 13, 2021. Had the provision not being made, the net asset value per unit as at June 30, 2021 would have been higher by Rs. 1.550 (2020: Rs. 1.085) per unit.

### 13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at June 30, 2021 and June 30, 2020.

### 14. AUDITORS' REMUNERATION

	2021	2020
	----- Rupees in '000 -----	
Annual audit fee	271	271
Fee for half yearly review	42	42
Out of pocket	47	57
	<u>360</u>	<u>370</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 if it has distributed not less than 90 percent of its accounting income (excluding capital gains realised or unrealised). The Fund has not distributed any amount for the year ended June 30, 2021 being whole of the accounting income pertaining to capital gains (realised or unrealised) and therefore has not accrued and recorded taxation charge for the year. 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 taxation has been recognized in these financial statements.

### 16. EARNINGS PER UNIT

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

### 17. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2021 is 5.36%, which includes 0.86% (June 30, 2020 is 4.26%, which includes 0.32%) representing government levy and SECP fee.

	2021	2020
	----- Numbers -----	
<b>18. NUMBER OF UNITS IN ISSUE</b>		
Total outstanding as of July 01	5,925,966	6,957,434
Add: Issued during the year	16,908,432	10,701,012
Less: Redeemed during the year	<u>(16,700,799)</u>	<u>(11,732,480)</u>
Total units in issue as of June 30	<u><u>6,133,599</u></u>	<u><u>5,925,966</u></u>

**19. FINANCIAL INSTRUMENTS BY CATEGORY**

	2021		
	At fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial assets</b>			
Bank balances	-	40,776	40,776
Investments - listed equity securities	749,065	-	749,065
Dividend receivable and accrued mark-up	-	212	212
Advances and deposits	-	6,549	6,549
Receivable against sale of investments	-	1,183	1,183
	<u>749,065</u>	<u>48,720</u>	<u>797,785</u>
	<u><u>749,065</u></u>	<u><u>48,720</u></u>	<u><u>797,785</u></u>
<b>Financial liabilities</b>			
Payable to the Management Company	-	2,714	2,714
Payable to the Trustee	-	148	148
Payable against purchase of investments	-	16,262	16,262
Accrued expenses and other liabilities	-	2,683	2,683
Net assets attributable to redeemable units	-	760,471	760,471
	<u>-</u>	<u>782,278</u>	<u>782,278</u>
	<u><u>-</u></u>	<u><u>782,278</u></u>	<u><u>782,278</u></u>
	2020		
<b>Financial assets</b>	At fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
Bank balances	-	34,983	34,983
Investments - listed equity securities	538,096	-	538,096
Dividend receivable and accrued mark-up	-	457	457
Deposits	-	2,600	2,600
	<u>538,096</u>	<u>38,040</u>	<u>576,136</u>
	<u><u>538,096</u></u>	<u><u>38,040</u></u>	<u><u>576,136</u></u>

	2020		Total
	At fair value through profit or loss	At amortised cost	
	----- Rupees in '000 -----		
Financial liabilities			
Payable to the Management Company	-	2,610	2,610
Payable to the Trustee	-	103	103
Payable against purchase of investments	-	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

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

Connected persons/related parties include HBL Asset Management Limited (HBL-AML) being the Management Company of the Fund, Habib Bank Limited (HBL) being the Sponsor, (holding 100% shares of HBL Asset Management Limited), Central Depository Company of Pakistan Limited being the Trustee of the Fund, other associated companies of HBL, HBL-AML and its subsidiaries, 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 terms.

Remuneration payable to the 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 Transactions during the year

	2021	2020
	----- Rupees in '000 -----	
<b>HBL Asset Management Limited - Management Company</b>		
Management remuneration including sales tax thereon	15,353	12,775
Allocation of expenses related to registrar services, accounting, operation and valuation services	3,736	1,795
Selling and marketing expenses	5,869	4,751
Issue of Nil units (2020: 1,030,320 units)	-	100,000
Redemption of Nil units (2020: 1,194,402 units)	-	108,335
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Active Allocation Plan - Associate</b>		
Issue of Nil units (2020: 22,212 units)	-	1,933
Redemption of 188,995 units (2020: 226,956 units)	21,786	21,503
Reinvestment of dividend of Nil units (2020: 648 units)	-	60
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Conservative Allocation Plan - Associate</b>		
Issue of Nil units (2020: 6,980 units)	-	578
Redemption of Nil units (2020: 9,701 units)	-	850

**Habib Bank Limited - Sponsor**

Bank charges paid	<u>85</u>	<u>43</u>
Profit on bank deposits earned	<u>519</u>	<u>777</u>

**Executives and their relatives**

Issue of 82,543 units (2020: 24,877 units)	<u>9,006</u>	<u>2,470</u>
Redemption of 70025 units (2020: 27,509 units)	<u>7,873</u>	<u>2,555</u>
Dividend paid	<u>-</u>	<u>2</u>

**Central Depository Company of Pakistan Limited - Trustee**

Trustee remuneration including sales tax thereon	<u>1,535</u>	<u>1,306</u>
Service charges	<u>201</u>	<u>77</u>

**20.2 Balances outstanding as at year end**

**HBL Asset Management Limited - Management Company**

Management remuneration payable	<u>1,310</u>	<u>909</u>
Sindh Sales Tax on management remuneration payable	<u>170</u>	<u>118</u>
Sales load payable	<u>8</u>	<u>116</u>
Selling and marketing expense payable	<u>866</u>	<u>1,217</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>360</u>	<u>250</u>

**Habib Bank Limited - Sponsor**

Investment held in the Fund: 2,539,414 units (2020: 2,539,414 units)	<u>314,848</u>	<u>237,837</u>
Bank deposits	<u>10,627</u>	<u>14,029</u>
Mark-up accrued on bank deposits	<u>23</u>	<u>76</u>
Dividend payable	<u>-</u>	<u>813</u>

**MCBFSL Trustee - HBL Islamic Financial Planning Fund  
- Active Allocation Plan - Associate**

Investment held in the Fund : Nil units (2020: 188,994 units)	<u>-</u>	<u>17,701</u>
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**Central Depository Company of Pakistan Limited - Trustee**

Remuneration payable including sales tax thereon	<u>148</u>	<u>103</u>
Security deposit	<u>100</u>	<u>100</u>

**Executives and their relatives**

Investment held in the Fund : 18,458 units (2020: 5,941 units)	<u>2,289</u>	<u>556</u>
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## **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. 0.408 million (2020: Rs. 0.350 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, 2021, that could expose the Fund to fair value interest rate risk.

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, 2021 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 based on the earlier of contractual repricing or maturity date and for off balance sheet instruments based on settlement date is as follows:

As at June 30, 2021					
Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one	More than one year	
%		Rupees in 000			
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	4.5% to 6.75%	40,776	40,776	-	-
Investments - listed equity securities		749,065	-	-	749,065
Dividend receivable and accrued mark-up		212	-	-	212
Advances and deposits		6,549	-	-	6,549
Receivable against sale of investments		1,183	-	-	1,183
		<b>797,785</b>	<b>40,776</b>	<b>-</b>	<b>-</b>
					<b>757,009</b>
<b>Financial liabilities</b>					
Payable to the Management Company		2,714	-	-	2,714
Payable to the Trustee		148	-	-	148
Payable against purchase of investments		16,262	-	-	16,262
Accrued expenses and other liabilities		2,683	-	-	2,683
Net assets attributable to redeemable units		760,471	-	-	760,471
		<b>782,278</b>	<b>-</b>	<b>-</b>	<b>-</b>
					<b>782,278</b>
<b>On-balance sheet gap</b>		<b>15,507</b>	<b>40,776</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

As at June 30, 2020					
Yield / Interest rate	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Upto three months	More than three months and upto one	More than one year	
%		Rupees in 000			
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	5% to 13.25%	34,983	34,983	-	-
Investments in listed securities		538,096	-	-	538,096
Dividend receivable and accrued mark-up		457	-	-	457
Deposits		2,600	-	-	2,600
		<b>576,136</b>	<b>34,983</b>	<b>-</b>	<b>-</b>
					<b>541,153</b>
<b>Financial liabilities</b>					
Payable to the Management Company		2,610	-	-	2,610
Payable to the Trustee		103	-	-	103
Payable against purchase of investments		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
		<b>563,551</b>	<b>-</b>	<b>-</b>	<b>-</b>
					<b>563,551</b>
<b>On-balance sheet gap</b>		<b>12,585</b>	<b>34,983</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 21.1.3 Other market 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 '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, 2021, net assets and net income of the Fund would have increased / (decreased) by Rs. 37.453 million (2020: Rs. 26.905 million).

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 PSX 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 KMI index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2021 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of PSX 100 Index.

### 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 bank balances, dividend receivable, mark-up accrued, receivables against sale of investments and deposits.

#### Management of credit risk

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

The analysis below summarises the credit quality of the bank balances and accrued interest thereon:

Name of the bank	Exposure as at June 30, 2021	Latest available published rating as at June 30, 2021	Rating agency
	Rupees in '000'		
Habib Bank Limited	10,650	AAA	JCR-VIS
Bank islami Pakistan Limited	30,291	A+	PACRA
Dubai Islamic Bank	19	AA	JCR-VIS
Al-Baraka Bank Limited	11	A+	PACRA
	<u>40,971</u>		

Name of the bank	Exposure as at June 30, 2020	Latest available published rating as at June 30, 2020	Rating agency
	Rupees in '000'		
Habib Bank Limited	14,105	AAA	JCR-VIS
Al-Baraka Bank Limited	11	A+	PACRA
Dubai Islamic Bank	1,814	AA	JCR-VIS
BankIslami Pakistan Limited	19,372	A+	JCR-VIS
	<u>35,302</u>		

Other exposure to credit risks are as follows:

	2021	2020
	----- Rupees in '000 -----	
Dividend receivable	<u>17</u>	<u>138</u>
Deposits	<u>2,600</u>	<u>2,600</u>
Receivable against sale of investments	<u>1,183</u>	<u>-</u>

The maximum exposure to credit risk before considering any collateral as at June 30, 2021 and June 30, 2020 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.

Details of Fund's concentration of credit risk of financial instruments by economic sectors are as follows:

	2021		2020	
	Rupees in 000'	%	Rupees in 000'	%
Commercial banks (including profit due)	41,166	84%	35,621	93%
National Clearing Company of Pakistan Limited - security deposit	2,500	5%	2,500	7%
Central Depository Company of Pakistan Limited - security deposit	100	0%	100	0%
National Clearing Company of Pakistan Limited - receivable against sale of investments	1,183	2%	-	0%
Dividend receivable	17	0%	138	0%
Advance against IPO subscription (Miscellaneous sector)	3,949	8%	-	0%
	<b>48,915</b>	<b>100%</b>	<b>38,359</b>	<b>100%</b>

### Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

### 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.

Carrying amount	Total	Less than 1 month	Within 3 months	
----- Rupees in '000 -----				
<b>June 30, 2021</b>				
<b>Financial liabilities</b>				
Payable to the Management Company	2,714	2,714	2,714	-
Payable to the Trustee	148	148	148	-
Payable against purchase of investments	16,262	16,262	16,262	-
Accrued expenses and other liabilities	2,683	2,683	2,683	-
	<b>21,807</b>	<b>21,807</b>	<b>21,807</b>	<b>-</b>
Net assets attributable to redeemable units	<b>760,471</b>	<b>760,471</b>	<b>760,471</b>	<b>-</b>
<b>June 30, 2020</b>				
<b>Financial liabilities</b>				
Payable to the Management Company	2,610	2,610	2,610	-
Payable to the Trustee	103	103	103	-
Payable against purchase of equity instruments	2,800	2,800	2,800	-
Dividend payable	815	815	815	-
Payable against purchase of equity instruments	2,208	2,208	2,208	-
	<b>8,536</b>	<b>8,536</b>	<b>8,536</b>	<b>-</b>
Net assets attributable to redeemable units	<b>555,016</b>	<b>555,016</b>	<b>555,016</b>	<b>-</b>

Above financial liabilities do not carry any mark-up and are unsecured.

## 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.

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.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (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, 2021				
		Carrying amount			Fair value	
Note		At fair value through profit or loss	At amortised cost	Total	Level 1	Total
		Rupees in '000				
<b>Financial assets measured at fair value</b>						
	Investments - Listed equity securities	749,065	-	749,065	749,065	749,065
		749,065	-	749,065	749,065	749,065
<b>Financial assets not measured at fair value</b>						
22.1	Bank balances	-	40,776	40,776	-	-
	Dividend receivable and accrued mark-up	-	212	212	-	-
	Advances and deposits	-	6,549	6,549	-	-
	Receivable against sale of investments	-	1,183	1,183	-	-
		-	48,720	48,720	-	-
<b>Financial liabilities not measured at fair value</b>						
22.1	Payable to the Management Company	-	2,714	2,714	-	-
	Payable to the Trustee	-	148	148	-	-
	Payable against purchase of investments	-	16,262	16,262	-	-
	Accrued expenses and other liabilities	-	2,683	2,683	-	-
	Net assets attributable to redeemable units	-	760,471	760,471	-	-
		-	782,278	782,278	-	-
		June 30, 2020				
		Carrying amount			Fair value	
Note		At Fair value through profit or loss	At Amortised Cost	Total	Level 1	Total
		Rupees in '000				
<b>Financial assets measured at fair value</b>						
	Investments - Listed equity securities	538,096	-	538,096	538,096	538,096
		538,096	-	538,096	538,096	538,096
<b>Financial assets not measured at fair value</b>						
22.1	Bank balances	-	34,983	34,983	-	-
	Dividend receivable and accrued mark-up	-	457	457	-	-
	Deposits	-	2,600	2,600	-	-
		-	38,040	38,040	-	-
<b>Financial liabilities not measured at fair value</b>						
22.1	Payable to the Management Company	-	2,610	2,610	-	-
	Payable to the Trustee	-	103	103	-	-
	Payable against purchase of investments	-	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	-	-



**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, 2021, 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. Unit holders' fund risk management is carried out by the Management Company through following steps:

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

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

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

**Top ten brokers during the year ended June 30, 2021**

- 1 JS Global Capital Limited**
- 2 BMA Capital Management Limited**
- 3 EFG Hermes Pakistan Limited**
- 4 Arif Habib Limited**
- 5 Intermarket Securities Limited**
- 6 Topline Securities (Private) Limited**
- 7 Spectrum Securities (Private) Limited**
- 8 Taurus Securities Limited**
- 9 DJM Securities Limited**
- 10 Next Capital Limited**

Top ten brokers during the year ended June 30, 2020

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

## 25. PARTICULARS OF THE INVESTMENT COMMITTEE

Details of members of the Investment Committee of the Fund as on June 30, 2021 are as follows:

S.no	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	22 + years
2	Adeel Abdul Wahab	Head of Equity	ACCA	13 + years
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	8 + years
4	Karim Khawaja	Head of Risk	MBA, CMA	18 + years

## 26. PATTERN OF UNIT HOLDING

----- As at June 30, 2021 -----				
Category	Number of unit holders	Number of unit held	Investment amount	Percentage investment
Rupees in '000				
Individuals	443	3,291,367	408,078	53.7%
Associated company	1	2,539,413	314,847.77	41.4%
Retirement funds	4	99,704	12,362	1.6%
Others	2	9,227	1,144	0.2%
Foreign investor (Individual)	1	193,888	24,039	3.16%
	<b>451</b>	<b>6,133,599</b>	<b>760,471</b>	<b>100%</b>

----- As at June 30, 2020 -----				
Category	Number of unit holders	Number of unit held	Investment amount	Percentage investment
Rupees in '000				
Individuals	371	2,841,860	266,164	47.96%
Associated company	1	2,539,413	237,837	42.85%
Retirement funds	2	80,488	7,538	1.36%
Trust	1	188,995	17,701	3.19%
Others	2	8,719	817	0.15%
Foreign investors (Individual)	2	266,491	24,959	4.50%
	<b>379</b>	<b>5,925,966</b>	<b>555,016</b>	<b>100%</b>

**27. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

Seven meetings of the Board of Directors were held on July 28 & 29, 2020 , August 27, 2020, September 12, 2020, September 30, 2020, October 29, 2020, February 10, 2021 and April 30, 2021 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Mir Adil Rashid	7	7	-	-
2 Ms. Ava A. Cowasjee	7	7	-	-
3 Mr. Rayomond H. Kotwal	7	7	-	-
4 Mr. Rizwan Haider <sup>1</sup>	2	2	-	-
5 Mr. Shabbir Hussain Hashmi	7	7	-	-
6 Mr. Shahid Ghaffar	7	7	-	-
7 Mr. Muhammad Afaq Khan	6	6	-	-
8 Mr. Abrar Ahmed Mir <sup>2</sup>	6	6	-	-
9 Mr. Tariq Masaud <sup>3</sup>	4	4	-	-

1 Resigned on September 18, 2020.

2 Appointed on July 29, 2020.

3 Appointed on September 22, 2020.

**28. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 26, 2021 by the Board of Directors of the Management Company.

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

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

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

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



**HBL** Islamic Income Fund

<b>NAME OF FUND</b>	<b>HBL ISLAMIC INCOME FUND</b>
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited
<b>NAME OF AUDITORS</b>	BOD Ebrahim & Co. Chartered Accountants
<b>NAME OF SHARIAH ADVISORS</b>	Al - Hilal Shariah Advisors (Pvt.) Limited
<b>NAME OF BANKERS</b>	Bank Islami Pakistan Limited Bank Al Baraka Limited 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**

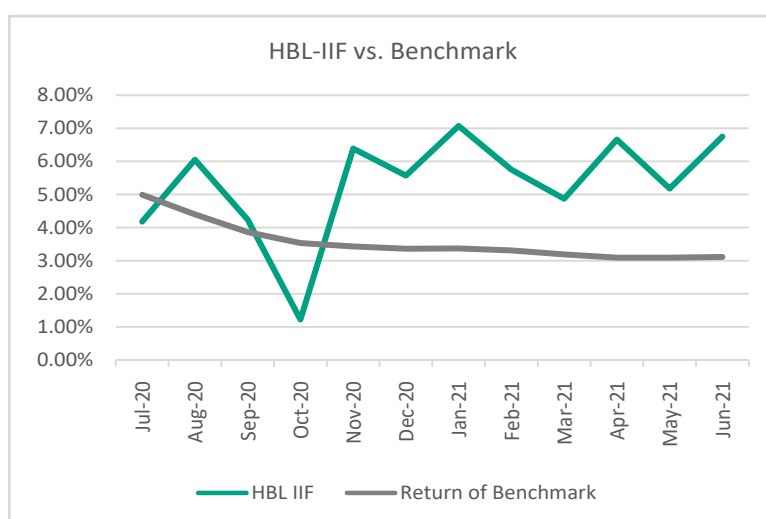
The objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations. The investment objective is achieved.

**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:

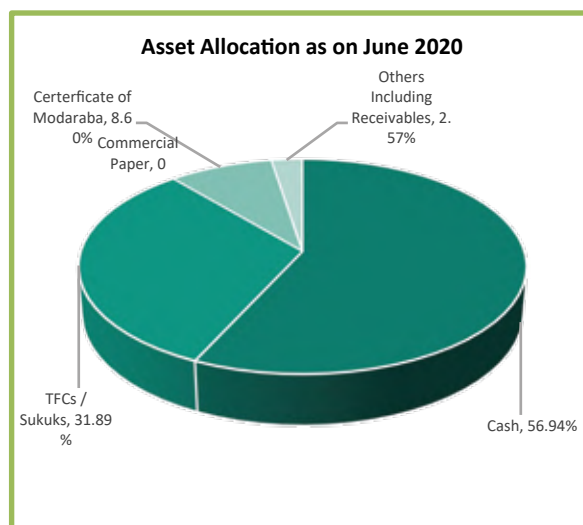
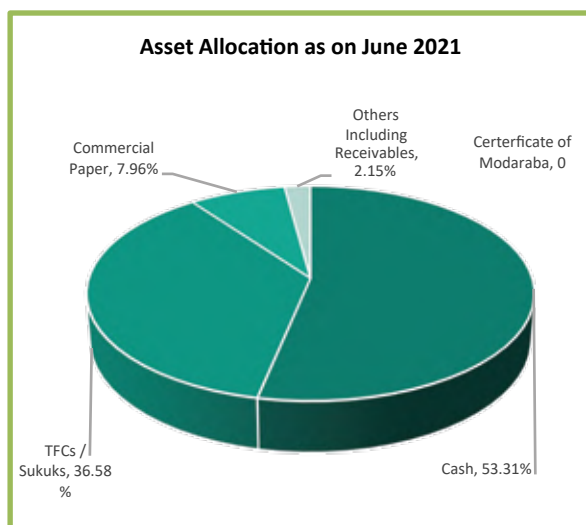
Month	HBL-IIF	Benchmark
Jun-21	6.75%	3.11%
May-21	5.18%	3.09%
Apr-21	6.66%	3.09%
Mar-21	4.87%	3.19%
Feb-21	5.75%	3.31%
Jan-21	7.07%	3.37%
Dec-20	5.57%	3.36%
Nov-20	6.39%	3.43%
Oct-20	1.22%	3.53%
Sep-20	4.24%	3.86%
Aug-20	6.05%	4.40%
Jul-20	4.18%	4.99%



**Strategies and Policies employed during the Year**

During the year, funds were majorly placed in the form of Cash Deposits, Corporate Sukuk and Commercial Papers which yielded higher returns than the return available on the GoPljarahSukuk. During the year, fresh corporate investments were initiated to support bottom line. Owing to proactive changes in asset allocation, HBL Islamic Income Fund posted an annualized return of 8.38% compared to benchmark return of 4.49% and peer average of 6.28%.

**Asset Allocation**



## Fund Performance

The total income and net income of the Fund was Rs. 95.35 million and Rs. 67.31 million respectively during the year ended June 30, 2021. The Net Asset Value (NAV) of the Fund was Rs. 101.7500 per unit as on June 30, 2021 as compared to Rs. 101.5299 per unit as on June 30, 2020, after incorporating dividend of Rs. 5.30 per unit, thereby giving an annualized return of 5.45%. During the same year the benchmark return (6 Month bank deposit rates) was 3.56%. The size of Fund was Rs. 1.02 billion as on June 30, 2021 as compared to Rs. 1.42 billion at the start of the year.

## Money Market Review

The Central bank maintained the interest rates in the period after a cumulative 625 bps decrease in interest rates in 2HFY20 in response to the Covid-19 pandemic. At the start of the pandemic SBP clearly stated that it will hold forward looking real interest rate at zero to cushion the impact of the Coronavirus shock on growth and employment.

As per latest data available, Islamic Banking industry assets posted 30.6% growth and stood at PKR 4,389 billion by Mar-21. Similarly, deposits of Islamic banks also witnessed a sharp growth of 28.4% YoY and reached PKR 3,457 billion by Mar-21. The government issued Energy Sukuk-II of PKR 200bn in the last quarter of FY20 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. It was widely anticipated that another Energy Sukuk will be issued in FY21 but it did not materialize. However we expect Energy Sukuk to be launched in FY22 which would provide additional avenue to invest for the Islamic financial institutions.

During FY21, Government largely managed its borrowing requirement through commercial banks. Government borrowed PKR 2,955bn from scheduled banks compared to borrowing of PKR 2,305bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 1,268bn during the period against decline in borrowing of PKR 153bn during same period last year. This further decline 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 May-21, SBP maintained status quo in the interest rates. Going forward, we feel that the monetary easing has taken place and we are at the bottom of the interest rate cycle. Due to the ongoing fourth wave of Covid-19 we expect the government to maintain status quo in the SBP policy rate for the next few months to support the recovery of the economy. The central bank has given its forward looking guidance to maintain mildly positive interest rates when economy return to full capacity. Thus we expect any future increase in the policy rate to be measured and gradual.

## Distribution

The Fund has distributed cash dividend up-to Rs. 5.30 per unit for the year ended June 30, 2021.

## 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	194	5,171
101 - 500	98	23,401
501 - 1,000	37	25,503
1,001 - 10,000	178	784,222
10,001 - 100,000	140	4,191,313
100,001 - 500,000	19	3,627,917
500,001 - 1,000,000	2	1,368,809
1,000,001 - 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	<b>668</b>	<b>10,026,336</b>



### **Unit Splits**

There were no unit splits during the year.

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

Investments are subject to market risk.

### **Soft Commission**

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

# PERFORMANCE TABLE - HBL ISLAMIC INCOME FUND

	2021	2020	2019	2018	2017	2016
Net assets at the period end (Rs'000)	1,020,180	1,417,621	3,103,484	4,041,526	4,461,245	226,967
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	101.7500	101.5299	101.4883	106.3013	101.0691	100.7401
Offer	103.4747	103.2508	103.2085	108.1031	102.7823	102.2512
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit - Class C			103.2085	108.1031	107.3662	106.7245
Lowest offer price per unit - Class C			102.6902	102.6902	102.2990	101.9324
Highest offer price per unit - Class D			110.9432	108.1031	107.3662	106.7245
Lowest offer price per unit - Class D			103.0902	102.6902	102.2990	101.9324
Highest redemption price per unit			109.0941	106.3013	105.5767	105.1473
Lowest redemption price per unit			101.3719	100.9786	100.7872	100.4260
<b>RETURN ( % )</b>						
Total return	5.45%	10.31%	7.85%	5.18%	5.52%	4.82%
Income distribution	5.30%	10.45%	7.75%	5.00%	5.20%	4.50%
Capital growth	0.15%	-0.14%	0.10%	0.18%	0.32%	0.32%
<b>DISTRIBUTION</b>						
First Interim dividend distribution						
Second Interim dividend distribution						
Third Interim dividend distribution						
First Interim dividend distribution (Rs)			-	-	4.85	4.50
Date of Income Distribution			-	-	22-Jun-17	24-Jun-16
Final Interim dividend distribution (Rs)	5.30%	10.45%	7.75%	5.00	0.35	-
Date of Income Distribution	18-Jun-21	26-Jun-20	26-Jun-19	4-Jul-18	30-Jun-17	-
Total dividend distribution for the year (Rs)	0.05	0.10	0.08	5.00	5.20	4.50
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	5.45%	10.31%	7.85%	5.18%	5.52%	4.82%
Average annual return 2 year	7.85%	9.07%	6.50%	5.35%	5.18%	6.59%
Average annual return 3 year	7.85%	7.76%	6.18%	5.18%	6.24%	6.71%
<b>PORTFOLIO COMPOSITION - (%)</b>						
<b>Percentage of Net Assets as at 30 June:</b>						
Bank Balances	53.31%	56.94%	68.98%	47.62%	50%	82%
GoP Ijarah Sukuks			0.00%	0%	33%	-
TFCs /Sukuks	36.58%	31.89%				
Commercial Paper	7.96%					
Certificate of Modaraba		8.60%				
Placement with Banks and DFIs			0.00%	17.43%	14%	-
Corporate Sukuks			24.20%	33.39%	3%	16%
Others	2.15%	2.57%	2.70%	1.56%	-	2%
Weighted average portfolio during (No. of days)	493	371	618	618	481	187

**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**

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**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, 2021 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 17, 2021



**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, 2021. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 26, 2021

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



September 14, 2021

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, 2021 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Income Fund (HBL-IIF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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

Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

**Al-Hilal Shariah Advisors (Pvt) Limited**

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## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS HBL ISLAMIC INCOME FUND

### 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, 2021, 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, 2021, 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.	<b>Existence and valuation of investments</b>  As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2021, the investments held by the Fund comprised of debt instruments which represent 45% of the total assets of the Fund as at the year end.	<b>Our audit procedures included the following:</b>  • 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"> <li>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, 2021 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>
2.	<p><b>Recognition, measurement and presentation of 'Element of Income'</b></p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p> <p>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.</p> <p>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".</li> <li>We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</li> <li>We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund.</li> </ul>





S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether 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"> <li>We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</li> </ul>

#### 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 SEP 2021



BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS





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

### Scope of our Work

We have performed an independent assurance engagement of HBL Islamic Income Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2021. 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) (Revised) '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, 2021 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, 2021.

KARACHI

DATED: SEPTEMBER 27, 2021

BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

		2021	2020
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Bank balances	5	564,308	827,655
Investments	6	471,528	588,517
Profit receivable	7	22,389	29,616
Deposits and Prepayments	8	347	7,828
<b>TOTAL ASSETS</b>		<b>1,058,572</b>	<b>1,453,616</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	2,172	2,863
Payable to the Trustee	10	79	104
Payable to Securities and Exchange Commission of Pakistan	11	261	328
Payable against redemption of units		10,399	1,495
Dividend payable		233	257
Accrued expenses and other liabilities	12	25,249	30,947
<b>TOTAL LIABILITIES</b>		<b>38,393</b>	<b>35,994</b>
<b>NET ASSETS</b>		<b>1,020,179</b>	<b>1,417,621</b>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<b>1,020,179</b>	<b>1,417,621</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	----- (Number of Units) -----	
<b>Number of units in issue</b>	14	<b>10,026,337</b>	<b>13,962,587</b>
		----- (Rupees) -----	
<b>Net assets value per unit</b>		<b>101.7500</b>	<b>101.5299</b>

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, 2021

	2021	2020
Note	----- (Rupees in '000) -----	
<b>Income</b>		
Capital loss on sale of investment - net	(773)	(3,582)
Income from Government securities	1,046	978
Income from Corporate Sukuk Bonds	36,903	76,820
Income from commercial papers	6,387	14,388
Profit / mark-up on bank deposits	50,602	115,817
	<u>94,165</u>	<u>204,421</u>
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.3 1,180	(5,913)
	<u>95,345</u>	<u>198,508</u>
<b>Expenses</b>		
Remuneration of the Management Company	9.1 18,042	20,828
Sindh Sales Tax on remuneration of the Management Company	9.2 2,345	2,708
Remuneration of the Trustee	10.1 977	1,230
Sindh Sales Tax on remuneration of the Trustee	10.3 127	160
Annual fee to Securities and Exchange Commission of Pakistan	11.1 261	328
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3 1,303	2,054
Selling and marketing expense	9.4 2,605	4,935
Auditors' remuneration	15 200	237
Fee and subscription	365	366
Security transaction costs and settlement charges	28	154
Bank charges	197	314
Shariah advisory charges	213	214
	<u>26,663</u>	<u>33,528</u>
<b>Net income for the year from operating activities</b>	68,682	164,980
Provision for Sindh Worker's Welfare Fund	12.2 (1,374)	(3,300)
<b>Net income for the year before taxation</b>	67,308	161,680
Taxation	16 -	-
<b>Net income for the year after taxation</b>	<u>67,308</u>	<u>161,680</u>
<b>Allocation of net income for the year</b>		
Income already paid on redemption of units	36,853	70,247
Accounting income available for distribution:		
Relating to capital gains	394	-
Excluding capital gains	30,061	91,433
	<u>30,455</u>	<u>91,433</u>
	<u>67,308</u>	<u>161,680</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



	2021	2020
	----- (Rupees in '000) -----	
Net income for the year after taxation	67,308	161,680
Other comprehensive income	-	-
Total comprehensive income for the year	<u>67,308</u>	<u>161,680</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, 2021

	2021			2020		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
-----Rupees in '000-----						
Net assets at beginning of the year	1,363,270	54,350	1,417,620	3,049,443	54,041	3,103,484
Issuance of 27,735,492 units (2020: 33,076,633 units)						
Capital value (at net asset value per unit at the beginning of the year)	2,815,982	-	2,815,982	3,357,013	-	3,357,013
Element of income	62,413	-	62,413	150,997	-	150,997
<b>Total proceeds on issuance of units</b>	<b>2,878,395</b>	<b>-</b>	<b>2,878,395</b>	<b>3,508,010</b>	<b>-</b>	<b>3,508,010</b>
Redemption of 31,671,743 units (2020: 49,693,765 units)						
Capital value (at net asset value per unit at the beginning of the year)	(3,215,629)	-	(3,215,629)	(5,043,400)	-	(5,043,400)
Income already paid on redemption of units	-	(36,853)	(36,853)	-	(70,247)	(70,247)
Element of loss	(43,596)	-	(43,596)	(108,400)	-	(108,400)
<b>Total payments on redemption of units</b>	<b>(3,259,225)</b>	<b>(36,853)</b>	<b>(3,296,078)</b>	<b>(5,151,800)</b>	<b>(70,247)</b>	<b>(5,222,047)</b>
Total comprehensive income for the year	-	67,308	67,308	-	161,680	161,680
<b>Interim distribution</b>						
Rs. 5.3 per unit declared on June 21, 2021 as cash dividend						
Refund of capital	(16,146)	-	(16,146)			
Distribution during the year	-	(30,920)	(30,920)			
<b>Interim distribution</b>						
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)
	(16,146)	36,388	20,242	(42,383)	70,556	28,173
<b>Net assets at end of the year</b>	<b>966,294</b>	<b>53,885</b>	<b>1,020,179</b>	<b>1,363,270</b>	<b>54,350</b>	<b>1,417,621</b>
<b>Undistributed income brought forward</b>						
Realised income		60,263			66,198	
Unrealised loss		(5,913)			(12,157)	
		54,350			54,041	
<b>Accounting income available for distribution</b>						
Relating to capital		394			-	
Excluding capital gains		30,061			91,433	
		30,455			91,433	
<b>Distributions during the year:</b>						
Interim distribution of Rs 5.3 per unit declared on June 21, 2021 as cash dividend		(30,920)			-	
Interim distribution of Rs 10.45 per unit declared on June 26, 2020 as cash dividend		-			(91,124)	
		(30,920)			(91,124)	
Undistributed income carried forward		53,885			54,350	
<b>Undistributed income carried forward</b>						
Realised income		52,705			60,263	
Unrealised income / (loss)		1,180			(5,913)	
		53,885			54,350	
				<b>(Rupees)</b>		<b>(Rupees)</b>
Net assets value per unit at beginning of the year			101.5299			101.4883
Net assets value per unit at end of the year			101.7500			101.5299

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 Cash Flow**  
For the year ended June 30, 2021

	2021	2020
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	67,308	161,680
Adjustments for:		
Capital loss on sale of investments - net	773	3,582
Income from Government securities	(1,046)	(978)
Income from corporate sukuk bonds	(36,903)	(76,820)
Income from commercial papers and term deposit receipts	(6,387)	(14,388)
Profit on bank deposits	(50,602)	(115,817)
Unrealised (appreciation) / diminution on re-measurement of investments classified as financial asset at fair value through profit or loss - net	(1,180)	5,913
	<u>(28,037)</u>	<u>(36,828)</u>
<b>Decrease / (increase) in assets</b>		
Investments - net	117,395	290,580
Deposits and prepayments	7,481	(30)
	124,876	290,550
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(691)	(4,138)
Payable to the Trustee	(25)	(303)
Payable to Securities and Exchange Commission of Pakistan	(67)	(2,721)
Accrued expenses and other liabilities	(5,699)	11,435
	<u>(6,482)</u>	<u>4,273</u>
Cash generated from operations	90,357	257,995
Income received from Government securities	1,046	978
Income received from corporate sukuk bonds	39,432	85,887
Income received from commercial papers and term deposit receipts	9,452	11,323
Profit received on bank deposits	52,235	157,118
	<u>102,165</u>	<u>255,306</u>
Net cash generated from operating activities	192,522	513,301
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	2,878,395	3,508,010
Payments against redemption of units	(3,287,174)	(5,220,751)
Dividend paid	(47,090)	(137,113)
Net cash used in financing activities	<u>(455,869)</u>	<u>(1,849,854)</u>
Net decrease in cash and cash equivalents	(263,347)	(1,336,553)
Cash and cash equivalents at the beginning of the year	827,655	2,164,208
Cash and cash equivalents at the end of the year	<u>564,308</u>	<u>827,655</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

## **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 Plus) to the Management Company and assigned stability rating of A+(f) to the Fund as at June 30, 2021 and June 30, 2020, 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;
- Provisions of and directives issued under the Companies Act, 2017, along with part VIII A of the repealed Companies Ordinance, 1984; and
- 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, 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, unless stated otherwise.

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 these 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 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

### **3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2021**

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the Fund's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.

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

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

Amendments to IFRS 3 'Business Combinations' - Definition of a business 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

Amendments to IFRS 16 'Leases' - Covid - 19 related rent concessions June 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

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

**3.2 New accounting standards, amendments and 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, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

"Interest Rate Benchmark Reform - Phase 2  
(Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)" January 01, 2021

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework January 01, 2022

Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions April 01, 2021

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current January 01, 2023

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates January 01, 2023

Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction January 01, 2023

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

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):

<b>IFRS 1</b>	First Time Adoption of International Financial Reporting Standards
<b>IFRS 17</b>	Insurance Contracts

#### **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.

##### **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.

###### **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, 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.

All financial assets not classified as measured at amortised cost 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 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.

#### **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 Transactions with related parties / connected persons

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

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

	2021	2020
Note	----- (Rupees in '000) -----	-----
<b>5 BANK BALANCES</b>		
Cash at bank		
In savings accounts	5.1 555,623	821,454
In current accounts	8,685	6,201
	<u>564,308</u>	<u>827,655</u>

5.1 These accounts carry profit at rates ranging between 5.9% and 6.9% (2020: 7.50% and 13.50%) per annum. This includes an amount held by a related party (Habib Bank Limited) amounting to Rs. 555 million (2020: Rs. 30.8 million) on which return is earned at 6.54% (2020: 7.74%) per annum.

	2021	2020
Note	----- (Rupees in '000) -----	-----
<b>6 INVESTMENTS</b>		
<b>Financial assets:</b>		
At fair value through profit or loss	6.1 330,254	463,517
At amortised cost	6.2 141,274	125,000
	<u>471,528</u>	<u>588,517</u>
<b>6.1 Financial assets at fair value through profit or loss</b>		
Corporate Sukuk Bonds	6.1.1 330,254	463,517
	<u>330,254</u>	<u>463,517</u>

### 6.1.1 Financial assets at fair value through profit or loss - Corporate Sukuk Bonds

Name of the investee company	Note	As at July 1, 2020	Purchases made during the year	Sales during the year	As at June 30, 2021	Market value as at June 30, 2021	Carrying value as at June 30, 2021	Un-realised appreciation / (diminution) or re-measurement of investment	Market value as a percentage of	
									Total investments	Net assets
----- Number of units -----						----- (Rupees in '000) -----				
<b>Corporate Sukuk Bonds - listed</b>										
International Brands Limited		1,180	-	-	1,100	44,995	44,317	678	9.54%	4.41%
Dawood Hercules Corporation Limited 010318		350	-	350	-	-	-	-	0.00%	0.00%
Dawood Hercules Corporation Limited 161117		357	-	357	-	-	-	-	0.00%	0.00%
Agha Steel Industries Limited		95	-	-	95	93,390	95,000	(1,610)	19.81%	9.15%
		1,902	-	707	1,195	138,385	139,317	(932)	29%	14%
<b>Corporate Sukuk Bonds - unlisted</b>										
AGP Limited		992	-	-	992	19,980	19,898	82	4.24%	1.96%
Dubai Islamic Bank Limited		54	-	-	54	55,510	55,417	94	11.77%	5.44%
Ghani Gases Limited		1,530	-	-	1,530	61,089	60,443	646	12.96%	5.99%
Hub Power Company Limited 190320		350	-	-	350	35,840	35,000	840	7.60%	3.51%
Hub Power Company Limited 190520		400	-	400	-	-	-	-	0.00%	0.00%
Hub Power Company Limited (HUBCO)		-	22	22	-	-	-	-	0.00%	0.00%
TPL Corporation Limited		-	19	-	19	19,450	19,000	450	4.12%	1.91%
		3,326	41	422	2,945	191,869	189,757	2,112	59%	19%
Total - as at June 30, 2021		5,228	41	1,129	4,140	330,254	329,074	1,180	89%	32.37%
Total - as at June 30, 2020		6,758	1,107	2,637	5,228	463,517	469,427	(5,910)	79%	32.70%

6.1.2 These Corporate Sukuk Bonds carry profit at the rates ranging from 7.2 % to 14.5 % (2020: 9.14 % to 14.93 % ) per annum.

6.1.3 Significant terms and conditions of Corporate Sukuk Bonds as at June 30, 2021 are as follows:

Name of the investee company	Payment term	Remaining principal (per sukuk bond)	Profit rate (per annum)	Issue date	Maturity date
<b>Corporate Sukuk Bonds - listed</b>					
International Brands Limited	Annually	40,982	12 Month Kibor + 0.50%	November 15, 2017	November 15, 2021
Agha Steel Industries Limited	Quarterly	1,000,000	3 Month Kibor + 1%	October 9, 2018	October 9, 2024
<b>Corporate Sukuk Bonds - unlisted</b>					
AGP Limited	Quarterly	20,000	3 Month Kibor + 1.30%	June 9, 2017	June 9, 2022
Dubai Islamic Bank Limited	Semi Annually	100,000	6 Month Kibor + 0.50%	July 14, 2017	July 14, 2027
Ghani Gases Limited	Quarterly	45,883	3 Month Kibor + 1%	February 5, 2017	February 2, 2023
Hub Power Company Limited 190320	Semi Annually	100,000	3 Month Kibor + 1.90%	March 19, 2020	August 22, 2023
TPL Corporation Limited	Annually	1,000,000	12 Month Kibor + 3%	April 13, 2016	April 12, 2022

6.2 Financial assets at amortised cost	Note	2021	2020
		----- (Rupees in '000) -----	
Commercial Papers	6.2.1	141,274	-
Term Deposit Receipts (TDRs)	6.2.3	-	125,000
		141,274	125,000

### 6.2.1 Financial assets at amortised cost - Commercial papers

Name of investee company	As at July 1, 2020	Placement made during the year	Income accrued	Matured during the year	As at June 30, 2021	Percentage of total of investments	Percentage of net assets
----- (Rupees in '000) -----							
K-Electric Limited (6.2.2)	-	81,772	2,515	-	84,287	18%	8%
Hub Power Holdings Limited (6.2.2)	-	53,598	3,389	-	56,987	12%	12%
Total - as at June 30, 2021	-	135,370	5,904	-	141,274	30%	20%

6.2.2 These commercial papers carry profit rates ranging from 7.51% to 9.85%. The maturity date for commercial paper of K-Electric Limited and Hub Power Holdings Limited is August 10, 2021 and November 11, 2021 respectively. Management believes that fairvalue of the commercial paper is equal to its amortised cost.

**6.2.3 Financial assets at amortised cost - Term Deposit Receipts**

Name of investee company	As at July 1, 2020	Placements made during the year	Matured during the year	As at June 30, 2021	Percentage of total of investments	Percentage of net assets
----- (Rupees in '000) -----						
First Habib Modarba (6.2.4)	125,000	-	125,000	-	0%	0%
Total - as at June 30, 2021	125,000	-	125,000	-	0%	0%

**6.3 Net unrealised appreciation / (diminution) on re-investments classified as financial assets at fair value through profit or loss - net**

**Note**      **2021**      **2020**  
----- (Rupees in '000) -----

Market value of investments	330,254	463,517
Less: Carrying value of investments	<u>(329,074)</u>	<u>(469,427)</u>
	<u>1,180</u>	<u>(5,913)</u>

**7 PROFIT / MARK-UP RECEIVABLE**

Profit receivable on:

Bank deposits	7.1	9,378	11,011
Corporate Sukuk Bonds		13,011	15,540
Term Deposit Receipts		-	3,065
		<u>22,389</u>	<u>29,616</u>

**7.1** This includes Rs. 9.3 million (2020: Rs. 3.27 million ) receivable from Habib Bank Limited, which is a related party.

**Note**      **2021**      **2020**  
----- (Rupees in '000) -----

**8 DEPOSITS AND PREPAYMENTS**

Security deposits with:

Central Depository Company of Pakistan Limited	100	100
National Clearing Company of Pakistan Limited	-	7,499
	<u>100</u>	<u>7,599</u>
Prepaid rating fee	247	229
	<u>347</u>	<u>7,828</u>

**9 PAYABLE TO THE MANAGEMENT COMPANY**

Remuneration payable to the Management Company	9.1	1,287	1,409
Sindh Sales Tax payable on Management Company's remuneration	9.2	167	505
Sales load payable		24	38
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	93	122
Selling and marketing expense payable	9.4	601	789
		<u>2,172</u>	<u>2,863</u>

- 9.1** As per the amendment 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 is being charged at the rate of 1.385% pf the average annual net assets accordingly. The fee is payable monthly in arrears.
- 9.2** The Sindh Government has levied Sindh Sales Tax (SST) at the rate of 13% (2020: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.
- 9.3** As per Regulation 60(3)(s) of the amended NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS. During the year, the fee is being charged at the rate of 0.1% of the average annual net assets accordingly.
- 9.4** According to the amendment in NBFC regulations 2008, 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 is being charged at the rate of 0.2% of the average annual net assets accordingly.

	2021	2020
Note	----- (Rupees in '000) -----	-----

**10 PAYABLE TO THE TRUSTEE**

Trustee fee payable	10.1	70	92
Sindh Sales Tax payable on remuneration of the Trustee	10.3	9	12
		79	104

- 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	s. 5.1 million plus 0.07% p.a. of net assets exceeding Rs. 5 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 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% (2020: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

	2021	2020
Note	----- (Rupees in '000) -----	-----

**11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Annual fee payable	11.1	261	328
--------------------	------	-----	-----

- 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 0.02% of the average net assets of the Scheme. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

		2021	2020
Note	-----	(Rupees in '000)	-----

**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	16,683	15,309
Withholding tax payable		6,369	13,542
Auditors' remuneration		238	168
Printing charges		160	217
Brokerage payable		-	49
Other payables		455	318
		25,249	30,947

- 12.1** The legal status of applicability of Federal Excise Duty is the same as disclosed in note 12.1 to the annual audited financial statements of the Fund for the year ended June 30, 2020. However, since the appeal filed by the tax authorities is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained a provision for FED on remuneration of Management Company, aggregating to Rs. 1.344 million (2020: Rs. 1.344 million). Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2021 would have been higher by Re. 0.134 per unit (2020: Re. 0.096 per unit).

**12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund**

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

However, subsequent to current year ended, the SRB through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Company's (AMCs) are covered under the term "financial institutions" as per the Sindh WWF Act 2014 and are therefore subject to SWWF charge whereas as the Mutual Funds/Pension Funds managed by those AMCs do not qualify as "financial institutions" as per SWWF Act 2014.

In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB.

In these financial statements the Fund has recognised provision for SWWF amounting to Rs. 16.683 million for the period from July 1, 2014 till June 30, 2021 which were reversed subsequently as on August 13, 2021. Had the provision not being made, the net asset value per unit as at June 30, 2021 would have been higher by Rs. 1.6639 (2020: Rs. 1.096) per unit.



**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2021 (2020: Nil).

**14 NUMBER OF UNITS IN ISSUE**

	2021	2020
	----Number of Units----	
Total units in issue at the beginning of the year	13,962,588	30,579,719
Add: Units issued during the year	27,735,492	33,076,634
Less: Units redeemed during the year	(31,671,743)	(49,693,765)
Total units in issue at the end of the year	<u>10,026,337</u>	<u>13,962,588</u>

**15 AUDITORS' REMUNERATION**

	2021	2020
	----Number of Units----	
Annual audit fee	140	140
Fee for half yearly review	60	60
Others	-	37
	<u>200</u>	<u>237</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 period, as the Management Company has distributed atleast 90% of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) for the year ending June 30, 2021 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, 2021 -----		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
Bank balances	-	564,308	564,308
Investments			
Corporate Sukuk Bonds	330,254	-	330,254
Commercial Papers	-	141,274	141,274
Profit receivable	-	22,389	22,389
Deposits	-	100	100
	<u>330,254</u>	<u>728,071</u>	<u>1,058,325</u>

Particulars	As at June 30, 2021		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	2,005	2,005
Payable to the Trustee	-	70	70
Payable against redemption of units	-	10,399	10,399
Dividend payable	-	233	233
Accrued expenses and other liabilities	-	701	701
	-	13,408	13,408

Particulars	As at June 30, 2020		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
Bank balances	-	827,655	827,655
Investments			
Corporate Sukuk Bonds	463,517	-	463,517
Term Deposit Receipt	-	125,000	125,000
Profit receivable	-	29,616	29,616
Deposits	-	7,599	7,599
	463,517	989,870	1,453,387

Particulars	As at June 30, 2020		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
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
	-	4,841	4,841

## 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.

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 are as follows:

	2021	2020
	----- Rupees in '000 -----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	18,042	20,828
Sindh Sales Tax on remuneration of the Management Compar	2,345	2,708
Sales load	38	38
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,303	2,054
Selling and marketing expense	2,605	4,935
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the trustee	977	1,230
Sindh Sales Tax on remuneration of the trustee	127	160
CDS service charges	10	24
<b>Habib Bank Limited - Sponsors</b>		
Bank charges paid	163	238
Profit on bank deposit account	15,150	16,097
<b>Directors and executives of the Management Company</b>		
Issue of 73,539 units (2020: 32,790 units)	7,669	3,454
Redemption of 76,639 units (2020: 62,917 units)	8,038	6,679
Dividend income	3	57
Dividend Paid	2	14
<b>HBL Asset Management Limited - Employees' Gratuity Fund</b>		
Issue of 268 (2020: 479) units	27	49
Dividend paid	27	49
<b>HBL Asset Management Limited - Employees' Provident Fund</b>		
Issue of 1,441 (2020: 2,577) units	146	262
Dividend paid	146	262
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Active Allocation Plan - Fund under common management</b>		
Issue of 163,913 (2020: 163,913) units	16,904	16,904
Redemption of 408,303 (2020: 535,144) units	42,489	55,856
Dividend paid	527	4,162
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Conservative Allocation Plan - Fund under common management</b>		
Issue of 488,077 (2020: 87,252) units	49,502	9,399
Redemption of 138,303 (2020: 223,101) units	12,123	24,019
Dividend paid	2,025	93

	2020	2019
	----- Rupees in '000 -----	
<b>19.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration payable to the Management Company	1,287	1,409
Sindh Sales Tax payable on Management Company's remuner	167	505
Sales load payable	24	38
Allocation of expenses related to registrar services, accounting, operation and valuation services	93	122
Selling and marketing expense payable	601	789
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	79	104
Security deposit	100	100
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	554,564	30,805
Accrued profit on bank balances	9,327	3,270
<b>HBL Asset Management Limited - Employees' Gratuity Fund</b>		
Units held: 5,405 (2020: 5,137)	550	522
<b>HBL Asset Management Limited - Employees' Provident Fund</b>		
Units held: 29,060 (2020: 27,619)	2,957	2,804
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Active Allocation Plan - Fund under common management</b>		
Units held: 222,819 (2020: 467,209)	22,672	47,436
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Conservative Allocation Plan - Fund under common management</b>		
Units held: 401,953 (2020: 52,179)	40,899	5,298
<b>Directors and executives of the Management Company</b>		
Units held: 2,889 units (2020: 5,989) units	608	608

## 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 5.9% and 6.9% per annum, and against investments in Commercial Paper and Corporate Sukuk Bonds, the interest rate on which range between 7.51% to 9.85% and 7.2% to 14.5%, respectively.

In case of 100 basis points increase / decrease in interest rates on June 30, 2021, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 9.864 million (2020: Rs. 13.76 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, 2021, with all other variables held constant, the net income for the year and the net assets would be lower by Rs. 3.3025 million (2020: Rs. 4.635 million). In case of 100 basis points decrease in rates announced by the Financial Market Association of Pakistan on June 30, 2021, with all other variables held constant, the net income for the year and the net assets would be higher by Rs. 3.3025 million (2020: Rs. 4.635 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, 2021 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.

Particulars	----- As at June 30, 2021 -----					Total
	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
----- Rupees in '000 -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	5.9 - 6.9	555,623	-	-	8,685	564,308
Investments						
Corporate Sukuk Bonds	7.2 - 14.5	-	330,254	-	-	330,254
Commercial Paper	7.51 - 9.85	141,274	-	-	-	141,274
Profit receivable		-	-	-	22,389	22,389
Deposits		-	-	-	100	100
<b>Sub total</b>		<b>696,897</b>	<b>330,254</b>	<b>-</b>	<b>31,174</b>	<b>1,058,325</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	2,005	2,005
Payable to the Trustee		-	-	-	70	70
Payable against redemption of units		-	-	-	10,399	10,399
Dividend payable		-	-	-	233	233
Accrued expenses and other liabilities		-	-	-	701	701
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>13,408</b>	<b>13,408</b>
<b>On-balance sheet gap (a)</b>		<b>696,897</b>	<b>330,254</b>	<b>-</b>	<b>17,766</b>	<b>1,044,917</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>696,897</b>	<b>330,254</b>	<b>-</b>	<b>17,766</b>	<b>1,044,917</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>696,897</b>	<b>330,254</b>	<b>-</b>		

Particulars	----- 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 -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
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
		<u>925,624</u>	<u>463,517</u>	<u>-</u>	<u>64,246</u>	<u>1,453,387</u>
<b>Financial liabilities</b>						
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>-</u>	<u>-</u>	<u>-</u>	<u>4,841</u>	<u>4,840</u>
<b>On-balance sheet gap (a)</b>		<u>925,624</u>	<u>463,517</u>	<u>-</u>	<u>59,405</u>	<u>1,448,546</u>
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap (b)</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<u>925,624</u>	<u>463,517</u>	<u>-</u>	<u>59,405</u>	<u>1,448,546</u>
<b>Cumulative interest rate sensitivity gap</b>		<u>925,624</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 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, 2021 and June 30, 2020:

Name of banks / institutions	Balances held by the Fund as at June 30, 2021	Latest available published rating as at June 30, 2021	Rating agency
------------------------------	---	---	---------------

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

**Balances with banks by rating category**

Bank Islami Pakistan Limited	1,007	A-1	PACRA
Al Baraka Bank Limited	21	A-1	PACRA
Habib Bank Limited	554,564	A-1+	JCR-VIS
Soneri Bank Limited	1,744	A-1+	PACRA
Dubai Islamic Bank Limited	445	A-1+	JCR-VIS
Faysal Bank Limited	81	A-1+	PACRA
Summit Bank Limited	122	Suspended	JCR-VIS
Bank Al Habib Limited	28	A-1+	PACRA
MCB Islamic Bank Limited	6,251	A-1+	PACRA
United Bank limited	10	A-1+	JCR VIS
Bank of Khyber	35	A-1	PACRA
	<u>564,308</u>		

**Investments by rating category**

Name of investee company	Balances held by the Fund as at June 30, 2021	Latest available published rating as at June 30, 2021	Rating agency
--------------------------	---	---	---------------

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

**Corporate Sukuks - Listed**

International Brands Limited	44,995	AA	JCR-VIS
Agha Steel Industries Limited	93,390	A	JCR-VIS
	138,385		

**Corporate Sukuks - Unlisted**

AGP Limited	19,980	A+	PACRA
Dubai Islamic Bank Limited	55,510	AA-	JCR-VIS
Ghani Gasses Limited	61,089	A-	PACRA
Hub Power Company Limited	35,840	AA+	PACRA
TPL Corporation Limited	19,450	A+	PACRA
	191,869		

**Commercial Paper**

Karachi Electric	84,287	A-1	JCR-VIS
Hub Power Holdings Limited	56,987	AA+	PACRA

**Total Investments**

471,528

**Balances with banks by rating category**

Name of banks / institutions	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
	331,973		

**Term Deposit Receipt**

First Habib Modarba	125,000	AA+	PACRA
---------------------	---------	-----	-------

**Total Investments**

588,517

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

<b>Rating by rating category</b>	<b>2021</b>	<b>2020</b>
	<b>---- (Percentage) ----</b>	
A-1+	99.79	99.47
A-1	0.19	0.52

**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 sukuk 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.

Particulars	As at June 30, 2021			
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	2,005	-	-	2,005
Payable to the Trustee	70	-	-	70
Payable against redemption of units	10,399	-	-	10,399
Dividend payable	233	-	-	233
Accrued expenses and other liabilities	701	-	-	701
	<u>13,408</u>	<u>-</u>	<u>-</u>	<u>13,408</u>

Particulars	As at June 30, 2020			
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	2,358	-	-	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>4,840</u>	<u>-</u>	<u>-</u>	<u>4,840</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, 2021

Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised 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	330,254	-	330,254	-	330,254	-	330,254
		<u>330,254</u>	<u>-</u>	<u>330,254</u>	<u>-</u>	<u>330,254</u>	<u>-</u>	<u>330,254</u>

**Financial assets not measured at fair value**

	22.2			
Bank balance		-	564,308	564,308
Commercial Paper		-	141,274	141,274
Profit receivable		-	22,389	22,389
Deposits			100	100
		<u>-</u>	<u>728,071</u>	<u>728,071</u>

**Financial liabilities not measured at fair value**

	22.2			
Payable to the Management Company		-	2,005	2,005
Payable to the Trustee		-	70	70
Payable against redemption of units		-	10,399	10,399
Dividend payable		-	233	233
Accrued expenses and other liabilities		-	701	701
		<u>-</u>	<u>13,408</u>	<u>13,408</u>

June 30, 2020

Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised 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**

	22.2			
Bank balance		-	827,655	827,655
Term Deposit Receipts			125,000	125,000
Profit receivable			29,616	29,616
Deposits		-	7,599	7,599
		<u>-</u>	<u>989,870</u>	<u>989,870</u>

**Financial liabilities not measured at fair value**

	22.2			
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>-</u>	<u>4,841</u>	<u>4,841</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, 2021**

- 1 JS Global Capital Limited
- 2 Invest One Markets Ltd

**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

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

Details of members of the Investment Committee of the Fund as on June 30, 2021 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	Bsc	22+
2	Muhammad Wamiq Sakrani	Acting Head of Fixed Income	MBA	11+
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	8+
4	Karim Khawaja	Head of Risk	MBA, CMA	18+



**25 PATTERN OF UNIT HOLDING**

Pattern of unit holding as at June 30, 2021 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000'				
Individuals	630	6,128,825	623,608	61.13%
Associated Companies	3	34,467	3,507	0.34%
Insurance Companies	6	1,633,402	166,199	16.29%
Trust	3	507,779	51,667	5.06%
Retirement Funds	15	897,002	91,270	8.95%
Other corporate	9	824,797	83,921	8.23%
Individual Foreign	2	65	7	0.00%
	668	10,026,337	1,020,179	100.00%

Pattern of unit holding as at June 30, 2020 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000'				
Individuals	680	7,769,755	788,863	55.65%
Associated Companies and Directors	3	32,757	3,326	0.23%
Banks and DFIs	4	903,256	91,708	6.47%
Insurance Companies	3	520,544	52,851	3.73%
Trust	13	1,248,257	126,735	8.94%
Retirement Funds	9	3,475,068	352,823	24.89%
Other corporate	3	12,951	1,315	0.09%
	715	13,962,587	1,417,621	100.00%

**26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Seven meetings of the Board of Directors were held on July 28 & 29, 2020, August 27, 2020, September 30, 2020, October 12, 2020, October 29, 2020, February 10, 2021 and April 30, 2021 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. Mir Adil Rashid	7	7	-	-
2	Ms. Ava A. Cowasjee	7	7	-	-
3	Mr. Rayomond H. Kotwal	7	7	-	-
4	Mr. Rizwan Haider *	2	2	-	-
5	Mr. Shabbir Hussain Hashmi	7	7	-	-
6	Mr. Shahid Ghaffar	7	7	-	-
7	Mr. Muhammad Afaq Khan**	6	6	-	-
8	Mr .Abrar Ahmed Mir **	6	6	-	-
9	Mr .Tariq Masaud ***	4	4	-	-

\* Resigned on September 18, 2020.

\*\* Appointed on July 29, 2020.

\*\*\* Appointed on September 22, 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, 2021 is 2.15 (2020: 2.24%) which includes 0.32% (2020: 0.39%) representing Government levy and SECP fee.

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 26, 2021 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, 2021 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)

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Chief Financial Officer

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Chief Executive Officer

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Director



**HBL** Islamic Equity Fund

<b>NAME OF FUND</b>	<b>HBL ISLAMIC EQUITY FUND</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF AUDITORS</b>	<b>BOD Ebrahim &amp; Co. Chartered Accountants</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>AI - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Bank Islami Pakistan Limited Bank Al Baraka Limited MCB Bank Limited Faisal Bank Limited Habib Bank Limited</b>

**Type and Category of Fund**

Open end Equity Fund

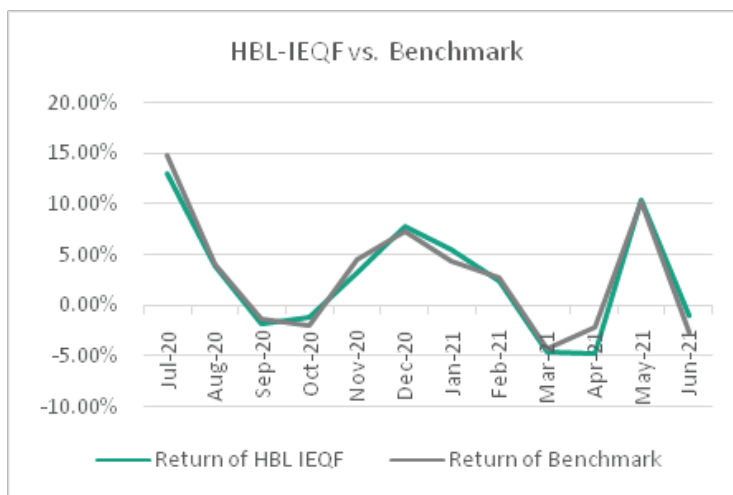
**Investment Objective and Accomplishment of Objective**

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

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KMI 30 Index.

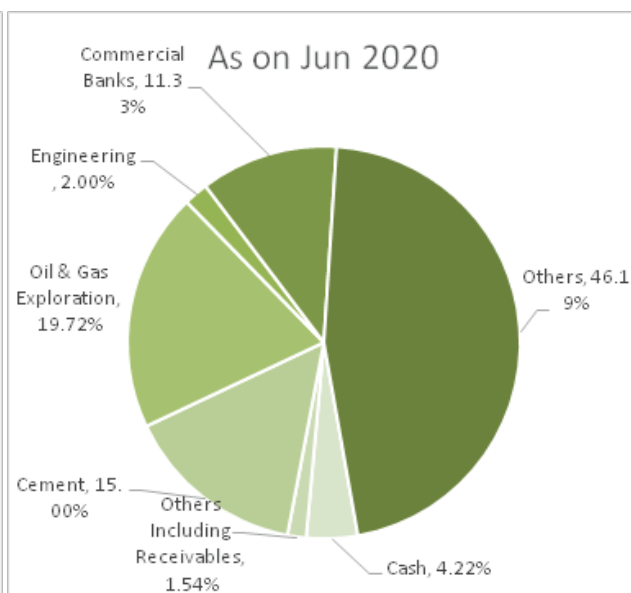
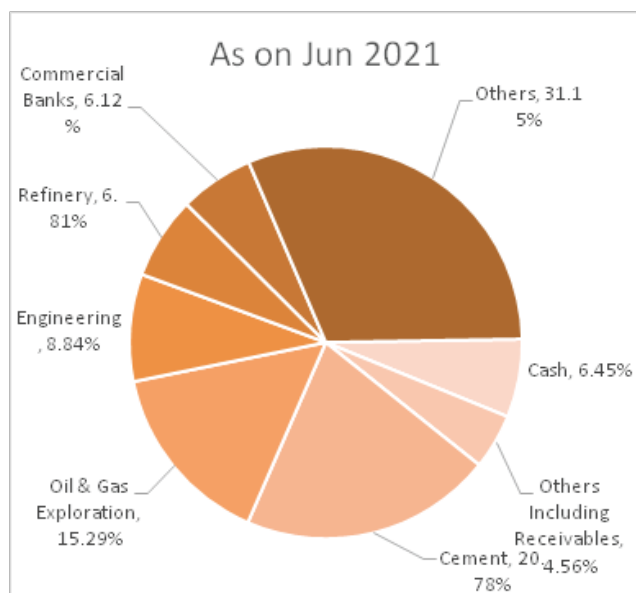
Month	Return of Fund	
	HBL-IEQF	Benchmark
Jun-21	-1.04%	-2.70%
May-21	10.40%	10.17%
Apr-21	-4.79%	-2.14%
Mar-21	-4.63%	-4.25%
Feb-21	2.35%	2.77%
Jan-21	5.47%	4.29%
Dec-20	7.70%	7.31%
Nov-20	3.16%	4.44%
Oct-20	-1.22%	-1.92%
Sep-20	-1.79%	-1.39%
Aug-20	3.86%	4.03%
Jul-20	12.98%	14.75%



**Strategies and Policies employed during the Year**

During the year under review, the Fund increased its exposure in equity from 94% of total assets as on June 2020 to 89% as on June 2021. 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, 2021 and June 30, 2020:

Sector Name	As on Jun 2021	As on Jun 2020
Cash	6.45%	4.22%
Others Including Receivables	4.56%	1.54%
Cement	20.78%	15.00%
Oil & Gas Exploration	15.29%	19.72%
Engineering	8.84%	2.00%
Refinery	6.81%	0.00%
Commercial Banks	6.12%	11.33%
Others	31.2%	46.2%
Total	100.00%	100.00%

## Fund Performance

The total and net income of the Fund was Rs. 102.08 million and Rs. 81.92 million respectively during the year ended June 30, 2021. The Net Asset Value (NAV) of the Fund was Rs. 105.0735 per unit as on June 30, 2021 as compared to Rs. 77.5699 per unit as on June 30, 2020, thereby giving a return of 35.46% during the year, against the benchmark return (KMI 30 Index) of 39.32%. The size of Fund was Rs. 0.62 billion as on June 30, 2021 as compared to Rs. 0.23 billion at the start of the year.

## Market Review

The market sustained its bullish momentum in FY21 as the KMI-30 index recorded 21,626 points increase (+39.3%) during the period to close at 76,622 points. The stellar performance of the index can be attributed to 1) relative improvement in domestic COVID-19 infection and recovery rates, 2) flows into equities post 625bps cut in interest rates, 3) business friendly policies induced by the GoP and 4) Improvement in macroeconomic indicators led by strengthening currency and better current account position.

During the period construction linked industries (Cement, Steel, and Glass) rallied on the back of the monetary easing done by the SBP and government focus on construction sector. Technology sector also remained in limelight due to increasing focus on technology post Covid-19 pandemic. On the flows side, foreigners were the net sellers during FY21 and sold shares of worth USD 387mn, compared to net selling of USD 285mn during same period last year.

Pakistan equities are likely to continue the positive momentum due to cheaper valuation (trading at a Forward P/E of 6.1x against peer average 15.7x) and improvement in the macroeconomic landscape. Market participants would closely follow trend of coronavirus cases and the ensuring macro numbers. Cyclical sectors (Cement, Steel) are expected to continue their rally due to Government's push towards Naya Pakistan Housing Scheme. Textile sector is also expected to garner investors' attention due to huge export potential. Technology sector would also remain in limelight due to rerating of the sector due to improved earnings outlook. 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, 2021.

## 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	32	1,532
101 - 500	42	11,805
501 - 1,000	31	23,144
100,1 - 10,000	99	356,981
10,001 - 100,000	39	1,340,625
100,001 - 500,000	7	1,282,737
500,001 - 1,000,000	2	1,328,649
1,000,001 - 5,000,000	1	1,598,793
5,000,001 and above	-	-
<b>Total</b>	<b>253</b>	<b>5,944,266</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE - HBL ISLAMIC EQUITY FUND

	2021	2020	2019	2018	2017	2016
Net assets at the period end(Rs'000)	624,585	228,586	265,464	1,317,899	789,907	348,924
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	105.0735	77.5699	76.7854	92.4834	105.4755	106.4735
Offer	107.4482	79.3230	78.5208	94.5735	107.8590	109.6677
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	111.7666	100.1572	98.3553	109.3377	152.2625	132.6151
Lowest offer price per unit	81.1602	61.1836	75.3913	85.5229	102.5189	104.4090
Highest redemption price per unit	109.2965	97.9437	96.1816	106.9213	148.8974	132.6151
Lowest redemption price per unit	79.3665	59.8314	73.7251	83.6328	100.2532	104.4090
<b>RETURN ( % )</b>						
Total return	35.46%	1.15%	-16.97%	-12.32%	24.42%	10.96%
Income distribution	0.00%	0.10%	0.00%	0.00%	27.00%	23.00%
Capital growth	35.46%	1.05%	-16.97%	-12.32%	-2.58%	-12.04%
<b>DISTRIBUTION</b>						
Final dividend distribution- Cash	-	-	-	-	26.00	3.00
Date of Income Distribution	-	-	-	-	20-Jun-17	24-Jun-16
Final dividend distribution- Bonus	-	0.10	-	-	1.00	20.00
Date of Income Distribution	-	26-Jun-20	-	-	20-Jun-17	24-Jun-16
Total dividend distribution for the year/ period	-	0.10	-	-	27.00	23.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	35.46%	1.15%	-16.97%	-12.32%	24.42%	10.96%
Average annual return 2 year	17.05%	-8.36%	-14.68%	4.45%	17.50%	17.53%
Average annual return 3 year	4.39%	-9.70%	-3.24%	6.58%	19.79%	11.70%
Weighted average portfolio during (No. of days)						
PORTFOLIO COMPOSITION - (%)						
<b>Percentage of Net Assets as at 30 June:</b>						
Bank Balances	6.45%	4.22%	8.72%	11.91%	23%	29%
GoP Ijarah Sukuks	-	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	-	-
Corporate Sukuks	-	-	-	-	-	-
Stock / Equities	88.99%	94.24%	87.76%	87.46%	77%	70%
Others	4.56%	1.54%	3.52%	0.63%	-	1%

**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, 2021

## Summary of Actual Proxy voted by CIS

HBL ISQF	Meetings	Resolutions	For	Against
Number	2	4	4	-
(%ages)		100%	100%	-

### (h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Agha Steel Ind.Ltd		
AGP Limited		9-Jun-21
Aisha Steel Mills Ltd	24-Sep-20	
Al Shaheer Corporation Ltd		
Amreli Steels Limited	27-Oct-20	6-May-21
Attock Cement Pakistan Ltd	22-Oct-20	
Attock Refinery Ltd	19-Oct-20	
Avanceon Limited	26-May-21	
Azgard Nine Ltd	28-Oct-20	
BankIslami Pakistan	30-Mar-21	11-Feb-21
Berger PaintsPakistan Ltd	27-Oct-20	
Bunnys Limited	28-Oct-20	21-06-2021,04-02-2021
Byco Petroleum Pakistan Ltd	22-Oct-20	26-04-2021
Cherat Cement Company Ltd.	27-Oct-20	
Clover Pakistan Limited	20-Jan-21	5-May-21
D G Khan Cement Co.Ltd.	28-Oct-20	
Engro Corporation Ltd		26-04-2021,
Engro Fertilizers Limited	30-03-2021,	
Engro Polymer & Chemicals Ltd	08-04-2021,	
Fauji Cement Company Limited	14-Oct-20	10-Jan-20
Fauji Fertilizer Bin Qasim Ltd	29-Mar-21	25-11-2020, 09-09-2020
Fauji Fertilizer Co Ltd	18-03-2021,	6-Nov-20
Ferozsons Laboratories Limited	26-Oct-20	12/02/2021'06-07-2020
General Tyre & Rubber Co of Pakistan Ltd	28-Oct-20	20-Aug-20
Gandhara Nissan Ltd.	28-Oct-20	
Gandhara Industries Limited	28-Oct-20	10-Apr-21
Ghani Global Holdings Limited	28-Oct-20	05-09-2020
Ghani Value Glass Limited	21-Oct-20	9-Nov-20
GlaxoSmithKline Pakistan Ltd		27/04/2021,
Gul Ahmed Textile Mills Ltd	28-Oct-20	29-Jun-21
Hascol Petroleum Ltd	23-02-2021, 11-08-2020	08-09-2020
Highnoon Laboratories Limited	27-Apr-21	
Honda Atlas Cars (Pakistan) Ltd	14-07-2020, 29/06/2021,	27-Apr-21
Hub Power Company Ltd	24-Sep-20	
ICI Pakistan Ltd	29-09-2020,	30-Jun-21
IGI Holdings Limited	29-04-2021,	
Indus Motor Company Limited	30-Sep-20	28-Oct-20
Interloop Limited	15/10/2020,	10-Dec-20
International Industries Ltd	30-Sep-20	
International Steels Limited	29-Sep-20	
Ittefaq Iron Industries Limited	28-Oct-20	
Hi-Tec Lubricants Limited	23/10/2020,	

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Jahangir Siddiqui & Co.	28-Apr-21	
K-Electric Limited	26/11/2020 ; 03-06-2020	
Kot Addu Power Company Ltd	28-Oct-20	24-Mar-21
Kohat Cement Limited	28-Oct-20	
Kohinoor Textile Mills Limited	27/10/2020,	23-Apr-20
Lotte Chemical Pakistan Ltd	21-04-2021,	17-06-2020
Lucky Cement Ltd	29-Sep-20	
Maple Leaf Cement Factory Ltd	27-Oct-20	
Mari Petroleum Company Ltd	29/09/2020,	24-Jun-21
Meezan Bank Limited	29-03-2021,	
Millat Tractors Ltd	26/10/2020,	
Mughal Iron & Steel Inds Ltd	28-Oct-20	19-Apr-21
National Foods Ltd	21/10/2020,	
National Refinery Ltd	22-Oct-20	
Netsol Technologies	23-Oct-20	
Nimir Resins Limited	21-10-2020	10-Jun-21
Nishat (Chunian) Ltd	28-Oct-20	16-Apr-21
Nishat Mills Ltd	28/10/2020,	15-Dec-20
Oil & Gas Development Co Ltd	28/10/2020,	17-Mar-21
Pak Elektron Ltd	29-Apr-21	
Pak Suzuki Motor Company Limited	22-Apr-21	29-Jan-21
Pakistan International Bulk Terminal Limited	22-Oct-20	Pakistan National Shipping Corporation
26-Oct-20		
Pakistan Oilfields Ltd	19-Oct-20	
Pakistan Petroleum Ltd	26-Oct-20	23-Dec-20
Pakistan Refinery Limited	7-Oct-20	1-Sep-20
Pakistan State Oil Company Ltd	21-Oct-20	
PANTHER TYRES LIMITED		
Pioneer Cement Limited	28-Oct-20	
Sazgar Engineering Works Limited	27-Oct-20	
Service Industries Ltd	17-07-2020,	04-08-2020
Shell Pakistan Limited	21-04-2021	9-Dec-20
Sitara Chemical Industries Limited	26-Oct-20	
Sitara Peroxide Limited	24-Oct-20	
Sui Northern Gas Pipeline Ltd	15-08-2020,	
Systems Limited	31-03-2021,	3-Dec-20
Tariq Glass Industries Ltd	28-Oct-20	2-Sep-20
thal Limited	22/10/2020,	
Thatta Cement Co. Ltd	26-Oct-20	
The Organic Meat Company Limited	27-Oct-20	
The Searle Company Ltd	28/10/2020,	28-06-2021
TPL Corp Limited	28-Oct-20	21/12/2020 10-06-2021
TPL Trakker Limited	26-Oct-20	
Treet Corporation Ltd	31-Oct-20	02/12/2020 01-07-2020
TRG Pakistan Ltd	27-Nov-20	
Tri-Pak Films		14-04-2021,
Unity Foods Limited	23-Oct-20	22-Mar-21
Waves Singer Pakistan Limited	23-04-2021,	09/09/2020 11-08-2020

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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**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, 2021 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 17, 2021

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**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, 2021. This has been duly confirmed by the Shariah Advisor of the Fund.



**Mir Adil Rashid**

Chief Executive Officer

Dated: August 26, 2021

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



September 14, 2021

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, 2021 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Equity Fund (HBL-IEF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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

Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

**Al-Hilal Shariah Advisors (Pvt) Limited**

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## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HBL ISLAMIC EQUITY FUND

### 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, 2021, 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, 2021, 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.	<b>Existence and valuation of investments</b>  As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2021, the investments held by the Fund comprised of listed equity securities which represent 89% of the total assets of the Fund as at the year end.	<b>Our audit procedures included the following:</b> <ul style="list-style-type: none"><li>We evaluated the design and implementation of key controls of investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li></ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. 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"> <li>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, 2021 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>
2.	<p><b>Recognition, measurement and presentation of 'Element of Income'</b></p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p> <p>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.</p> <p>Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.</p> <p>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".</li> <li>We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</li> </ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether 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"> <li>We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund.</li> <li>We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</li> </ul>

#### 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 SEP 2021

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS



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

### Scope of our Work

We have performed an independent assurance engagement of HBL Islamic Equity Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2021. 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) (Revised) '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, 2021 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, 2021.

KARACHI

DATED: SEPTEMBER 27, 2021

BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS



	Note	2021 ----- (Rupees in '000) -----	2020
<b>ASSETS</b>			
Bank balances	5	44,370	10,190
Investments	6	612,282	227,483
Dividend and profit receivable	7	4,976	698
Receivable against sale of investments - net		16,883	5
Advances, deposits and prepayments	8	9,448	3,001
<b>TOTAL ASSETS</b>		<b>687,959</b>	<b>241,377</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	2,362	955
Payable to the Trustee	10	118	43
Payable to Securities and Exchange Commission of Pakistan	11	79	72
Payable against redemption of units		49,461	2,804
Dividend payable		-	93
Accrued expenses and other liabilities	12	11,355	8,824
<b>TOTAL LIABILITIES</b>		<b>63,375</b>	<b>12,791</b>
<b>NET ASSETS</b>		<b>624,584</b>	<b>228,586</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>624,584</b>	<b>228,586</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	-----Number of units-----	
Number of units in issue	14	5,944,266	2,946,835
		----- (Rupees) -----	
Net assets value per unit		105.0735	77.5699

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, 2021

	Note	2021 ----- (Rupees in '000) -----	2020
<b>Income</b>			
Capital gain on sale of investments - net		75,281	37,229
Dividend income		13,586	14,748
Profit on bank deposits		1,687	3,343
		<u>90,554</u>	<u>55,320</u>
Unrealised appreciation / (diminution) on remeasurement of classified as financial assets at 'fair value through profit or loss' - net	6.1.3	<u>11,526</u>	<u>(4,198)</u>
		102,080	51,122
<b>Expenses</b>			
Remuneration of the Management Company	9.1	7,924	7,041
Sindh Sales Tax on remuneration of the Management Company	9.2	1,030	915
Remuneration of the Trustee	10.1	792	715
Sindh Sales Tax on remuneration of the Trustee	10.2	103	93
Annual fee to Securities and Exchange Commission of Pakistan	11.1	79	72
Allocation of fee and expenses related to registrar services, accounting, operation and valuation services	9.3	638	696
Selling and marketing expenses	9.4	2,972	2,663
Auditors' remuneration	15	238	235
Fee and subscription		28	27
Securities transaction costs and settlement charges		4,050	4,137
Bank charges		432	446
Shariah advisory services		204	212
		<u>18,490</u>	<u>17,252</u>
<b>Net income for the year from operating activities</b>		<u>83,590</u>	<u>33,870</u>
Provision for Sindh Workers' Welfare Fund	12	<u>(1,672)</u>	<u>(677)</u>
<b>Net income for the year before taxation</b>		<u>81,918</u>	<u>33,193</u>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<u>81,918</u>	<u>33,193</u>
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		64,556	9,957
Accounting income available for distribution:			
Relating to capital gains		17,362	23,236
Excluding capital gains		-	-
		<u>17,362</u>	<u>23,236</u>
		<u>81,918</u>	<u>33,193</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

	2021	2020
	----- (Rupees in '000) -----	
Net income for the year after taxation	81,918	33,193
Other comprehensive income	-	-
Total comprehensive income for the year	<u>81,918</u>	<u>33,193</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**



Note	2021 ----- (Rupees in '000) -----	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	81,918	33,193
Adjustments for:		
Capital gain on sale of investments - net	(75,281)	(37,229)
Dividend income	(13,586)	(14,748)
Profit on bank deposits	(1,687)	(3,343)
Unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	(11,526)	4,198
	(20,162)	(17,929)
<b>(Increase) / decrease in assets</b>		
Investments - net	(314,870)	52,331
Advance against IPO	(6,448)	-
	(321,318)	52,331
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	1,407	40
Payable to the Trustee	75	(22)
Payable to Securities and Exchange Commission of Pakistan	7	(591)
Accrued expenses and other liabilities	2,531	472
	4,020	(101)
Cash (used in) / generated from operations	(337,460)	34,301
Dividend received	9,283	15,328
Profit received on bank deposits	1,713	3,705
	10,996	19,033
Net cash (used in) / generated from operating activities	(326,464)	53,334
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	1,553,428	990,895
Payment against redemption of units	(1,192,691)	(1,057,869)
Dividend paid	(93)	(200)
Net cash generated from / (used in) financing activities	360,644	(67,174)
Net increase in cash and cash equivalents during the year	34,180	(13,840)
Cash and cash equivalents at beginning of the year	10,190	24,030
Cash and cash equivalents at end of the year	5 44,370	10,190

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

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 these 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 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

### **3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2021**

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations are either not relevant to the company's operations or are not expected to have significant impact on the financial statements other than certain additional disclosures.



	<b>Effective date (annual periods beginning on or after)</b>
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
Amendments to IFRS 3 'Business Combinations' - Definition of a business	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
Amendments to IFRS 16 'Leases' - Covid - 19 related rent concessions	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
Certain annual improvements have also been made to a number of IFRSs.	

### **3.2 New accounting standards, amendments and 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, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IFRS 16 'Leases' - Extended practical relief regarding Covid - 19 related rent concessions	April 01, 2021
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	

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

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract

January 01, 2022

January 01, 2022

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

#### **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.

##### **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.

###### **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 or fair value through profit or loss (FVTPL). The classification of financial assets 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.

All financial assets not classified as measured at amortised cost 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 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:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income, foreign exchange gains and losses and impairment are recognised in 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 duties and charges, if applicable.

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

#### **4.7 Element of income**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

#### **4.8 Net assets value per unit**

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

**4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income from equity securities is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on a time apportionment basis using effective interest rate.
- 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 Transactions with related parties / connected persons**

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

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

		2021	2020
----- Rupees in '000 -----			
<b>5 BANK BALANCES</b>			
Cash at bank			
In savings accounts	5.1	44,360	8,746
In current accounts		10	1,444
		44,370	10,190

**5.1.** These accounts carry profit at the rate ranging between 5.65% to 8.00% (2020: 8% to 13.5%) per annum. This includes an amount held in Habib Bank Limited (a related party) amounting to Rs. 27,473 million (2020: Rs. 3.648 million) on which profit is earned at 5.50% to 6.54% (2020: 13.6%) per annum.

**6 INVESTMENTS**

Financial assets at fair value through profit or loss			
Listed equity securities	6.1	612,282	227,483

**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, 2021	Market value as at June 30, 2021	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, 2020	Purchases during the year	Bonus issue during the year	Sales during the year	As at June 30, 2021						
-----Rupees in 000-----											
<b>Automobiles Parts &amp; Accessories</b>											
Thal Limited (Par value Rs 5 per share)	12,950	5,600	-	18,550	-	-	-	-	0.00%	0.00%	0.00%
General Tyre & Rubber Co of Pakistan Limited	-	52,000	-	52,000	-	-	-	-	0.00%	0.00%	0.00%
Panther Tyres Limited	-	442,005	-	249,000	193,005	13,341	13,342	1	2.18%	2.14%	0.14%
	12,950	499,605	-	319,550	193,005	13,341	13,342	1	2.18%	2.14%	
<b>Cement</b>											
Lucky Cement Limited (6.1.1)	38,100	41,400	-	51,411	28,089	20,683	24,253	3,570	3.96%	3.88%	8.69%
Kohat Cement Limited	31,710	67,200	-	53,800	45,110	9,486	9,315	(170)	1.52%	1.49%	0.02%
Maple leaf cement factory Limited	333,000	477,418	-	414,100	396,318	17,291	18,619	1,327	3.04%	2.98%	0.04%
Attock Cement Pakistan Limited	-	295,500	-	4,300	291,200	51,068	52,364	1,296	8.55%	8.38%	0.21%
Cherat Cement Company Limited (6.1.1)	51,000	70,700	-	78,800	42,900	7,096	7,610	514	1.24%	1.22%	0.02%
DG Khan Cement Company Limited (6.1.1)	13,500	452,951	-	334,000	132,451	16,657	15,619	(1,038)	2.55%	2.50%	0.03%
Fauji Cement Company Limited	-	435,500	-	435,500	-	-	-	-	0.00%	0.00%	0.00%
Pioneer Cement Limited	-	336,000	-	276,500	59,500	7,960	7,799	(161)	1.27%	1.25%	0.03%
Thatta Cement Company Limited	-	885,500	-	529,000	356,500	7,024	7,390	366	1.21%	1.18%	0.36%
	467,310	3,062,169	-	2,177,411	1,352,068	137,265	142,969	5,704	23.35%	23%	
<b>Automobile Assembler</b>											
Honda Atlas Cars (Pakistan) Limited	-	45,500	-	27,500	18,000	6,754	6,224	(531)	1.02%	1.00%	0.01%
Indus Motor Company Limited	-	2,500	-	2,500	-	-	-	-	0.00%	0.00%	0.00%
Millat Tractors Limited	-	7,300	506	7,806	-	-	-	-	0.00%	0.00%	0.00%
Pak Suzuki Motor Company Limited	-	72,000	-	53,800	18,200	4,609	6,469	1,860	1.06%	1.04%	0.02%
Sazgar Engineering Works Limited	75,000	21,000	-	96,000	-	-	-	-	0.00%	0.00%	0.00%
Gandhara Industries Limited	-	17,000	-	9,500	7,500	2,269	2,093	(176)	0.34%	0.34%	0.02%
Gandhara Nissan Limited.	-	43,500	-	43,500	-	-	-	-	0.00%	0.00%	0.00%
	75,000	208,800	506	240,606	43,700	13,632	14,786	1,153	2.41%	2.37%	
<b>Cable &amp; Electrical Goods</b>											
Waves Singer Pakistan Limited	-	1,058,000	-	827,000	231,000	6,219	6,297	78	1.03%	1.01%	0.08%
Pak Elektron Limited	-	803,000	-	518,000	285,000	10,817	9,992	(826)	1.63%	1.60%	0.06%
	-	1,861,000	-	1,345,000	516,000	17,036	16,289	(748)	2.66%	2.61%	
<b>Chemicals</b>											
Engro Polymer & Chemicals Limited	89,952	251,500	-	341,452	-	-	-	-	0.00%	0.00%	0.00%
Sitara Peroxide Limited	104,000	49,000	-	153,000	-	-	-	-	0.00%	0.00%	0.00%
ICI Pakistan Limited	13,750	6,800	-	20,550	-	-	-	-	0.00%	0.00%	0.00%
Sitara Chemicals Industries Limited	8,600	6,600	-	15,200	-	-	-	-	0.00%	0.00%	0.00%
Lotte Chemical Pakistan Limited	-	389,000	-	389,000	-	-	-	-	0.00%	0.00%	0.00%
Nimir Resins Limited	-	1,147,000	-	680,000	467,000	9,643	9,410	(233)	1.54%	1.51%	0.33%
	216,302	1,849,900	-	1,599,202	467,000	9,643	9,410	(233)	1.54%	1.51%	0.33%
<b>Commercial Bank</b>											
Meezan Bank Limited (6.1.1)	85,175	324,500	6,317	182,866	233,126	23,935	26,905	2,970	4.39%	4.31%	0.02%
BankIslami Pakistan Limited	437,000	1,393,500	-	477,000	1,353,500	15,676	15,213	(463)	2.48%	2.44%	0.12%
	522,175	1,718,000	6,317	659,866	1,586,626	39,611	42,118	2,507	6.88%	7%	
<b>Engineering</b>											
International Steels Limited	22,000	250,600	-	115,100	157,500	15,032	14,712	(320)	2.40%	2.36%	0.04%
International Industries Limited	12,400	91,800	-	45,300	58,900	11,942	12,429	487	2.03%	1.99%	0.04%
Mughal Iron & Steel Industries Limited	57,500	311,620	-	250,500	118,620	10,968	12,384	1,416	2.02%	1.98%	0.04%
Mughal Iron & Steel Industries Ltd LOR	-	23,120	-	23,120	-	-	-	-	0.00%	0.00%	0.00%
Agha Steel Ind. Limited	-	754,000	-	216,000	538,000	18,693	18,147	(546)	2.96%	2.91%	0.09%
Aisha Steel Mills Limited	-	531,000	-	408,000	123,000	3,071	3,064	(7)	0.50%	0.49%	0.02%
	91,900	1,939,020	-	1,034,900	996,020	59,706	60,736	1,030	9.92%	10%	
<b>Vanaspati &amp; Allied Industries</b>											
Unity Foods Limited	-	223,325	-	-	223,325	-	-	-	0.00%	0.00%	0.00%
	-	223,325	-	-	223,325	-	-	-	0.00%	0.00%	0.00%
<b>Food &amp; Allied Industries</b>											
The organic Meat Company Limited	-	1,152,675	-	770,000	382,675	12,032	14,059	2,027	2.30%	2.25%	0.34%
	-	1,152,675	-	770,000	382,675	12,032	14,059	2,027	2.30%	2.25%	
<b>Fertilizer</b>											
Engro Corporation Limited (6.1.1)	62,130	154,300	-	114,130	102,300	31,473	30,139	(1,334)	4.92%	4.83%	0.02%
Fauji Fertilizer Company Limited	40,100	119,500	-	159,600	-	-	-	-	0.00%	0.00%	0.00%
Engro Fertilizers Limited	20,000	60,000	-	80,000	-	-	-	-	0.00%	0.00%	0.00%
	122,230	333,800	-	353,730	102,300	31,473	30,139	(1,334)	4.92%	4.83%	
<b>Oil and Gas Exploration Companies</b>											
Mari Petroleum Company Limited (Note 6.1.2)	17,472	3,000	-	20,227	145	182	221	39	0.04%	0.04%	0.00%
Oil & Gas Development Company (6.1.1)	197,100	744,000	-	426,900	514,200	51,443	48,864	(2,579)	7.98%	7.82%	0.01%
Pakistan Oilfields Limited	12,900	33,500	-	29,100	17,300	6,651	6,814	163	1.11%	1.09%	0.01%
Pakistan Petroleum Limited (6.1.1)	-	982,000	-	414,200	567,800	52,594	49,302	(3,290)	8.05%	7.89%	0.02%
	227,472	1,762,500	-	890,527	1,099,445	110,870	105,201	(5,667)	17.18%	16.84%	
<b>Oil and Gas Marketing Companies</b>											
Pakistan State Oil Company Limited (Note 6.1.1 & 6.1.2)	60,928	215,300	-	138,400	137,828	31,247	30,908	(339)	5.05%	4.95%	0.03%
Sui Northern Gas Pipeline Limited	124,300	40,000	-	164,300	-	-	-	-	0.00%	0.00%	0.00%
Hascol Petroleum Limited	-	237,000	-	237,000	-	-	-	-	0.00%	0.00%	0.00%
Shell Pakistan Limited	-	13,000	-	13,000	-	-	-	-	0.00%	0.00%	0.00%
	185,228	505,300	-	552,700	137,828	31,247	30,908	(339)	5.05%	4.95%	
<b>Power Generation &amp; Distribution</b>											
Hub Power Company Limited (6.1.1)	171,987	381,500	-	357,800	195,687	15,386	15,590	204	2.55%	2.50%	0.02%
K-Electric Limited	-	400,000	-	400,000	-	-	-	-	0.00%	0.00%	0.00%
	171,987	781,500	-	757,800	195,687	15,386	15,590	204	2.55%	2.50%	
<b>Pharmaceuticals</b>											
Ferozsons Laboratories Limited Glaxo Smith	-	10,400	-	10,400	-	-	-	-	0.00%	0.00%	0.00%
Kline Pakistan Limited	55,700	-	-	55,700	-	-	-	-	0.00%	0.00%	0.00%
AGP Limited	-	43,000	-	43,000	-	-	-	-	0.00%	0.00%	0.00%
The Searle Company Limited (Note 6.1.2)	1,243	6,000	-	6,021	1,222	297	296	(1)	0.05%	0.05%	0.00%
The Searle Co Ltd LOR	-	3	-	3	-	-	-	-	0.00%	0.00%	0.00%
Highnoon Laboratories Limited	19,950	-	-	19,950	-	-	-	-	0.00%	0.00%	0.00%
	76,893	59,400	-	135,071	1,222	297	296	(1)	0.05%	0.05%	
<b>Textile Composite</b>											
Nishat Mills Limited (6.1.1)	57,500	143,500	-	166,000	35,000	3,546	3,266	(280)	0.53%	0.52%	0.01%
Interloop Limited	77,750	241,000	-	224,500	94,250	6,387	6,600	213	1.08%	1.06%	0.01%
Kohinoor Textile Mills Limited	-	155,000	-	72,000	83,000	5,711	6,242	531	1.02%	1.00%	0.03%
	135,250	539,500	-	462,500	212,250	15,644	16,108	464	2.63%	2.58%	

Name of investee companies (Sector wise)	Number of shares					Carrying value as at June 30, 2021	Market value as at June 30, 2021	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, 2020	Purchases during the year	Bonus issue during the year	Sales during the year	As at June 30, 2021						
<b>Transport</b>											
Pakistan National Shipping Corporation	-	16,500	-	16,500	-	-	-	-	0.00%	0.00%	0.00%
Pakistan International Bulk Terminal	-	142,000	-	142,000	-	-	(1)	0.00%	0.00%	0.00%	
	-	158,500	-	158,500	-	-	(1)	0.00%	0.00%		
<b>Technology &amp; Communication</b>											
Systems Limited (Note 6.1.2)	77,800	23,800	560	77,865	24,295	11,490	13,611	2,121	2.22%	2.18%	0.02%
Avanceon Limited	-	261,000	21,400	82,000	200,400	15,179	18,373	3,194	3.00%	2.94%	0.00%
WorldCall Telecom Limited	-	500,000	-	-	500,000	1,865	1,980	115	0.32%	0.32%	0.03%
	77,800	784,800	21,960	159,865	724,695	28,534	33,963	5,430	5.55%	5.44%	
<b>Refinery</b>											
Attock Refinery Limited	-	175,200	-	120,900	54,300	13,019	13,925	906	2.27%	2.23%	0.05%
National Refinery Limited	-	125,000	-	62,000	63,000	33,085	32,961	(124)	5.38%	5.28%	0.08%
Pakistan Refinery Limited	-	1,083,000	-	1,083,000	-	-	-	-	0.00%	0.00%	0.00%
Byco Petroleum Pakistan Limited	-	350,000	-	350,000	-	-	-	-	0.00%	0.00%	0.00%
	-	1,733,200	-	1,615,900	117,300	46,104	46,886	782	7.66%	7.51%	
<b>Glass &amp; ceramics</b>											
Ghani Value Glass Limited	-	83,000	-	83,000	-	-	-	-	0.00%	0.00%	0.00%
Tariq Glass Industries Limited	-	62,000	13,250	75,250	-	-	-	-	0.00%	0.00%	0.00%
<b>Food &amp; Personal Care Product</b>											
National Foods Ltd	-	24,000	-	24,000	-	-	-	-	0.00%	0.00%	0.00%
Unity Foods Limited	470,000	2,866,500	-	2,898,895	-	437,605	19,482,175	546,198	3.12%	0.08%	3.18%
	-	145,000	13,250	158,250	-	-	-	-	0.00%	0.00%	
As at June 30, 2021	2,852,497	22,231,617	42,033	16,560,721	8,565,426	600,756	612,282	11,526	97%	95%	
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%	

**6.1.1** As at June 30 2021, 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 (145,000 shares having market value of Rs. 13.779 million).
- The Hub Power Company Limited (63,000 share having market value of Rs. 5.019 million).
- Meezan Bank Limited (70,000 shares having market value of Rs. 8.079 million).
- Lucky Cement Limited (20,000 shares having market value of Rs. 17.269 million).
- Cherat Cement Company Limited (10,000 shares having market value of Rs. 1.774 million).
- Pakistan State Oil Company Limited (45,000 shares having market value of Rs. 10.091 million).
- Engro Corporation Limited (20,000 shares having market value of Rs. 5.892 million).
- D.G Khan Cement Limited (60,000 shares having market value of Rs. 5.892 million).
- Pakistan Petroleum Limited (112,000 shares having market value of Rs. 9.725 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 Honourable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honourable Sindh High Court has granted stay order till the final outcome of the case. However, the investee companies have withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 2.616 million at June 30, 2021 (2020: Rs. 1.117 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 favour 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 Honourable 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 favour 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.

		2021	2020
		----- Rupees in '000 -----	
<b>6.1.3</b>	<b>Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'</b>		
	Market value of investments	612,282	227,483
	Less: Carrying value of investments	(600,756)	(231,681)
		<u>11,526</u>	<u>(4,198)</u>
<b>7</b>	<b>DIVIDEND AND PROFIT RECEIVABLE</b>		
	Dividend receivable	4,688	385
	Profit receivable on savings accounts	7.1 288	313
		<u>4,976</u>	<u>698</u>
<b>7.1</b>	This includes an amount receivable from Habib Bank Limited (a related party) amounting to Nil (2020: Rs. 0.238) on which profit is earned at Nil (2020: 13.6%) per annum.		
<b>8</b>	<b>ADVANCES, DEPOSITS AND PREPAYMENTS</b>		
	Security deposit with:		
	National Clearing Company of Pakistan Limited	2,500	2,500
	Central Depository Company of Pakistan Limited	100	100
		<u>2,600</u>	<u>2,600</u>
	Advance Tax	8.1 279	279
	Advance against IPO	8.2 6,448	-
	Prepaid listing fee	122	122
		<u>9,448</u>	<u>3,001</u>
<b>8.1</b>	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.		
<b>8.2</b>	During the year the Fund participated in the book building process of Pakistan Aluminium Beverage Cans Limited.		

	Note	2021 ----- Rupees in '000 -----	2020
<b>9 PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration payable to the Management Company	9.1	1,040	381
Sindh Sales Tax payable on Management Company's remuneration	9.2	135	50
Allocation of fee and expenses related to registrar, accounting, operation and valuation services	9.3	975	472
Selling and marketing expenses payable	9.4	84	31
Sales load payable		128	21
		<u>2,362</u>	<u>955</u>

**9.1** As per the amendment 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. The maximum limit disclosed in the offering document is 3% per annum of average annual net assets. During the year, the fee is being charged at the rate of 2% of the average annual net assets accordingly. The fee is payable monthly in arrears.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2020: 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. During the year, the fee is being charged at the rate of 0.161% of the average annual net assets accordingly.

**9.4** According to the amendment in NBFC regulations 2008, 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 is being charged at the rate of 0.075% of the average annual net assets accordingly.

	Note	2021 ----- Rupees in '000 -----	2020
<b>10 PAYABLE TO THE TRUSTEE</b>			
Trustee fee payable	10.1	104	38
Sindh Sales Tax on remuneration of the	10.2	14	5
		<u>118</u>	<u>43</u>

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

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

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% (2020: 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

	Note	2021 ----- Rupees in '000 -----	2020
<b>11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee payable	11.1	<u>79</u>	<u>72</u>
<b>11.1</b>	Under the regulation 62 of the NBFC Regulations, an Asset Management Company managing a CIS, shall pay SECP an annual fee of 0.02% of the average annual net assets. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.		

	Note	2021 ----- Rupees in '000 -----	2020
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Federal Excise Duty	12.1	3,268	3,268
Provision for Sindh Workers' Welfare Fund	12.2	5,543	3,871
Donation payable		779	1,069
Withholding tax payable		504	108
Auditors' remuneration		238	166
Printing charges		109	153
Brokerage payable		883	144
Others		31	45
		<u>11,355</u>	<u>8,824</u>

**12.1** The legal status of applicability of Federal Excise Duty is the same as disclosed in note 12.1 to the annual audited financial statements of the Fund for the year ended June 30, 2020. However, since the appeal filed by the tax authorities is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained a provision for FED on remuneration of Management Company, aggregating to Rs. 3.268 million (2020: Rs. 3.268 million). Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2021 would have been higher by Re. 0.5498 per unit (2020: Re. 1.109 per unit).

**12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund**

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

However, subsequent to current year ended, the SRB through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Company's (AMCs) are covered under the term "financial institutions" as per the Sindh WWF Act 2014 and are therefore subject to SWWF charge whereas as the Mutual Funds/Pension Funds managed by those AMCs do not qualify as "financial institutions" as per SWWF Act 2014.

In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB.

In these financial statements the Fund has recognised provision for SWWF amounting to Rs. 5.543 million for the period from July 1, 2014 till June 30, 2021 which were reversed subsequently as on August 13, 2021. Had the provision not being made, the net asset value per unit as at June 30, 2021 would have been higher by Rs. 0.9325 (2020: Rs. 1.3136) per unit.

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2021 (2020: Nil) other than those already disclosed in the financial statements.

	2021	2020
	Number of units	
<b>14 NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	2,946,835	3,457,222
Add: Units issued during the year	15,419,526	12,154,616
Less: Units redeemed during the year	<u>(12,422,095)</u>	<u>(12,665,003)</u>
Total units in issue at the end of the year	<u>5,944,266</u>	<u>2,946,835</u>

**15 AUDITORS' REMUNERATION**

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	<u>38</u>	<u>35</u>
	<u>238</u>	<u>235</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, 2021, 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, 2021		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
Bank balances	-	44,370	44,370
Investments	612,282	-	612,282
Dividend and profit receivable	-	4,976	4,976
Receivable against sale of investments - net	-	16,883	16,883
Deposits	-	2,600	2,600
	<u>612,282</u>	<u>68,829</u>	<u>681,111</u>

Particulars	As at June 30, 2021		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	2,227	2,227
Payable to the Trustee	-	104	104
Payable against redemption of units	-	49,461	49,461
Accrued expenses and other liabilities	-	2,026	2,026
	<u>-</u>	<u>53,818</u>	<u>53,818</u>

Particulars	As at June 30, 2020		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
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		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
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>

**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 are as follows:

	<b>2021</b>	<b>2020</b>
	----- Rupees in '000 -----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	7,924	7,041
Sindh Sales Tax on remuneration of the Management Company	1,030	915
Allocation of expenses related to registrar services, accounting, operation and valuation services	638	696
Selling and marketing expenses	2,972	2,663
Issue of 603,840 (2020: 5,951,992 ) units	55,000	490,332
Redemption of 603,840 (2020: 6,435,641 ) units	55,810	554,802
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	792	715
Sindh Sales Tax on remuneration of the Trustee	103	93
CDS charges	98	107
<b>Habib Bank Limited - Sponsor</b>		
Dividend income	176	238
Bank charges	48	13
<b>Director and Executives of the Management Company</b>		
Issue of 96,673 (2020: 13,253 ) units	9,431	1,117
Redemption of 86,051 (2020: 16,826) units	8,548	1,325
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Active Allocation Plan - Fund under common management</b>		
Issue of 281,718 (2020: 130,036 ) units	29,155	10,037
Redemption of 246,217 (2020: 59,486 ) units	24,091	5,433
Dividend paid	-	37

	2021	2020
	----- Rupees in '000 -----	
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Conservative Allocation Fund - Fund under common management</b>		
Issue of 112,588 (2020: 19,724 ) units	11,671	1,511
Redemption of 34,465 (2020: 38,748 ) units	3,018	3,352
Dividend paid	-	2
<b>IGI Life Insurance - Connected Person due to holding more than</b>		
Issue of 3,512,598 (2020: Nil ) units	367,493	-
Redemption of 1,117,103 (2020: Nil ) units	112,449	-
<b>Balance outstanding as at the year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration payable to the Management Company	1,040	381
Sindh Sales Tax payable on Management Company's remuneration	135	50
Allocation of expenses related to registrar services, accounting, operation and valuation services	84	31
Sales load payable	128	21
Selling and marketing expenses	975	472
Units held: Nil (2020: Nil)	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	104	38
Sindh Sales Tax on remuneration of the Trustee	14	5
Security deposit held	100	100
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	27,482	3,657
<b>Director and Executives of the Management Company</b>		
Units held: 14,495 (2020: 1,300)	1,628	101
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
Units held: 408,643 (2020: 373,142 )	34,009	28,945
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
Units held: 95,423 (2020: 17,300 )	9,995	1,342
<b>IGI Life Insurance - Connected Person due to holding more than 10% units:</b>		
Units held: 2,395,495 (2020: 337,166 )	255,044	-



## **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 Islamic equity securities. These activities are exposed to a variety of financial risks: market risks, credit risks and liquidity risks.

### **20.1 Market risk**

Market risk is the risk that the fair value or 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 other price risk.

#### **20.1.1 Currency risk**

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

#### **20.1.2 Interest rate risk**

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

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

The Fund is exposed to cash flow interest rate risk for balances in certain savings account, the interest rates on which range between 5.65% to 8.00% per annum.

In case of 100 basis points increase / (decrease) in interest rates on June 30, 2021 with all other variable held constant, the net income for the year and the net assets would have been higher / lower by Re. 0.0168 million (2020: Re. 0.0875 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. Yield / Interest rate sensitivity position for financial instrument is as follows:

Particulars	As at June 30, 2021					Total
	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000				
<b>On-balance sheet financial</b>						
<b>Financial assets</b>						
Bank balances	5.65 - 8.00	44,360	-	-	10	44,370
Investments						
Listed equity securities		-	-	-	612,282	612,282
Dividend and profit receivable		-	-	-	4,976	4,976
Receivable against sale of investment - net		-	-	-	16,883	16,883
Deposits		-	-	-	2,600	2,600
<b>Sub total</b>		44,360	-	-	636,751	681,111
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	2,227	2,227
Payable to the Trustee		-	-	-	104	104
Payable against redemption of units		-	-	-	49,461	49,461
Accrued expenses and other liabilities		-	-	-	2,026	2,026
<b>Sub total</b>		-	-	-	53,818	53,818
<b>On-balance sheet gap (a)</b>		44,360	-	-	582,933	627,293
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		44,360	-	-	582,933	627,293
<b>Cumulative interest rate sensitivity gap</b>		44,360	-	-	-	-

Particulars	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				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
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 investments - net		-	-	-	5	5
Deposits		-	-	-	2,600	2,600
<b>Sub total</b>		8,746	-	-	232,230	240,976
<b>Financial liabilities</b>						
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
<b>Sub total</b>		-	-	-	5,390	5,390
<b>On-balance sheet gap (a)</b>		8,746	-	-	226,840	235,586
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		8,746	-	-	226,840	235,586
<b>Cumulative interest rate sensitivity gap</b>		8,746	-	-	-	-

### 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 30.614 million (2020: Rs 11.374 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, 2021 and June 30, 2020:

Bank	Balances held by the Fund as at June 30, 2021	Latest available published rating as at June 30, 2021	Rating agency
(Rupees in '000')			
<b>Balances with banks by rating category</b>			
MCB Bank Limited	1	A-1+	PACRA
Habib Bank Limited	27,483	A-1+	JCR-VIS
Bank Islami Pakistan Limited	16,876	A-1	PACRA
AlBaraka Bank Limited	10	A-1	PACRA
	44,370		

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')			
<b>Balances with banks by rating category</b>			
MCB Bank Limited	1,435	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
	24,008		

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

	2021	2020
<b>Rating by rating category</b>	----- (Percentage) -----	
A-1+	61.94	8.71
A-1	38.06	91.29

#### **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.

Particulars	----- As at June 30, 2021 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	2,227	-	-	2,227
Payable to the Trustee	104	-	-	104
Payable against redemption of units	49,461	-	-	49,461
Accrued expenses and other liabilities	2,026	-	-	2,026
	<u>53,818</u>	<u>-</u>	<u>-</u>	<u>53,818</u>

Particulars	----- As at June 30, 2020 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	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>

## 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 :

Particulars	Note	June 30, 2021						
		Carrying amount			Fair value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		Rupees in '000'						
<b>Financial assets measured at fair value</b>								
Listed equity securities	22.1	612,282	-	612,282	612,282	-	-	612,282
<b>Financial assets not measured at fair value</b>								
Bank balances	22.2	-	44,370	44,370				
Dividend and profit receivable		-	4,976	4,976				
Receivable against sale of investments - net		-	16,883	16,883				
Deposits - net		-	2,600	2,600				
		-	68,829	68,829				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	22.2	-	2,227	2,227				
Payable to the Trustee		-	104	104				
Payable against redemption of units		-	49,461	49,461				
Dividend payable		-	-	-				
Accrued expenses and other liabilities		-	2,026	2,026				
		-	53,818	53,818				

Particulars	Note	June 30, 2020						
		Carrying amount			Fair value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		Rupees in '000'						
<b>Financial assets measured at fair value</b>								
Listed equity securities	22.1	227,483	-	227,483	227,483	-	-	227,483
<b>Financial assets not measured at fair value</b>								
Bank balances	22.2	-	10,190	10,190				
Dividend and profit receivable		-	698	698				
Receivable against sale of investments - net		-	5	5				
Deposits		-	2,600	2,600				
		-	13,493	13,493				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	22.2	-	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				

**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, 2021**

- 1 Next Capital Limited
- 2 Fortune Securities Limited
- 3 EFG Hermes Pakistan Limited
- 4 AL Falah Securities (Private) Limited.
- 5 JS Global Capital Limited
- 6 Spectrum Securities (Private) Limited
- 7 Shajar Capital Pakistan (Private) Limited
- 8 IGI Finex Securities Limited
- 9 DJM Securities Limited
- 10 BMA Capital Management Limited

**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

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

Details of members of the Investment Committee of the Fund as on June 30, 2021 are as follow:

Name	Designation	Qualification	Experience
Mir Adil Rashid	Chief Executive Officer	Bsc	22 + years
Adeel Abdul Wahab	Head of Equity	ACCA	13+ years
Raza Inam	Acting Head of Research	Bsc (Hons), CFA	8+ years
Karim Khawaja	Head of Risk	MBA, CMA	18 + years



**25 PATTERN OF UNITHOLDING**

Pattern of unit holding at June 30, 2021 is as follows:

Category	-----As at June 30, 2021-----			
	No. of unit holders	Number of units held	Investment amount	Percentage of total
	Rupees in '000			
Individuals	248	3,035,496	318,950	51.07%
Trust	2	503,563	52,911	8.47%
Insurance companies	2	2,395,495	251,703	40.30%
Other corporate	1	9,711	1,020	0.16%
	<u>253</u>	<u>5,944,266</u>	<u>624,584</u>	<u>100%</u>

Pattern of unit holding at June 30, 2020 is as follows:

Category	-----As at June 30, 2020-----			
	No. of unit holders	Number of units held	Investment amount	Percentage of total
	Rupees in '000			
Individuals	151	1,258,613	97,630	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>

**26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Seven meetings of the Board of Directors were held on July 28 & 29, 2020, August 27, 2020, September 30, 2020, October 12, 2020, October 29, 2020, February 10, 2021 and April 30, 2021 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. Mir Adil Rashid	7	7	-	-
2	Ms. Ava A. Cowasjee	7	7	-	-
3	Mr. Raymond H. Kotwal	7	7	-	-
4	Mr. Rizwan Haider *	2	2	-	-
5	Mr. Shabbir Hussain Hashmi	7	7	-	-
6	Mr. Shahid Ghaffar	7	7	-	-
7	Mr. Muhammad Afaq Khan**	6	6	-	-
8	Mr. Abrar Ahmed Mir **	6	6	-	-
9	Mr. Tariq Masaud ***	4	4	-	-

\* Resigned on September 18, 2020.

\*\* Appointed on July 29, 2020.

\*\*\* Appointed on September 22, 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, 2021 is 5.09% (2020: 5.02%) which includes 0.84% (2020: 0.63%) representing government levy and SECP fee.

**28 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 26, 2021 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, 2021 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)**

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



**HBL** Islamic Financial Planning Fund

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL ISLAMIC FINANCIAL PLANNING FUND</b>
<b>NAME OF TRUSTEE</b>	<b>MCB Financial Services Limited</b>
<b>NAME OF AUDITORS</b>	<b>KPMG Taseer Hadi &amp; Co., Chartered Accountants</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Dubai Islamic Bank Limited Bank Islami Pakistan Limited</b>

### Category of Fund

Open end Shariah Compliant Fund of Funds Scheme

### Investment Objective

The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the Investor.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark for Conservative Allocation Plan, Active Allocation Plan and Strategic Allocation plan is as follows:

#### Conservative Allocation Plan

- 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

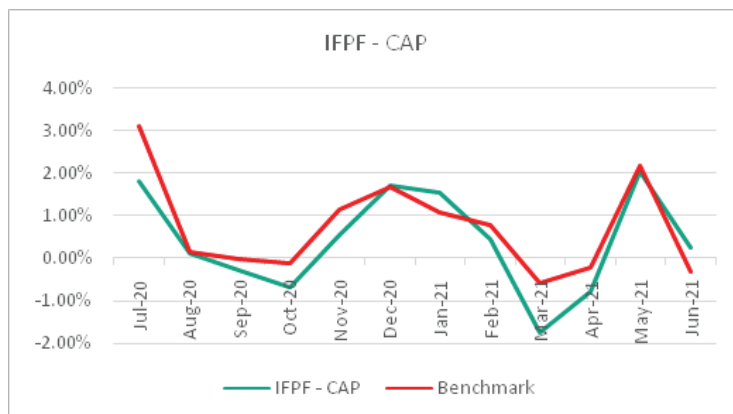
- KMI 30 index
- Six (6) months average deposit rates of three (3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- Three (3) months average deposit rates of three (3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected 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:

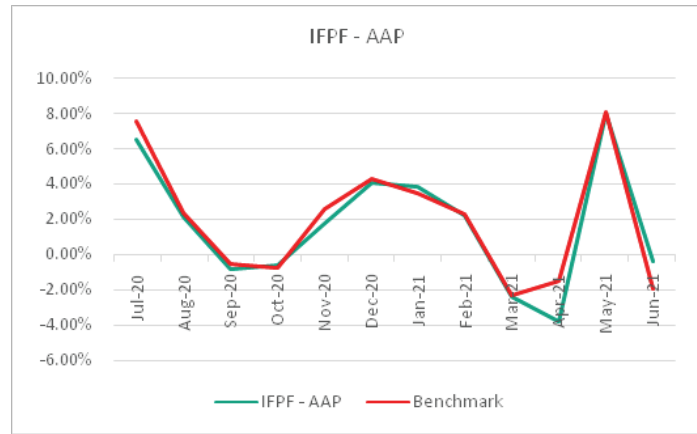
#### Conservative Allocation Plan

Month	Return of Fund	Benchmark
Jun-21	0.27%	-0.33%
May-21	2.05%	2.18%
Apr-21	-0.78%	-0.21%
Mar-21	-1.74%	-0.59%
Feb-21	0.44%	0.76%
Jan-21	1.55%	1.07%
Dec-20	1.73%	1.67%
Nov-20	0.54%	1.15%
Oct-20	-0.67%	-0.12%
Sep-20	-0.28%	-0.01%
Aug-20	0.13%	0.13%
Jul-20	1.83%	3.10%



### Active Allocation Plan

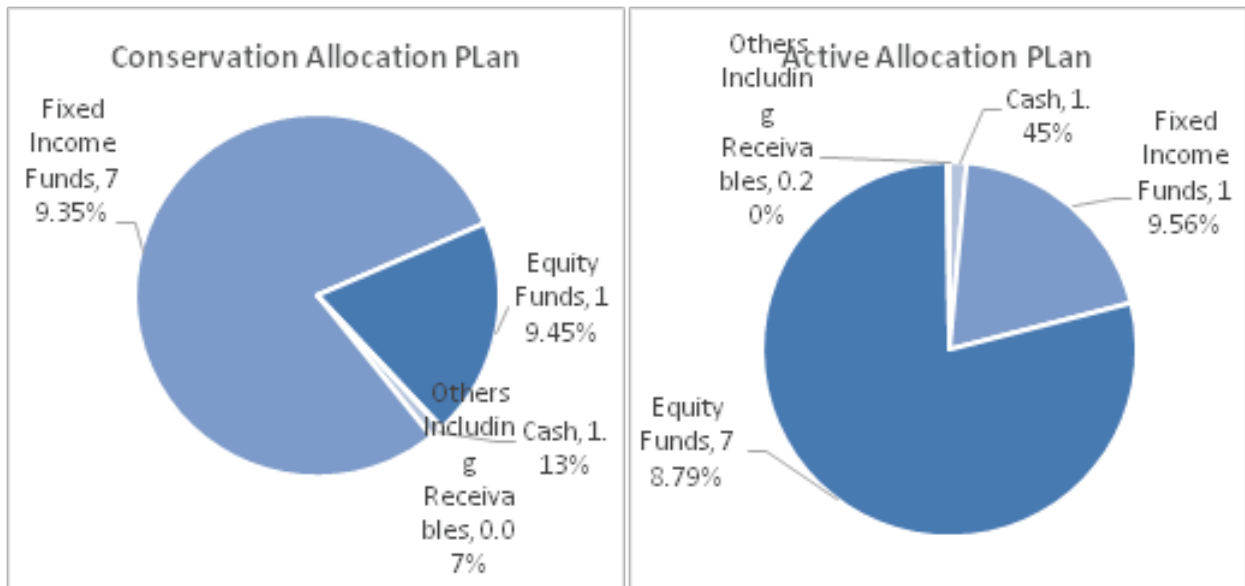
Month	Return of Fund	Benchmark
Jun-21	-0.43%	-1.95%
May-21	7.99%	8.11%
Apr-21	-3.82%	-1.55%
Mar-21	-2.43%	-2.35%
Feb-21	2.21%	2.30%
Jan-21	3.85%	3.51%
Dec-20	4.06%	4.27%
Nov-20	1.74%	2.59%
Oct-20	-0.62%	-0.76%
Sep-20	-0.84%	-0.55%
Aug-20	2.15%	2.35%
Jul-20	6.47%	7.58%



### Strategies and Policies employed during the Year

During this period, Active Allocation Plan asset allocation remained invested 79% in equity funds, while 20% was invested in fixed income funds. Conservative allocation plan invested the funds in fixed income fund and cash to the tune of 80% while 19% was invested in equity funds. Strategic Allocation Plan matured in June 2020 when it was evenly invested in fixed income and equity funds.

### Asset Allocation



### Fund Performance

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

The Islamic Capital Preservation Plan marked its maturity on October 01, 2020.

The Fund as a whole earned a total and net income of Rs. 22.76 million and Rs. 19.98 million respectively during the year under review. The fund size of the fund stood at Rs. 0.10 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. 15.30 million and Rs. 14.26 million respectively. The net assets of the Active allocation plan stood at Rs. 54 million representing Net Asset Value (NAV) of Rs. 115.8209 per unit as at June 30, 2021 as compared to Rs. 95.3020 as at June 30, 2020. The plan earned a return of 21.53% for the year under review against the benchmark return of 25.45%. The plan is invested to the extent of 79% in equity funds & 19% in fixed income funds.

### Conservative Allocation Plan

During the year under review, the Conservative allocation plan earned total and net income of Rs. 0.30 million and Rs. 0.22 million respectively. The net assets of the Conservative allocation plan stood at Rs. 51 million representing Net Asset Value (NAV) of Rs. 114.9507 per unit as at June 30, 2021 as compared to Rs. 109.3637 as at June 30, 2020. The plan earned a return of 5.11% for the year under review against the benchmark return of 10.17%. The plan is invested to the extent of 19% in equity funds & 79% in fixed income funds.

### Islamic Capital Preservation Plan

During the period under review, the Islamic Capital Preservation Plan earned a total income and net income of Rs. 7.16 million and Rs. 5.50 million respectively. The plan marked its maturity on October 01, 2020.

### Money Market Review

The Central bank maintained the interest rates in the period after a cumulative 625 bps decrease in interest rates in 2HFY20 in response to the Covid-19 pandemic. At the start of the pandemic SBP clearly stated that it will hold forward looking real interest rate at zero to cushion the impact of the Coronavirus shock on growth and employment.

As per latest data available, Islamic Banking industry assets posted 30.6% growth and stood at PKR 4,389 billion by Mar-21. Similarly, deposits of Islamic banks also witnessed a sharp growth of 28.4% YoY and reached PKR 3,457 billion by Mar-21. The government issued Energy Sukuk-II of PKR 200bn in the last quarter of FY20 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. It was widely anticipated that another Energy Sukuk will be issued in FY21 but it did not materialize. However we expect Energy Sukuk to be launched in FY22 which would provide additional avenue to invest for the Islamic financial institutions.

During FY21, Government largely managed its borrowing requirement through commercial banks. Government borrowed PKR 2,955bn from scheduled banks compared to borrowing of PKR 2,305bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 1,268bn during the period against decline in borrowing of PKR 153bn during same period last year. This further decline 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 May-21, SBP maintained status quo in the interest rates. Going forward, we feel that the monetary easing has taken place and we are at the bottom of the interest rate cycle. Due to the ongoing fourth wave of Covid-19 we expect the government to maintain status quo in the SBP policy rate for the next few months to support the recovery of the economy. The central bank has given its forward looking guidance to maintain mildly positive interest rates when economy return to full capacity. Thus we expect any future increase in the policy rate to be measured and gradual.

### Stock Market Review

The market sustained its bullish momentum in FY21 as the KMI-30 index recorded 21,626 points increase (+39.3%) during the period to close at 76,622 points. The stellar performance of the index can be attributed to 1) relative improvement in domestic COVID-19 infection and recovery rates, 2) flows into equities post 625bps cut in interest rates, 3) business friendly policies induced by the GoP and 4) Improvement in macroeconomic indicators led by strengthening currency and better current account position.



During the period construction linked industries (Cement, Steel, and Glass) rallied on the back of the monetary easing done by the SBP and government focus on construction sector. Technology sector also remained in limelight due to increasing focus on technology post Covid-19 pandemic. On the flows side, foreigners were the net sellers during FY21 and sold shares of worth USD 387mn, compared to net selling of USD 285mn during same period last year.

Pakistan equities are likely to continue the positive momentum due to cheaper valuation (trading at a Forward P/E of 6.1x against peer average 15.7x) and improvement in the macroeconomic landscape. Market participants would closely follow trend of coronavirus cases and the ensuring macro numbers. Cyclical sectors (Cement, Steel) are expected to continue their rally due to Government's push towards Naya Pakistan Housing Scheme. Textile sector is also expected to garner investors' attention due to huge export potential. Technology sector would also remain in limelight due to rerating of the sector due to improved earnings outlook. 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, 2021.

### 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	
	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held
1 – 100	4	120	6	285
101 – 500	4	875	2	676
501 – 1,000	3	2,238	-	-
1,001 – 10,000	13	52,419	2	6,898
10,001 – 100,000	8	223,059	-	-
1,000,001 – 500,000	1	183,374	1	435,071
500,001 – 1,000,000	-	-	-	-
1,000,001 – 5,000,000	-	-	-	-
5,000,001 and above	-	-	-	-
Total	33	462,085	11	442,930

### 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

	2021		2020			2019				2018			2017		
	Active Allocation Plan	Conservative Allocation Plan	Active Allocation Plan	Conservative 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)	53,519	50,915	93,567	6,692	349,769					246,911	36,546	4,282,358	194,204	58,338	4,225,557
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>															
Redemption Offer	115.8209	114.9507	95.302	109.3637	104.5929	93.3275	101.4641	100.7694	98.4892	100.4143	101.4151	100.9863	100.0133	100.0178	100.0143
	118.4385	117.5486	97.4558	111.8353		95.4367	103.7572	N/A	N/A	102.6837	103.7071	N/A	103.0137	103.0183	N/A
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>															
Highest offer price per unit	122.1632	118.2134	112.141	114.3264	100.0445	105.7171	109.1321	N/A	N/A	106.4147	104.4465	N/A	103.0671	103.3839	N/A
Lowest offer price per unit	98.5692	112.3724	89.3647	101.5362		92.8399	100.6227	N/A	N/A	98.6755	99.7455	N/A	100.0000	100.0000	N/A
Highest redemption price per unit	119.4633	115.6008	109.6626	111.7997		104.1190	106.7202	103.3382	102.3361	104.0629	102.1382	104.0473	100.0651	100.3727	100.2155
Lowest redemption price per unit	96.3908	109.8889	87.3897	99.2922		90.7881	100.2364	97.8498	96.6742	96.4947	97.5411	96.6515	100.0000	100.0000	100.0000
<b>RETURN (%)</b>															
Total return	21.53%	5.11%	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	0.00%	0.00%	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	21.53%	5.11%	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%
<b>DISTRIBUTION</b>															
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
<b>AVERAGE RETURNS (%)</b>															
Average annual return 1 year	21.53%	5.11%	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	13.61%	7.46%	-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	6.26%	5.63%	-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
<b>PORTFOLIO COMPOSITION - (%)</b>															
Percentage of Total Assets as at 30 June:															
Bank Balances	1.45%	1.13%	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	78.79%	19.45%	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	19.56%	79.35%	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	0.20%	0.07%	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.



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### 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, 2021. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adif Rashid**

Chief Executive Officer

Dated: August 26, 2021

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7th Floor  
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Clifton, Karachi

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**REPORT OF THE TRUSTEE TO THE UNIT HOLDERS**  
**HBL ISLAMIC FINANCIAL PLANNING FUND**

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

HBL Islamic Financial Planning Fund, an open-end Scheme established under a Trust Deed dated March 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund commenced its operations from June 17, 2017.

1. HBL Asset Management Company Limited, the Management Company of HBL Islamic Financial Planning Fund has, in all material respects, managed HBL Islamic Financial Planning Fund during the year ended 30<sup>th</sup> June 2021 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  
Digital Custodian Company Limited  
Formerly MCB Financial Services Limited

Karachi: September 22, 2021

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بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

September 14, 2021

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, 2021 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Financial Planning Fund (HBL-IFPF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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



Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

**Al-Hilal Shariah Advisors (Pvt) Limited**

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## INDEPENDENT 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, 2021, 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, 2021, 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 no such matters to report.

#### 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, 2021 but does not include the financial statements and our auditors' report thereon.





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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 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:





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- 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 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



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not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements**

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

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

Karachi

Date: 28 September 2021

KPMG Taseer Hadi & Co.  
Chartered Accountants



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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 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, 2021, 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, 2021.

#### **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, 2021, 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: 28 September 2021**

**Karachi**

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

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Assets and Liabilities

As at June 30, 2021

	Note	2021				2020				
		Active Allocation Plan	Conservative Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
(Rupees in '000)										
<b>ASSETS</b>										
Bank balances	4	789	584	-	1,373	454	230	2,513	326,728	329,925
Bank balances of matured plan	12	-	-	3,919	5,967	-	-	-	-	-
Investments	5	53,530	50,925	-	104,455	94,081	6,640	-	27,437	128,158
Profit receivable		5	7	-	12	3	1	1	1,740	1,745
Preliminary expenses and flotation costs	6	16	9	-	25	34	9	-	160	203
Advances and other receivable	7	92	18	-	110	92	18	-	41	151
<b>TOTAL ASSETS</b>		<b>54,432</b>	<b>51,543</b>	<b>3,919</b>	<b>111,942</b>	<b>94,664</b>	<b>6,898</b>	<b>2,514</b>	<b>356,106</b>	<b>460,182</b>
<b>LIABILITIES</b>										
Payable to the Management Company	8	22	365	1,860	2,247	22	133	6	2,223	2,384
Payable to the Trustee	9	4	3	-	7	8	1	1	29	39
Payable to Securities and Exchange Commission of Pakistan	10	16	1	18	35	22	2	22	84	130
Accrued expenses and other liabilities	11	870	257	1,406	2,533	1,045	70	2,485	4,001	7,601
Accrued expenses and other liabilities of matured plan	12	-	-	635	2,683	-	-	-	-	-
<b>TOTAL LIABILITIES</b>		<b>912</b>	<b>626</b>	<b>3,919</b>	<b>7,505</b>	<b>1,097</b>	<b>206</b>	<b>2,514</b>	<b>6,337</b>	<b>10,154</b>
<b>NET ASSETS</b>		<b>53,520</b>	<b>50,917</b>	<b>-</b>	<b>104,437</b>	<b>93,567</b>	<b>6,692</b>	<b>-</b>	<b>349,769</b>	<b>450,028</b>
<b>UNIT HOLDER'S FUND (AS PER STATEMENT ATTACHED)</b>		<b>53,520</b>	<b>50,917</b>	<b>-</b>	<b>104,437</b>	<b>93,567</b>	<b>6,692</b>	<b>-</b>	<b>349,769</b>	<b>450,028</b>
<b>CONTINGENCIES AND COMMITMENTS</b>										
	13	----- (Units) -----				----- (Units) -----				
Number of units in issue	14	462,085	442,930	-		981,790	61,190	-	3,327,376	
		----- (Rupees) -----				----- (Rupees) -----				
Net assets value per unit		115.8209	114.9507	-		95.3020	109.3637	-	105.1185	

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

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

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

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

\_\_\_\_\_  
Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Income Statement

For the year ended June 30, 2021

Note	2021				2020				
	Active Allocation Plan	Conservative Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
(Rupees in '000)									
<b>Income</b>									
	69	40	4,297	4,406	63	76	326	32,662	33,127
Profit on bank deposits calculated using the effective interest rate method									
Realised gain on sale of investment	9,639	210	2,853	12,702	3,771	1,064	17,204	24,544	46,583
Dividend income	322	107	-	429	4,259	95	-	-	4,354
Back end load	-	-	14	14	-	-	-	913	913
	10,030	357	7,164	17,551	8,093	1,235	17,530	58,119	84,977
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	5,265	(60)	-	5,205	882	150	-	785	1,817
	15,295	297	7,164	22,756	8,975	1,385	17,530	58,904	86,794
<b>Expenses</b>									
Remuneration of the Management Company	3	8	863	874	8	2	63	2,848	2,921
Sindh sales tax on remuneration of the Management Company	-	1	112	113	1	-	8	370	379
Remuneration of the Trustee	81	6	92	179	112	12	104	426	654
Annual fee to the Securities and Exchange Commission of Pakistan	16	1	18	35	22	2	21	84	129
Allocation of expenses related to registrar services, accounting, operation and valuation services	160	11	180	351	217	21	183	828	1,249
Amortisation of preliminary expenses and flotation costs	18	-	160	178	17	4	-	992	1,013
Auditors' remuneration	250	19	57	326	51	6	18	224	299
Printing charges	15	6	5	26	16	-	-	35	51
Bank charges	21	14	1	36	21	20	21	26	88
Fees and subscription	6	-	21	27	5	1	3	18	27
Shariah advisory fee	171	5	47	223	34	4	23	144	205
Tax on bank profit	-	-	-	-	-	-	7	-	7
	741	71	1,556	2,368	504	72	451	5,995	7,022
Net income from operating activities	14,554	226	5,608	20,388	8,471	1,313	17,079	52,909	79,772
Provision for Sindh Workers' Welfare Fund	(291)	(5)	(112)	(408)	(169)	(26)	(342)	(1,058)	(1,595)
Net income for the year before taxation	14,263	221	5,496	19,980	8,302	1,287	16,737	51,851	78,177
Taxation	-	-	-	-	-	-	-	-	-
Net income for the year after taxation	14,263	221	5,496	19,980	8,302	1,287	16,737	51,851	78,177
Allocation of net income for the year after taxation									
Net income for the year after taxation	14,263	221	5,496		8,302	1,287	16,737	51,851	
Income already paid on redemption of units	(9,152)	(176)	(2,853)		-	(730)	(16,737)	(12,817)	
	5,111	45	2,643		8,302	557	-	39,034	
Accounting income available for distribution									
Relating to capital gains	5,111	-	-		-	-	-	-	
Excluding capital gains	-	45	2,643		8,302	557	-	39,034	
	5,111	45	2,643		8,302	557	-	39,034	
Earnings per unit									

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

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Comprehensive Income

For the year ended June 30, 2021

	2021				2020				
	Active Allocation Plan	Conservative 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 for the year / period after taxation	14,263	221	5,496	19,980	8,302	1,287	16,737	51,851	78,177
Other comprehensive income for the year	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year / period	<u>14,263</u>	<u>221</u>	<u>5,496</u>	<u>19,980</u>	<u>8,302</u>	<u>1,287</u>	<u>16,737</u>	<u>51,851</u>	<u>78,177</u>

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

For HBL Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



# HBL ISLAMIC FINANCIAL PLANNING FUND

## Cash Flow Statement

For the year ended June 30, 2021

	2021				2020				
	Active Allocation Plan	Conservative 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) -----									
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>									
Net income for the year / period before taxation	14,263	221	5,496	19,980	8,302	1,287	16,737	51,851	78,177
Adjustments for:									
Profit on bank deposits	(69)	(40)	(4,297)	(4,406)	(63)	(76)	(326)	(32,662)	(33,127)
Realised (gain) on sale of investment - net	(9,639)	(210)	(2,853)	(12,702)	(3,771)	(1,064)	(17,204)	(24,544)	(46,583)
Unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	(5,265)	60	-	(5,205)	(882)	(150)	-	(785)	(1,817)
Amortisation of preliminary expenses and flotation costs	18	-	160	178	17	4	-	992	1,013
<b>Cash generated from / (used in) operations before working capital changes</b>	<b>(692)</b>	<b>31</b>	<b>(1,494)</b>	<b>(2,155)</b>	<b>3,603</b>	<b>1</b>	<b>(793)</b>	<b>(5,148)</b>	<b>(2,337)</b>
<i>Decrease / (increase) in assets</i>									
Investments	55,455	(44,135)	30,290	41,610	54,745	12,144	2,167,911	114,612	2,349,412
Preliminary expenses and flotation costs	-	-	-	-	-	-	-	-	-
Other receivables	-	-	41	41	-	-	-	(41)	(107)
Receivable against sale of investments	-	-	-	-	-	-	-	-	-
	55,455	(44,135)	30,331	41,651	54,679	12,144	2,167,911	114,571	2,349,305
<i>(Decrease) / increase in liabilities</i>									
Payable to the Management Company	-	232	(363)	(131)	9	131	(407)	7	(260)
Payable to the Trustee	(4)	2	(29)	(31)	(5)	(1)	(210)	(9)	(225)
Payable to Securities and Exchange Commission of Pakistan	(6)	(1)	(66)	(73)	(169)	(21)	(3,888)	(250)	(4,328)
Accrued expenses and other liabilities	(175)	187	(2,595)	(2,583)	909	5	(386)	3,991	4,519
Accrued expenses and other liabilities of matured plan	-	-	635	635	-	-	-	-	-
	(185)	420	(2,418)	(2,183)	744	114	(4,891)	3,739	(294)
	54,578	(43,684)	26,419	37,313	59,026	12,259	2,162,227	113,162	2,346,674
Profit received on bank deposits	67	34	6,037	6,138	63	79	336	34,328	34,806
<b>Net cash generated from / (used in) operating activities</b>	<b>54,645</b>	<b>(43,650)</b>	<b>32,456</b>	<b>43,451</b>	<b>59,089</b>	<b>12,338</b>	<b>2,162,563</b>	<b>147,490</b>	<b>2,381,480</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>									
Receipts from issue of units	23,735	74,874	2,310	100,919	3,658	6,231	-	18,659	28,548
Payment against redemption of units	(78,045)	(30,870)	(354,932)	(463,847)	(59,416)	(18,265)	(2,162,490)	(152,722)	(2,392,893)
Dividend paid	-	-	(2,643)	(2,643)	(3,614)	(127)	-	(21,418)	(25,159)
Net cash (used in) / generated from financing activities	(54,310)	44,004	(355,265)	(365,571)	(59,372)	(12,161)	(2,162,490)	(155,481)	(2,389,504)
Net (decrease) / increase in cash and cash equivalents	335	354	(322,809)	(322,120)	(283)	177	73	(7,991)	(8,024)
Cash and cash equivalents at the beginning of the year	454	230	326,728	327,412	737	53	2,440	334,719	337,949
Cash and cash equivalents of matured plan at the end of the year	-	-	-	2,048	-	-	-	-	-
Cash and cash equivalents at the end of the year	<b>789</b>	<b>584</b>	<b>3,919</b>	<b>7,340</b>	<b>454</b>	<b>230</b>	<b>2,513</b>	<b>326,728</b>	<b>329,925</b>
Cash and cash equivalents at the end of the year includes:									
Bank balances	789	584	3,284	1,373	454	230	2,513	326,728	329,925
Bank balances of matured plan	-	-	635	5,967	-	-	-	-	-
	<b>789</b>	<b>584</b>	<b>3,919</b>	<b>7,340</b>	<b>454</b>	<b>230</b>	<b>2,513</b>	<b>326,728</b>	<b>329,925</b>

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

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2021

Note	Active Allocation Plan					
	2021			2020		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
----- (Rupees in '000) -----						
Net assets at beginning of the year	100,158	(6,591)	93,567	155,916	(11,279)	144,637
Issuance of 202,299 units (2020: 75,855 units)						
Capital value (at net asset value per unit at the beginning of the year)	19,280	-	19,280	7,079	-	7,079
Element of loss	4,455	-	4,455	(3,421)	-	(3,421)
<b>Total proceeds on issuance of units</b>	<b>23,735</b>	<b>-</b>	<b>23,735</b>	<b>3,658</b>	<b>-</b>	<b>3,658</b>
Redemption of 722,004 units (2020: 643,841 units)						
Capital value (at net asset value per unit at the beginning of the year)	(68,808)	-	(68,808)	(60,088)	-	(60,088)
Element of income / (loss)	(85)	(9,152)	(9,237)	672	-	672
<b>Total payments on redemption of units</b>	<b>(68,893)</b>	<b>(9,152)</b>	<b>(78,045)</b>	<b>(59,416)</b>	<b>-</b>	<b>(59,416)</b>
Total comprehensive income for the year	-	14,263	14,263	-	8,302	8,302
Interim distribution for the year ended June 30, 2021: Nil	14.1	-	-	-	(3,614)	(3,614)
<b>Net assets at end of the year</b>	<b>55,000</b>	<b>(1,480)</b>	<b>53,520</b>	<b>100,158</b>	<b>(6,591)</b>	<b>93,567</b>
Undistributed income brought forward						
Realised income		(7,473)			443	
Unrealised loss		882			(11,722)	
		<u>(6,591)</u>			<u>(11,279)</u>	
<b>Accounting Income / (Loss) available for distribution</b>						
- Relating to capital gains		5,111			4,653	
- Excluding capital gains		-			3,649	
		<u>5,111</u>			<u>8,302</u>	
Interim distribution for the year ended June 30, 2021: Nil		-			(3,614)	
<b>Accumulated loss carried forward</b>		<u><u>(1,480)</u></u>			<u><u>(6,591)</u></u>	
<b>Accumulated loss carried forward comprises of</b>						
Realised (loss) / income		(6,745)			(7,473)	
Unrealised income / (loss)		5,265			882	
		<u><u>(1,480)</u></u>			<u><u>(6,591)</u></u>	
				(Rupees)		(Rupees)
Net assets value per unit at beginning of the year			<u>95.3020</u>			<u>93.3275</u>
Net assets value per unit at end of the year			<u>115.8209</u>			<u>95.3020</u>

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

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

**HBL ISLAMIC FINANCIAL PLANNING FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2021

Note	Conservative Allocation Plan					
	2021			2020		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
<b>Net assets at beginning of the year</b>	5,669	1,023	6,692	16,975	593	17,568
<b>Issuance of 660,716 units (2020: 58,482 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	72,258	-	72,258	5,933	-	5,933
Element of income / (loss)	2,616	-	2,616	52	-	52
<b>Total proceeds on issuance of units</b>	<b>74,874</b>	<b>-</b>	<b>74,874</b>	<b>5,985</b>	<b>-</b>	<b>5,985</b>
<b>Redemption of 278,976 units (2020: 170,432 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	(30,509)	-	(30,509)	(17,292)	-	(17,292)
Element of (loss) / income	(185)	(176)	(361)	1	(730)	(729)
<b>Total payments on redemption of units</b>	<b>(30,694)</b>	<b>(176)</b>	<b>(30,870)</b>	<b>(17,291)</b>	<b>(730)</b>	<b>(18,021)</b>
Total comprehensive income for the year	-	221	221	-	1,287	1,287
Interim distribution for the year ended June 30, 2021: Nil	-	-	-	-	(127)	(127)
Refund of capital	-	-	-	-	-	-
<b>Total Distribution</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(127)</b>	<b>(127)</b>
<b>Net assets at end of the year</b>	<b>49,849</b>	<b>1,068</b>	<b>50,917</b>	<b>5,669</b>	<b>1,023</b>	<b>6,692</b>
Undistributed income brought forward						
Realised income		873			1,205	
Unrealised loss		150			(612)	
		<u>1,023</u>			<u>593</u>	
<b>Accounting Income / (Loss) available for distribution</b>						
- Relating to capital gains		-			486	
- Excluding capital gains		45			71	
		<u>45</u>			<u>557</u>	
Interim distribution for the year ended June 30, 2021: Nil		-			(127)	
<b>Undistributed income carried forward</b>		<b>1,068</b>			<b>1,023</b>	
<b>Undistributed income carried forward comprises of</b>						
Realised income / (loss)		1,128			873	
Unrealised income / (loss)		(60)			150	
		<u>1,068</u>			<u>1,023</u>	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			<u>109.3637</u>			<u>101.4641</u>
<b>Net assets value per unit at end of the year</b>			<u>114.9507</u>			<u>109.3637</u>

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

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2021

Islamic Capital Preservation Plan						
Note	2021			2020		
	Capital value	Undistributed income	Total	Capital value	Accumulated loss	Total
(Rupees in '000)						
Net assets at beginning of the year	334,662	15,107	349,769	455,908	(2,509)	453,399
<b>Issuance of 46,728 units (2020: 381,584 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	4,912	-	4,912	37,961	-	37,961
Element of income / (loss)	(2,602)	-	(2,602)	(19,302)	-	(19,302)
<b>Total proceeds on issuance of units</b>	<b>2,310</b>	<b>-</b>	<b>2,310</b>	<b>18,659</b>	<b>-</b>	<b>18,659</b>
<b>Redemption of 3,374,104 units (2020: 1,611,718 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	(354,681)	-	(354,681)	(160,340)	-	(160,340)
Element of (loss) / income	2,602	(2,853)	(251)	20,435	(12,817)	7,618
<b>Total payments on redemption of units</b>	<b>(352,079)</b>	<b>(2,853)</b>	<b>(354,932)</b>	<b>(139,905)</b>	<b>(12,817)</b>	<b>(152,722)</b>
Total comprehensive income for the year	-	5,496	5,496	-	51,851	51,851
Interim distribution for the year ended 30 June 2021: 0.80 per unit declared on 29 Sep 2020	-	(2,643)	(2,643)	-	(21,418)	(21,418)
Refund of capital	-	-	-	-	-	-
<b>Total Distribution</b>	<b>-</b>	<b>(2,643)</b>	<b>(2,643)</b>	<b>-</b>	<b>(21,418)</b>	<b>(21,418)</b>
<b>Net assets at end of the period</b>	<b>(15,107)</b>	<b>15,107</b>	<b>-</b>	<b>334,662</b>	<b>15,107</b>	<b>349,769</b>
<b>Undistributed loss brought forward</b>						
Realised		14,322			21,387	
Unrealised		785			(23,896)	
		<u>15,107</u>			<u>(2,509)</u>	
<b>Accounting income / (loss) available for distribution</b>						
- Relating to capital gains		-			17,422	
- Excluding capital gains		2,643			21,612	
		<u>2,643</u>			<u>39,034</u>	
Interim distribution for the year ended 30 June 2021: 0.80 per unit declared on 29 Sep 2020		(2,643)			(21,418)	
<b>Undistributed income / (accumulated loss) carried forward comprises of</b>		<u>15,107</u>			<u>15,107</u>	
<b>Undistributed income / (accumulated loss) carried forward comprises of</b>						
Realised income		15,107			14,322	
Unrealised income / (loss)		-			785	
		<u>15,107</u>			<u>15,107</u>	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the period</b>			<u>105.1185</u>			<u>99.4840</u>
<b>Net assets value per unit at end of the period</b>			<u>-</u>			<u>105.1185</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

**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 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. HBL Islamic Financial Planning Fund - Strategic Allocation Plan has matured on June 16, 2020 and its remaining assets and liabilities are shown in note 12.
  - 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 providing capital preservation on the initial amount excluding front end load upon maturity of the allocation plan. The duration of this plan was 24 months (Two Years). Islamic Capital Preservation Plan has matured on October 1, 2021 and its remaining assets and liabilities are shown in note 12.
- 1.5** VIS Credit Rating Company has assigned a management quality rating of 'AM2++' (AM Two Plus Plus) to the Management Company as on 31 December 2020 (June 2020:'AM2++').
- 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**

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. Many governments are still taking stringent steps to help contain the spread of the virus, including vaccination campaigns, requiring self-isolation/quarantine by those potentially affected, implementing social distancing measures, and controlling or closing borders and “locking-down” cities/regions or even entire countries. Subsequent to the reporting date, the provincial government imposed complete lockdown only in Sindh amid increasing COVID-19 cases. This would result in disruption in business activities due to uncertainties created by the fourth wave of COVID-19 which could affect the overall operations and the business in future requiring close monitoring by the management as it is an alarming situation for overall economy of Pakistan. 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. 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 would be no significant impact that will adversely affect the operations and financial position of the Fund in future periods.

## **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, 2020 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, 2021:

- Interest Rate Benchmark Reform – Phase 2 which amended IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 is applicable for annual financial periods beginning on or after January 1, 2021, with earlier application permitted. The amendments introduce a practical expedient to account for modifications of financial assets or financial liabilities if a change results directly from IBOR reform and occurs on an ‘economically equivalent’ basis. In these cases, changes will be accounted for by updating the effective interest rate. A similar practical expedient will apply under IFRS 16 for lessees when accounting for lease modifications required by IBOR reform. The amendments also allow a series of exemptions from the regular, strict rules around hedge accounting for hedging relationships directly affected by the interest rate benchmark reforms. The amendments apply retrospectively with earlier application permitted. Hedging relationships previously discontinued solely because of changes resulting from the reform will be reinstated if certain conditions are met. The amendments are not likely to affect the financial statements of the Fund.

- COVID-19-Related Rent Concessions (Amendment to IFRS 16) – the International Accounting Standards Board (the Board) 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. The practical expedient introduced in the 2020 amendments only applied to rent concessions for which any reduction in lease payments affected payments originally due on or before June 30, 2021. In light of persistence of economic challenges posed by the COVID-19 pandemic, the Board has extended the practical expedient for COVID-19 related rent concessions by one year i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

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, 2022; and
- there is no substantive change to the other terms and conditions of the lease.

The amendments are not likely to affect the financial statements of the Fund.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual periods beginning on or after January 1, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprises 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. The amendments are not likely to affect the financial statements of the Fund.
- The following annual improvements to IFRS Standards 2018-2020 are effective for annual reporting periods beginning on or after January 1, 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 not likely to affect the financial statements of the Fund.



- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for annual periods beginning on or after 1 January 2022 clarifies that sales proceeds and costs 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 amendments are not likely to affect the financial statements of the Fund.
- Reference to the Conceptual Framework (Amendments to IFRS 3) - Reference to the Conceptual Framework, issued in May 2020, amended paragraphs 11, 14, 21, 22 and 23 of and added paragraphs 21A, 21B, 21C and 23A to IFRS 3. An entity shall apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022. Earlier application is permitted if at the same time or earlier an entity also applies all the amendments made by Amendments to References to the Conceptual Framework in IFRS Standards, issued in March 2018. The amendments are not likely to affect the financial statements of the Fund.
- Classification of liabilities as current or non-current (Amendments to IAS 1) amendments apply retrospectively for the annual periods beginning on or after January 1, 2023. 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. The amendments are not likely to affect the financial statements of the Fund.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. The amendments are not likely to affect the financial statements of the Fund.

- Definition of Accounting Estimates (Amendments to IAS 8) – The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 1, 2023, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments. The amendments are not likely to affect the financial statements of the Fund.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) – The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 with earlier application permitted. The amendments are not likely to affect the financial statements of the Fund.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) – The amendment amends accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review. The amendments are not likely to affect the financial statements of the Fund.

## **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:

<b>Financial assets at FVTPL</b>	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.
<b>Financial assets at amortised cost</b>	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.
<b>Debt securities at FVOCI</b>	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.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

The fair value of financial assets are determined as follows:

#### **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

	2021				2020					
	Active Allocation Plan	Conservative 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')									
Savings accounts	4.1	789	584	-	1,373	454	230	2,513	326,728	329,925



4.1 This represents bank accounts held with various banks. Mark-up rates on these accounts range between 3.00% to 7.00% (2020 : 6% to 13.25%) per annum.

## 5. INVESTMENTS

	2021				2020					
	Active Allocation Plan	Conservative 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')									
Investments by category At fair value through profit or loss										
Units of mutual funds	5.1	53,530	50,925	-	104,455	94,081	6,640	-	27,437	128,151

### 5.1 Units of mutual funds

Name of Investee Funds	As at July 1, 2020	Purchased during the year	Redeemed during the year	As at June 30, 2021	Total carrying value as at June 30, 2021	Total market value as at June 30, 2021	Appreciation/ (diminution) as at June 30, 2021	Market value as a percentage of net assets	Market value as a percentage of total value of Investment
	Number of Units				(Rupees in '000')			-----%-----	
<b>Active Allocation Plan</b>									
HBL Islamic Dedicated Equity Fund	-	251,913	251,913	-	-	-	-	-	-
HBL Islamic Equity Fund	373,142	281,718	246,721	408,139	37,643	42,885	5,242	80.13	80.11
HBL Islamic Income Fund	467,208	45,713	408,303	104,618	10,621	10,645	24	19.89	19.89
HBL Islamic Stock Fund	188,995	-	188,995	-	-	-	-	-	-
	<u>1,029,345</u>	<u>579,344</u>	<u>1,095,932</u>	<u>512,757</u>	<u>48,264</u>	<u>53,530</u>	<u>5,266</u>	<u>100.02</u>	<u>100.00</u>
<b>Conservative Allocation Plan</b>									
HBL Islamic Dedicated Equity Fund	-	3,425	3,425	-	-	-	-	-	-
HBL Islamic Equity Fund	17,300	112,588	34,465	95,423	10,172	10,026	(146)	19.69	19.69
HBL Islamic Income Fund	52,179	468,140	118,365	401,954	40,812	40,899	87	80.32	80.31
	<u>69,479</u>	<u>584,153</u>	<u>156,255</u>	<u>497,377</u>	<u>50,984</u>	<u>50,925</u>	<u>(59)</u>	<u>100.01</u>	<u>100.00</u>
<b>Islamic Capital Preservation Plan</b>									
HBL Islamic Dedicated Equity Fund	313,411	-	313,411	-	-	-	-	-	-
	<u>313,411</u>	<u>-</u>	<u>313,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total as at June 30, 2021</b>	<b>1,412,235</b>	<b>1,163,497</b>	<b>1,565,598</b>	<b>1,010,134</b>	<b>99,248</b>	<b>104,455</b>	<b>5,207</b>		

## 6. PRELIMINARY EXPENSES AND FLOTATION COSTS

	2021				2020				
	Active Allocation Plan	Conservative 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')								
Opening balance	34	9	160	203	51	13	-	1,152	1,216
Cost incurred during the year / period	-	-	-	-	-	-	-	-	-
Less: amortised during the year / period	(18)	-	(160)	(178)	(17)	(4)	-	(992)	(1,013)
Closing balance	<u>16</u>	<u>9</u>	<u>-</u>	<u>25</u>	<u>34</u>	<u>9</u>	<u>-</u>	<u>160</u>	<u>203</u>

## 7. ADVANCE AND OTHER RECEIVABLE

	2021				2020					
	Active Allocation Plan	Conservative 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')									
Advance tax	7.1	92	18	-	110	92	18	-	41	151
Receivable against sale of investment	-	-	-	-	-	-	-	-	-	-
	<u>92</u>	<u>18</u>	<u>-</u>	<u>110</u>	<u>92</u>	<u>18</u>	<u>-</u>	<u>41</u>	<u>151</u>	

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	2021				2020				
	Active Allocation Plan	Conservative 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	1	1	-	2	-	-	4	264	268
Sindh Sales Tax on Management Company's remuneration	-	-	-	-	-	-	-	34	34
Allocation of expenses related to registrar services, accounting, operation and valuation services	8	6	-	14	15	1	2	58	76
Sales load payable	13	358	-	371	7	132	-	7	146
	<b>22</b>	<b>365</b>	<b>1,860</b>	<b>2,247</b>	<b>22</b>	<b>133</b>	<b>6</b>	<b>2,223</b>	<b>2,384</b>

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% (2020: 1.5% to 2.00%) 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, 2020: 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

Note	2021				2020				
	Active Allocation Plan	Conservative Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
	(Rupees in '000)								
Remuneration payable to the Trustee	4	3	-	7	8	1	1	29	39
	<b>4</b>	<b>3</b>	<b>-</b>	<b>7</b>	<b>8</b>	<b>1</b>	<b>1</b>	<b>29</b>	<b>39</b>

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

9.2 Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2021, 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**

	2021				2020				
	Active Allocation Plan	Conservative Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
Note									
Annual fee payable	(Rupees in '000)								
10.1	16	1	18	35	22	2	22	84	130
	16	1	18	35	22	2	22	84	130

**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**

	2021				2020				
	Active Allocation Plan	Conservative 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	4	1	2	7	643	21	-	2,108	2,772
Provision for Sindh Workers' Welfare Fund	541	49	1,170	1,760	250	45	1,949	1,058	3,302
Shariah advisory fee	62	2	8	72	3	-	2	11	16
Printing charges	-	4	13	17	10	-	6	25	41
Auditors' remuneration	188	16	-	204	37	4	23	144	208
Others	49	-	208	257	36	-	505	5	546
Dividend Payable	26	-	5	31	66	-	-	650	716
Payable against redemption of units	-	185	-	185	-	-	-	-	-
	870	257	1,406	2,533	1,045	70	2,485	4,001	7,601

**11.1 Workers' Welfare Fund and Sindh Workers' Welfare Fund**

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

However, subsequent to current year ended, the SRB through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Company's (AMCs) are covered under the term "financial institutions" as per the Sindh WWF Act 2014 and are therefore subject to SWWF charge whereas as the Mutual Funds/Pension Funds managed by those AMCs do not qualify as "financial institutions" as per SWWF Act 2014.

In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB. MUFAP has obtained concurrence from SECP on this matter as well.

In these financial statements the Fund has recognised provision for SWWF amounting to Rs. 0.541 million, 0.005 million, 1.17 million in Active, Conservative and Islamic Capital Preservation Plan respectively for the period from July 1, 2014 till June 30, 2021 which were reversed subsequently as on August 13, 2021. Had the provision not being made, the net asset value per unit as at June 30, 2021 would have been higher by Rs. 1.1078 (2020: Rs. 0.2546) per unit, Rs. 0.1106 (2020: Rs. 0.7363) , Nil (2020: Rs. 0.3215) in Active, Conservative and Islamic Capital Preservation Plan respectively.

12. This represents bank balances amounting to Rs. 2.048 million and accrued liabilities amounting to Rs. 2.048 million of Strategic Allocation Plan matured on 16 June 2020. Moreover, bank balances amounting to Rs. 3.919 million which includes 0.635 million relating to accrued liabilities of Islamic Capital Preservation Plan matured on 1 October 2021. The accrued liabilities include provision in respect of various contingencies which if not materialize will be reversed and the amounts will be refunded to the unitholders.

### 13. CONTINGENCIES AND COMMITMENTS

Other than already disclosed in the financial statement , there are no contingencies and commitments as at June 30, 2021.

### 14. NUMBER OF UNITS IN ISSUE

	2021				2020				
	Active Allocation Plan	Conservative 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	981,790	61,190	3,327,376	4,370,356	1,549,776	173,140	21,293,694	4,557,510	27,574,120
Units issued during the year / period	202,299	660,716	46,728	909,743	75,855	58,482	-	381,584	515,921
Less: units redeemed during the year / period+B173	(722,004)	(278,976)	(3,374,104)	(4,375,084)	(643,841)	(170,432)	(21,293,694)	(1,611,718)	(23,719,685)
Total units in issue at the end of the year	462,085	442,930	-	905,015	981,790	61,190	-	3,327,376	4,370,356

- 14.1 The Management Company on September 29, 2020, has declared distribution of Rs. 0.8000 per unit for IFPF - Islamic Capital Preservation (ICPP) (for full year) respectively. The aggregate cash distribution is Rs. 2.643 million for IFPF - Islamic Capital Preservation (ICPP).

### 15. AUDITOR'S REMUNERATION

	2021				2020				
	Active Allocation Plan	Conservative 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	151	11	17	179	30	4	11	134	179
Fee for half year review	45	8	24	77	13	2	5	57	77
Other certifications and out of pocket	54	-	16	70	8	-	2	33	43
	250	19	57	326	51	6	18	224	299

### 16. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund has distributed more than 90% of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the period. Accordingly, no provision has been made in the financial statements for the period ended June 30, 2021.

## 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

	2021									Total
	Active Allocation Plan			Conservative Allocation Plan			Islamic Capital Preservation Plan			
	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)										
<b>Financial assets</b>										
Bank balances	-	789	789	-	584	584	-	-	-	1,373
Investments - net	53,530	-	53,530	50,925	-	50,925	-	-	-	104,455
Preliminary expenses and flotation costs	-	16	16	-	9	9	-	-	-	25
Advances and other receivable	-	92	92	-	18	18	-	-	-	110
Profit receivable	-	5	5	-	7	7	-	-	-	12
	<b>53,530</b>	<b>902</b>	<b>54,432</b>	<b>50,925</b>	<b>618</b>	<b>51,543</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,975</b>
<b>Financial liabilities</b>										
Payable to the Management Company	-	22	22	-	365	365	-	1,860	1,860	2,247
Payable to the Trustee	-	4	4	-	3	3	-	-	-	7
Accrued expenses and other liabilities	-	325	325	-	207	207	-	234	234	766
	<b>-</b>	<b>351</b>	<b>351</b>	<b>-</b>	<b>575</b>	<b>575</b>	<b>-</b>	<b>2,094</b>	<b>2,094</b>	<b>3,020</b>

	2020												Total
	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation Plan			Islamic Capital Preservation Plan			
	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)													
<b>Financial assets</b>													
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
Preliminary expenses and flotation costs	-	34	34	-	9	9	-	-	-	-	160	160	203
Advances and other receivable	-	92	92	-	18	18	-	-	-	-	41	41	151
Profit receivable	-	3	3	-	1	1	-	1	1	-	1,740	1,740	1,745
	<b>94,081</b>	<b>583</b>	<b>94,664</b>	<b>6,640</b>	<b>258</b>	<b>6,898</b>	<b>-</b>	<b>2,514</b>	<b>2,514</b>	<b>27,437</b>	<b>328,669</b>	<b>356,106</b>	<b>460,182</b>
<b>Financial liabilities</b>													
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
	<b>-</b>	<b>181</b>	<b>181</b>	<b>-</b>	<b>138</b>	<b>138</b>	<b>-</b>	<b>543</b>	<b>543</b>	<b>-</b>	<b>3,050</b>	<b>3,050</b>	<b>3,912</b>

## 19. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units				Payable against redemption of units				
	Active Allocation Plan	Conservative 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 as at July 1, 2020	-	-	-	-	-	-	-	-	-
Receivable against issuance of units	23,735	74,874	2,310	100,919	-	-	-	-	-
Payable against redemption of units	-	-	-	-	78,045	30,870	2,145,753	354,932	2,609,600
Amount received on issuance of units	(23,735)	(74,874)	(2,310)	(100,919)	-	-	-	-	-
Amount paid on redemption of units	-	-	-	-	(78,045)	(30,870)	(2,145,753)	(354,932)	(2,609,600)
Closing balance as at June 30, 2021	-	-	-	-	-	-	-	-	-

## 20. 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 terms of the NBFC Regulations and the Trust Deed respectively.

Transactions and balances with parties who were connected persons due to holding 10% or more of the shares in the comparative period and not in the current period are not disclosed in the comparative period.

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

## 20.1 Transactions during the year / period

	2021				2020				
	Active Allocation Plan	Conservative Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
(Rupees in '000)									
<b>HBL Asset Management Limited - Management Company</b>									
Remuneration of the Management Company	3	8	863	874	8	2	63	2,848	2,921
Sindh Sales Tax on remuneration of the Management Company	-	1	112	113	1	-	8	370	379
Allocation of expenses related to registrar services, accounting, operation and valuation services	160	11	180	351	217	21	183	828	1,249
Issue of 618,445 units (2020: 464 units)	21,611	50,000	-	71,611	44	-	-	-	44
Dividend Paid	-	-	-	-	44	0	0	0	44
<b>Habib Bank Limited - Sponsor</b>									
Profit on deposits with bank	60	38	4,773	4,871	36	11	148	9,270	9,465
Bank Charges	21	14	1	36	20	19	21	26	86
<b>MCB Financial Services Limited - Trustee</b>									
Remuneration of the Trustee	81	6	92	179	112	12	104	426	654
<b>HBL Islamic Income Fund</b>									
Purchase of 45,713 (2020: 163,912) units	4,642	-	-	4,642	16,638	-	-	-	16,638
Purchase of 468,140 (2020: 87,252) units	-	47,585	-	47,585	-	9,017	-	-	9,017
Purchase of Nil (2020: 55,353) units	-	-	-	-	-	-	5,733	-	5,733
Redemption of 408,303 (2020: 535,144) units	42,489	-	-	42,489	55,856	-	-	-	55,856
Redemption of 118,365 (2020: 175,098) units	-	12,123	-	12,123	-	18,769	-	-	18,769
Redemption of Nil (2020: 21,259,349) units	-	-	-	-	-	-	2,168,358	-	2,168,358
Dividend Income	-	-	-	-	4,162	93	-	-	4,255
<b>HBL Islamic Equity Fund</b>									
Purchase of 281,718 (2020: 130,036) units	29,155	-	-	29,155	10,037	-	-	-	10,037
Purchase of 112,588 (2020: 15,426) units	-	11,671	-	11,671	-	1,231	-	-	1,231
Purchase of 129,551 (2020: 129,551) units	-	-	-	-	-	-	10,000	-	10,000
Redemption of 246,721 (2020: 59,486) units	24,091	-	-	24,091	5,433	-	-	-	5,433
Redemption of 34,465 (2020: 38,748) units	-	3,018	-	3,018	-	3,352	-	-	3,352
Redemption of 129,551 (2020: 129,551) units	-	-	-	-	-	-	11,138	-	11,138
Dividend Income	-	-	-	-	37	2	-	-	39
<b>HBL Islamic Money Market Fund</b>									
Purchase of Nil (2020: Nil) units	-	-	-	-	-	-	-	-	-
Redemption of Nil (2020: nil) units	-	-	-	-	-	-	-	142	142
<b>HBL Islamic Stock Fund</b>									
Purchase of Nil (2020: 22,861) units	-	-	-	-	1,993	-	-	-	1,993
Purchase of Nil (2020: 6,980) units	-	-	-	-	-	578	-	-	578
Purchase of Nil (2020: Nil) units	-	-	-	-	-	-	-	-	-
Redemption of 188,995 (2020: 226,956) units	21,786	-	-	21,786	21,503	-	-	-	21,503
Redemption of Nil (2020: 9,700) units	-	-	-	-	-	850	-	-	850
Redemption of Nil (2020: Nil) units	-	-	-	-	-	-	-	-	-
Dividend Income	-	-	-	-	60	-	-	-	60
<b>HBL Islamic Dedicated Fund</b>									
Purchase of 251,913 (2020: 161,125) units	24,600	-	-	24,600	12,000	-	-	-	12,000
Purchase of 3,425 (2020: 241,688) units	-	362	-	362	-	-	18,000	-	18,000
Purchase of Nil (2020: 2,827,957) units	-	-	-	-	-	-	-	231,000	231,000
Redemption of 251,913 (2020: 161,125) units	25,487	-	-	25,487	12,623	-	-	-	12,623
Redemption of 3,425 (2020: 241,688) units	-	341	-	341	-	-	22,147	-	22,147
Redemption of 313,411 (2020: 3,905,184) units	-	-	30,290	30,290	-	-	-	345,458	345,458
<b>New Jubilee Insurance Co. Limited Staff Provident Fund Associate</b>									
Issue of 402 units (2020: 3,238 units)	-	-	43	43	-	-	-	340	340
Redemption of 53,649 (2020: Nil) units	-	-	5,685	5,685	-	-	-	-	-
Dividend Paid	-	-	-	-	-	-	-	340	340

## 20.2 Balances outstanding as at year / period end

	2021				2020				
	Active Allocation Plan	Conservative Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
(Rupees in '000)									
<b>HBL Asset Management Limited - Management Company</b>									
Remuneration payable to the Management Company	1	1	-	2	-	-	4	264	268
Sindh Sales Tax payable on remuneration of the Management Company	-	-	-	-	-	-	-	34	34
Sales load payable	13	358	-	371	7	132	-	7	146
Allocation of expenses related to registrar services, accounting, operation and valuation services	8	6	-	14	15	1	2	58	76
Formation Cost payable	-	-	1,860	1,860	-	-	-	1,860	1,860
Units held 618,445 units (June 30, 2020: 12,039 units)	21,079	50,390	-	71,469	1,147	-	-	-	1,147
<b>Habib Bank Limited - Sponsor</b>									
Mark-up receivable on deposits with bank	5	7	1,607	1,619	2	1	1	1,721	1,725
Balance in savings account	776	560	1,687	3,023	281	208	2,467	323,811	326,767
Units held 684,657 units (June 30, 2020: 684,657 units)	-	-	-	-	-	-	-	70,013	70,013
<b>MCB Financial Services Limited - Trustee</b>									
Remuneration payable to the Trustee	4	3	-	7	8	1	1	29	39
<b>Malik Habib Ur Rehman Awan - Connected Person due to 10% holding</b>									
Units held 71,172 units (June 30, 2020: Nil units)	8,243	-	-	8,243	-	-	-	-	-
<b>HBL Islamic Income Fund</b>									
Units held 104,617 (2020: 467,207)	10,645	-	-	10,645	47,436	-	-	-	47,436
Units held 401,954 (2020: 52,179)	-	40,899	-	40,899	-	5,298	-	-	5,298
<b>HBL Islamic Equity Fund</b>									
Units held 408,139 (2020: 373,142)	42,885	-	-	42,885	28,945	-	-	-	28,945
Units held 95,424 (2020: 17,300)	-	10,026	-	10,026	-	1,342	-	-	1,342
Units held Nil (2020: Nil)	-	-	-	-	-	-	-	-	-
<b>HBL Islamic Stock Fund</b>									
Units held Nil (2020: 188,995)	-	-	-	-	17,701	-	-	-	17,701
Units held Nil (2020: Nil)	-	-	-	-	-	-	-	-	-
<b>HBL Islamic Dedicated Equity Fund</b>									
Units held Nil (2020: 313,411)	-	-	-	-	-	-	-	27,437	27,437

\* Units as at June 30, 2021 are calculated on the basis of latest announced NAV i.e June 30, 2021.

## 21. FINANCIAL RISK MANAGEMENT

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

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

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

### 21.1 Market risk

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

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

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

### 21.2 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.



## 21.3 Interest rate risk

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

### a) Cash flow interest rate risk

The Fund is exposed to cash flow interest rate risk for balances in certain savings account, the interest rates on which range between 3.00% to 6.00% per annum.

### b) Fair value interest rate risk

The Fund currently does not have any fixed rate instruments that are measured at Fair value, therefore, it is not exposed to fair value interest rate risk.

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

Particulars	Active Allocation Plan					Conservative Allocation Plan						
	2021					2020						
	Effective yield / interest rate	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total	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			%	Upto three months	More than three months and upto one year	More than one year			
	year (Rupees in '000)											
<b>On-balance sheet financial instruments</b>												
<b>Financial assets</b>												
Bank balances	3.00 - 7.00	789	-	-	-	789	6 - 13.25	454	-	-	-	454
Investments		-	-	-	53,530	53,530		-	-	-	94,081	94,081
Profit receivable		-	-	-	5	5		-	-	-	3	3
<b>Sub total</b>		<b>789</b>	<b>-</b>	<b>-</b>	<b>53,535</b>	<b>54,324</b>		<b>454</b>	<b>-</b>	<b>-</b>	<b>94,084</b>	<b>94,538</b>
<b>Financial liabilities</b>												
Payable to the Management Company		-	-	-	22	22		-	-	-	22	22
Payable to the Trustee		-	-	-	4	4		-	-	-	7	7
Accrued expenses and other liabilities		-	-	-	325	325		-	-	-	152	152
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>351</b>	<b>351</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>181</b>
<b>On-balance sheet gap (a)</b>		<b>789</b>	<b>-</b>	<b>-</b>	<b>53,184</b>	<b>53,973</b>		<b>454</b>	<b>-</b>	<b>-</b>	<b>93,903</b>	<b>94,357</b>
<b>Off-balance sheet financial instruments</b>												
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>789</b>	<b>-</b>	<b>-</b>	<b>53,184</b>	<b>53,973</b>		<b>454</b>	<b>-</b>	<b>-</b>	<b>93,903</b>	<b>94,357</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>789</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>454</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Conservative Allocation Plan</b>												
<b>On-balance sheet financial instruments</b>												
<b>Financial assets</b>												
Bank balances	3.00 - 7.00	584	-	-	-	584	6 - 13.25	230	-	-	-	230
Investments		-	-	-	50,925	50,925		-	-	-	6,640	6,640
Profit receivable		-	-	-	7	7		-	-	-	1	1
Receivable against sale of investment		-	-	-	-	-		-	-	-	-	-
<b>Sub total</b>		<b>584</b>	<b>-</b>	<b>-</b>	<b>50,932</b>	<b>51,516</b>		<b>230</b>	<b>-</b>	<b>-</b>	<b>6,641</b>	<b>6,871</b>
<b>Financial liabilities</b>												
Payable to the Management Company		-	-	-	365	365		-	-	-	133	133
Payable to the Trustee		-	-	-	3	3		-	-	-	1	1
Accrued expenses and other liabilities		-	-	-	207	207		-	-	-	4	4
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>575</b>	<b>575</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>138</b>	<b>138</b>
<b>On-balance sheet gap (a)</b>		<b>584</b>	<b>-</b>	<b>-</b>	<b>50,357</b>	<b>50,941</b>		<b>230</b>	<b>-</b>	<b>-</b>	<b>6,503</b>	<b>6,733</b>
<b>Off-balance sheet financial instruments</b>												
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>584</b>	<b>-</b>	<b>-</b>	<b>50,357</b>	<b>50,941</b>		<b>230</b>	<b>-</b>	<b>-</b>	<b>6,503</b>	<b>6,733</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>584</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>230</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Particulars	Strategic Allocation Plan											
	2021					2020						
	Effective yield / interest rate	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total	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				Upto three months	More than three months and upto one year	More than one year		
	%	(Rupees in '000)				%	(Rupees in '000)					
<b>On-balance sheet financial instruments</b>												
<b>Financial assets</b>												
Bank balances	3.00 - 7.00	-	-	-	-	6 - 13.25	2,513	-	-	-	-	
Investments		-	-	-	-		-	-	-	-	-	
Profit receivable		-	-	-	-		-	-	-	1	-	
<b>Sub total</b>		-	-	-	-		2,513	-	-	1	-	
<b>Financial liabilities</b>												
Payable to the Management Company		-	-	-	-		-	-	-	6	6	
Payable to the Trustee		-	-	-	-		-	-	-	1	1	
Accrued expenses and other liabilities		-	-	-	-		-	-	-	536	-	
<b>Sub total</b>		-	-	-	-		-	-	-	543	7	
<b>On-balance sheet gap (a)</b>		-	-	-	-		2,513	-	-	(542)	-	
<b>Off-balance sheet financial instruments</b>		-	-	-	-		-	-	-	-	-	
<b>Off-balance sheet gap (b)</b>		-	-	-	-		-	-	-	-	-	
<b>Total interest rate sensitivity gap (a) + (b)</b>		-	-	-	-		2,513	-	-	(542)	-	
<b>Cumulative interest rate sensitivity gap</b>		-	-	-	-		2,513	-	-	-	-	

Particulars	Islamic Capital Preservation Plan											
	2021					2020						
	Effective yield / interest rate	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total	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				Upto three months	More than three months and upto one year	More than one year		
	%	(Rupees in '000)				%	(Rupees in '000)					
<b>On-balance sheet financial instruments</b>												
<b>Financial assets</b>												
Bank balances	3.00 - 7.00	-	-	-	-	6 - 13.25	326,728	-	-	-	326,728	
Investments		-	-	-	-		-	-	-	27,437	27,437	
Profit receivable		-	-	-	-		-	-	-	1,740	1,740	
<b>Sub total</b>		-	-	-	-		326,728	-	-	29,177	355,905	
<b>Financial liabilities</b>												
Payable to the Management Company		-	-	-	1,860	1,860	-	-	-	2,189	2,189	
Payable to the Trustee		-	-	-	-	-	-	-	-	26	26	
Accrued expenses and other liabilities		-	-	-	234	234	-	-	-	835	835	
<b>Sub total</b>		-	-	-	2,094	2,094	-	-	-	3,050	3,050	
<b>On-balance sheet gap (a)</b>		-	-	-	(2,094)	(2,094)	326,728	-	-	26,127	352,855	
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-	-	-	-	-	-	
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-	-	-	-	-	-	
<b>Total interest rate sensitivity gap (a) + (b)</b>		-	-	-	(2,094)	(2,094)	326,728	-	-	26,127	352,855	
<b>Cumulative interest rate sensitivity gap</b>		-	-	-	-	-	326,728	-	-	-	-	

## 21.4 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.

## 21.5 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.

**21.5.1** 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, 2021:

Name of the bank	2021			Latest available published rating as at June 30, 2021	Rating agency
	Active Allocation Plan	Conservative Allocation Plan	Islamic Capital Preservation Plan		
----- (Rupees in '000) -----					
<b>Savings accounts</b>					
Dubai Islamic Bank Pakistan Limited	7	9	(60)	AA	VIS
Habib Bank Limited	776	560	1,687	AAA	VIS
Bank Islami Pakistan Limited	6	14	-	A+	PACRA
Bank Al-Habib Limited	-	-	3	AA+	PACRA
Allied Bank Limited	-	-	37	AAA	PACRA
	<b>789</b>	<b>583</b>	<b>1,667</b>		

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) -----						
<b>Savings accounts</b>						
Dubai Islamic Bank Pakistan 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
	<b>454</b>	<b>230</b>	<b>2,513</b>	<b>326,728</b>		

The maximum exposure to credit risk before considering any collateral as at June 30, 2021, 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'.

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

Rating by rating category	2021				Total
	Active Allocation Plan	Conservative Allocation Plan	Islamic Capital Preservation Plan		
----- (Percentage) -----					
AAA		98.35	96.05	103.42	100.69
AA+		0.00	0.00	0.18	0.10
AA		0.89	1.54	(3.60)	(14.48)
A+		0.76	2.40	-	0.66
----- (Percentage) -----					
Rating by rating category	2020				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total
AAA	61.89	90.43	98.17	99.12	99.05
AA+	0.00	0.00	0.00	0.03	0.03
AA	20.48	3.91	1.35	0.85	0.89
A+	17.62	5.65	0.48	0.00	0.03

## 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 (2020: 5) banks. Management believes that such banks are reputed institutions.

## 21.6 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:

	2021												Total				
	Active Allocation Plan				Conservative 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					
	months	and up to one year	year		months	and up to one year	year		months	and up to one year	year						
	----- (Rupees in '000) -----																
<b>Financial liabilities</b>																	
Payable to the Management Company	22	-	-	22	365	-	-	365	1,860	-	-	1,860	2,247				
Payable to the Trustee	4	-	-	4	3	-	-	3	-	-	-	-	7				
Accrued expenses and other liabilities	325	-	-	325	207	-	-	207	234	-	-	234	766				
	<b>351</b>	<b>-</b>	<b>-</b>	<b>351</b>	<b>575</b>	<b>-</b>	<b>-</b>	<b>575</b>	<b>2,094</b>	<b>-</b>	<b>-</b>	<b>2,094</b>	<b>3,020</b>				
Unit holder's fund	<b>53,520</b>	<b>-</b>	<b>-</b>	<b>53,520</b>	<b>50,917</b>	<b>-</b>	<b>-</b>	<b>50,917</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>104,437</b>				
	----- (Rupees in '000) -----																
	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		
months	and up to one year	year		months	and up to one year	year		months	and up to one year	year		months	and up to one year	year			
	----- (Rupees in '000) -----																
<b>Financial liabilities</b>																	
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
	<b>181</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>138</b>	<b>-</b>	<b>-</b>	<b>138</b>	<b>543</b>	<b>-</b>	<b>-</b>	<b>543</b>	<b>3,050</b>	<b>-</b>	<b>-</b>	<b>3,050</b>	<b>3,912</b>
Unit holder's fund	<b>93,567</b>	<b>-</b>	<b>-</b>	<b>93,567</b>	<b>6,692</b>	<b>-</b>	<b>-</b>	<b>6,692</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>349,769</b>	<b>-</b>	<b>-</b>	<b>349,769</b>	<b>438,722</b>

## **20.7 Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risk arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

## **22. UNITS HOLDERS' FUND RISK MANAGEMENT**

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

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

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

## **23. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS**

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

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

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

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

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

		Active Allocation Plan						
		2021						
		Carrying amount			Fair value			
		Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	<i>Note</i>	(Rupees in '000)						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
	23.1							
Investments		53,530	-	53,530	53,530	-	-	53,530
		<u>53,530</u>	<u>-</u>	<u>53,530</u>				
<b>Financial assets not measured at fair value</b>								
	23.2							
Bank balances		-	789	789				
Preliminary expenses and flotation costs		-	16	16				
Advances and other receivable		-	92	92				
Profit receivable		-	5	5				
		<u>-</u>	<u>902</u>	<u>902</u>				
<b>Financial liabilities not measured at fair value</b>								
	23.2							
Payable to the Management Company		-	22	22				
Payable to the Trustee		-	4	4				
Accrued expenses and other liabilities		-	325	325				
		<u>-</u>	<u>351</u>	<u>351</u>				

		2020						
		Carrying amount			Fair value			
		Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>		(Rupees in '000)						
<b>Financial assets measured at fair value</b>								
Investments		94,081	-	94,081	94,081	-	-	94,081
		<u>94,081</u>	<u>-</u>	<u>94,081</u>				
<b>Financial assets not measured at fair value</b>								
Bank balances	23.1	-	454	454				
Preliminary expenses and flotation costs		-	34	34				
Advances and other receivable		-	92	92				
Profit receivable		-	3	3				
		<u>-</u>	<u>457</u>	<u>457</u>				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	23.2	-	22	22				
Payable to the Trustee		-	7	7				
Accrued expenses and other liabilities		-	152	152				
		<u>-</u>	<u>181</u>	<u>181</u>				

		Conservative Allocation Plan						
		2021			2021			
		Carrying amount			Fair Value			
		Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>		(Rupees in '000)						
<b>Financial assets measured at fair value</b>								
Investments		50,925	-	50,925	50,925	-	-	50,925
		<u>50,925</u>	<u>-</u>	<u>50,925</u>				
<b>Financial assets not measured at fair value</b>								
Bank balances	23.1	-	584	584				
Preliminary expenses and flotation costs		-	9	9				
Advances and other receivable		-	18	18				
Profit receivable		-	7	7				
		<u>-</u>	<u>618</u>	<u>618</u>				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	23.2	-	365	365				
Payable to the Trustee		-	3	3				
Accrued expenses and other liabilities		-	207	207				
		<u>-</u>	<u>575</u>	<u>575</u>				

		2020						
		Carrying amount			Fair value			
		Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>		(Rupees in '000)						
<b>Financial assets measured at fair value</b>								
Investments		6,640	-	6,640	6,640	-	-	6,640
		<u>6,640</u>	<u>-</u>	<u>6,640</u>				
<b>Financial assets not measured at fair value</b>								
Bank balances	23.1	-	230	230				
Preliminary expenses and flotation costs		-	9	9				
Advances and other receivable		-	18	18				
Profit receivable		-	1	1				
		<u>-</u>	<u>258</u>	<u>258</u>				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	23.2	-	133	133				
Payable to the Trustee		-	1	1				
Accrued expenses and other liabilities		-	4	4				
Payable against redemption of units		-	138	138				
		<u>-</u>	<u>138</u>	<u>138</u>				



Strategic Allocation Plan						
2021						
Carrying amount			Fair Value			
Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note			(Rupees in '000)			
<b>On-balance sheet financial instruments</b>						
<b>Financial assets measured at fair value</b>						
Investments	-	-	-	-	-	-
<b>Financial assets not measured at fair value 23.1</b>						
Bank balances	-	-	-	-	-	-
Profit receivable	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value 23.2</b>						
Payable to the Management Company	-	-	-	-	-	-
Payable to the Trustee	-	-	-	-	-	-
Accrued expenses and other liabilities	-	-	-	-	-	-

2020						
Carrying amount			Fair value			
Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note			(Rupees in '000)			
<b>On-balance sheet financial instruments</b>						
<b>Financial assets measured at fair value</b>						
Investments	-	-	-	-	-	-
<b>Financial assets not measured at fair value 23.1</b>						
Bank balances	-	2,513	2,513	-	-	-
Preliminary expenses and flotation costs	-	-	-	-	-	-
Advances and other receivable	-	-	-	-	-	-
Profit receivable	-	1	1	-	-	-
<b>Financial liabilities not measured at fair value 23.2</b>						
Payable to the Management Company	-	6	6	-	-	-
Payable to the Trustee	-	1	1	-	-	-
Accrued expenses and other liabilities	-	536	536	-	-	-
	-	543	543	-	-	-

Islamic Capital Preservation Plan						
2021						
Carrying amount			Fair Value			
Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note			(Rupees in '000)			
<b>On-balance sheet financial instruments</b>						
<b>Financial assets measured at fair value</b>						
Investments	-	-	-	-	-	-
<b>Financial assets not measured at fair value 23.1</b>						
Bank balances	-	-	-	-	-	-
Preliminary expenses and flotation costs	-	-	-	-	-	-
Advances and other receivable	-	-	-	-	-	-
Profit receivable	-	-	-	-	-	-
<b>Financial liabilities not measured at fair value 23.2</b>						
Payable to the Management Company	-	1,860	1,860	-	-	-
Payable to the Trustee	-	-	-	-	-	-
Accrued expenses and other liabilities	-	234	234	-	-	-
	-	2,094	2,094	-	-	-

	2020						
	Carrying amount			Fair Value			
	Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note							(Rupees in '000)
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Investments	27,437	-	27,437	27,437	-	-	27,437
	<u>27,437</u>	<u>-</u>	<u>27,437</u>				
<b>Financial assets not measured at fair value</b> 23.1							
Bank balances	-	326,728	326,728				
Preliminary expenses and flotation costs	-	160	160				
Advances and other receivable	-	41	41				
Profit receivable	-	1,740	1,740				
	<u>-</u>	<u>328,669</u>	<u>328,669</u>				
<b>Financial liabilities not measured at fair value</b> 23.2							
Payable to the Management Company	-	2,189	2,189				
Payable to the Trustee	-	26	26				
Accrued expenses and other liabilities	-	835	835				
	<u>-</u>	<u>3,050</u>	<u>3,050</u>				

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

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

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

### 23.3 Net assets attributable to 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.

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

There were no brokers during the year ended June 30, 2021.

### 25. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the investment committee of the Fund as on June 30, 2021, are as follows:

Name	Designation	Qualification	Experience in years
Mr. Mir Adil Rashid	Chief Executive Officer	BSc.	22
Mr. Adeel Abdul Wahab	Head of Equity / Fund Manager	ACCA	13
Mr. Muhammad Wamiq Sakrani	Acting Head of Fixed Income / Fund manager	MBA	11
Mr. Raza Inam	Acting Head of Research	Bsc. (Hons), CFA	8
Mr. Karim Khawaja	Head of Risk	MBA, CMA	18

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

**26. PATTERN OF UNIT HOLDING**

Category	2021			
	No of unit holders	Number of units held	Investment amounts (Rupee in '000)	Percentage %
<b>Active Allocation Plan</b>				
Associated Companies	1	12,039	139	2.59
Retirement funds	1	30,317	351	6.55
Other Corporate	1	183,374	2,124	39.69
Individuals	30	236,354	2,737	51.15
	<b>33</b>	<b>462,084</b>	<b>5,351</b>	<b>99.98</b>
<b>Conservative Allocation Plan</b>				
Asset Management Company	1	435,071	50,010	98.23
Individuals	10	7,859	900	1.77
	<b>11</b>	<b>442,930</b>	<b>50,910</b>	<b>100.00</b>
Category	2020			
	No of unit holders	Number of units held	Investment amounts (Rupee in '000)	Percentage %
<b>Active Allocation Plan</b>				
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
	<b>47</b>	<b>981,790</b>	<b>93,567</b>	<b>100.00</b>
<b>Conservative Allocation Plan</b>				
Individuals	7	61,190	6,692	100.00
	<b>7</b>	<b>61,190</b>	<b>6,692</b>	<b>100.00</b>
<b>Strategic Allocation Plan</b>				
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
	<b>33</b>	<b>21,293,694</b>	<b>2,145,752</b>	<b>100.00</b>
<b>Islamic Capital Preservation Plan</b>				
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
	<b>70</b>	<b>3,327,376</b>	<b>349,769</b>	<b>100.00</b>

**27. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS**

Seven meetings of the Board of Directors were held on July 28 & 29, 2020, August 27, 2020, September 30, 2021, October 12, 2020, October 29, 2020, February 10, 2021 and April 30, 2021 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. Mir Adil Rashid	1	1	-	-
2	Ms. Ava A. Cowasjee	4	4	-	-
3	Mr. Rayomond H. Kotwal	5	5	-	-
4	Mr. Rizwan Haider*	5	5	-	-
5	Mr. Shabbir Hussain Hashmi	5	5	-	-
6	Mr. Shahid Ghaffar	5	5	-	-
7	Mr. Muhammad Afaq Khan**	5	5	-	-
8	Mr .Abrar Ahmed Mir**	5	5	-	-
9	Mr .Tariq Masaud***	2	2	-	-

\* Mr. Rizwan Haider resigned as director on September 18, 2020.

\*\* Mr. Muhammad Afaq Khan and Mr .Abrar Ahmed Mir appointed as director on July 29, 2020.

\*\*\* Mr .Tariq Masaud appointed as director on September 22, 2020.

## 28. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016, issued by the Securities and Exchange Commission of Pakistan, 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, 2021, is 1.29%, 1.36%, Nil and Nil (2020: 0.61%, 0.41%, Nil and 1.68%) which includes 0.40%, 0.14%, Nil, and Nil (2020: 0.18%, 0.27%, Nil and 0.37% ) representing Government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan, Strategic Allocation Plan and Islamic Capital Preservation Plan respectively.

## 29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 26, 2021 by the Board of Directors of the Management Company.

## 30. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

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

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

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

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



**HBL** Islamic Dedicated Equity Fund

<b>NAME OF FUND</b>	<b>HBL ISLAMIC DEDICATED EQUITY FUND</b>
<b>NAME OF TRUSTEE</b>	<b>MCB Financial Services limited</b>
<b>NAME OF AUDITORS</b>	<b>Yousuf Adil Chartered Accountants</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Bank Islami Pakistan Limited</b> <b>Allied Bank Limited</b> <b>Dubai Islamic Bank Limited</b>

**Type and Category of Fund**

Open end Shariah Compliant Dedicated EquityFund

**Investment Objective and Accomplishment of Objective**

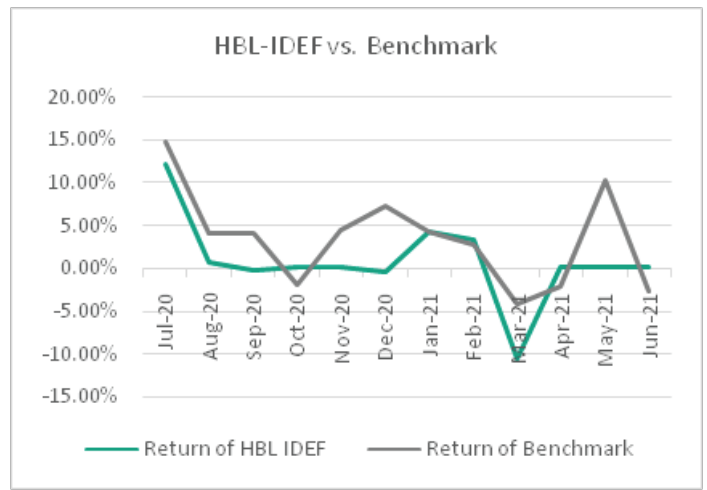
The objective of the Fund is to provide capital appreciation to investors of 'Fund of Funds' schemes by investing in Shariah compliant equity securities.

**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:

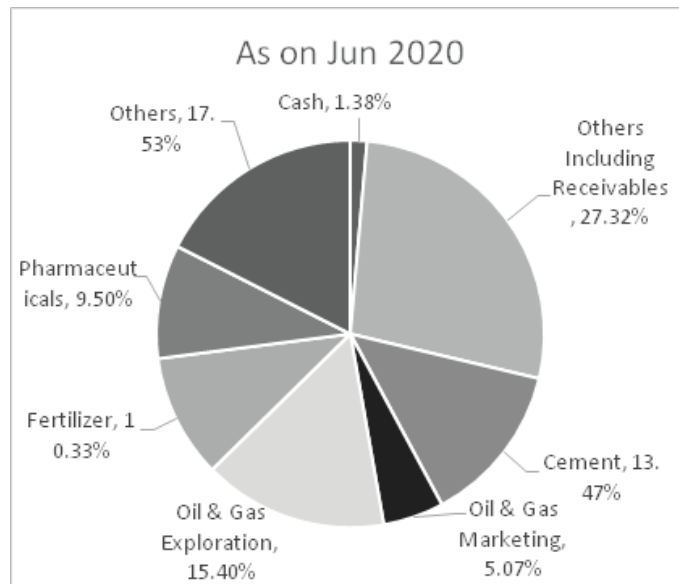
Month	Return of Fund	
	HBL-IDEF	Benchmark
Jun-21	0.00%	-2.70%
May-21	0.00%	10.17%
Apr-21	0.00%	-2.14%
Mar-21	-10.58%	-4.25%
Feb-21	3.25%	2.77%
Jan-21	4.27%	4.29%
Dec-20	-0.41%	7.31%
Nov-20	0.00%	4.44%
Oct-20	0.00%	-1.92%
Sep-20	-0.30%	4.08%
Aug-20	0.67%	4.03%
Jul-20	12.07%	14.75%



**Strategies and Policies employed during the Year**

Sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Since, all the units of the Fund were redeemed by the end of the year, the Fund size of the Fund stands zero as at June 30, 2021.

**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, 2021 and June 30, 2020:

Sector Name	As on Jun 2021	As on Jun 2020
Cash	0.00%	1.38%
Others Including Receivables	0.00%	27.32%
Cement	0.00%	13.47%
Oil & Gas Marketing	0.00%	5.07%
Oil & Gas Exploration	0.00%	15.40%
Fertilizer	0.00%	10.33%
Pharmaceuticals	0.00%	9.50%
Others	0.00%	17.5%
Total	N/A	100.00%

## Fund Performance

During the year under review, the Islamic Dedicated Equity Fund earned a total and net income of Rs. 5.49 million and Rs. 4.32 million respectively. The net assets of the Islamic Dedicated Equity Fund stood at nil as at June 30, 2021 as all units in the Fund were redeemed during the period. The Fund earned a return of 7.85% for the year under review against the benchmark return of 39.32%.

## Market Review

The market sustained its bullish momentum in FY21 as the KMI-30 index recorded 21,626 points increase (+39.3%) during the period to close at 76,622 points. The stellar performance of the index can be attributed to 1) relative improvement in domestic COVID-19 infection and recovery rates, 2) flows into equities post 625bps cut in interest rates, 3) business friendly policies induced by the GoP and 4) Improvement in macroeconomic indicators led by strengthening currency and better current account position.

During the period construction linked industries (Cement, Steel, and Glass) rallied on the back of the monetary easing done by the SBP and government focus on construction sector. Technology sector also remained in limelight due to increasing focus on technology post Covid-19 pandemic. On the flows side, foreigners were the net sellers during FY21 and sold shares of worth USD 387mn, compared to net selling of USD 285mn during same period last year.

Pakistan equities are likely to continue the positive momentum due to cheaper valuation (trading at a Forward P/E of 6.1x against peer average 15.7x) and improvement in the macroeconomic landscape. Market participants would closely follow trend of coronavirus cases and the ensuring macro numbers. Cyclical sectors (Cement, Steel) are expected to continue their rally due to Government's push towards Naya Pakistan Housing Scheme. Textile sector is also expected to garner investors' attention due to huge export potential. Technology sector would also remain in limelight due to rerating of the sector due to improved earnings outlook. 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, 2021.

## Significant Changes in the State of Affairs

The Fund size as at June 30, 2021 stands zero as all the units of the Fund were redeemed.

### Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	-	-
101 – 500	-	-
501 – 1,000	-	-
100,1 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – 500,000	-	-
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	-	-

#### Unit Splits

There were no unit splits during the year.

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

Investments are subject to market risk.

#### Soft Commission

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

## PERFORMANCE TABLE - HBL ISLAMIC DEDICATED EQUITY FUND

	For the period ended June 30,2021	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
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>			
Redemption	N/A	87.5443	83.8322
Offer	N/A	87.5443	83.8322
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>			
Highest offer price per unit	107.1456	106.9964	108.5677
Lowest offer price per unit	89.8588	68.2277	80.6086
Highest redemption price per unit	107.1456	106.9964	108.5677
Lowest redemption price per unit	89.8588	68.2277	80.6086
<b>RETURN ( % )</b>			
Total return	7.85%	4.43%	-16.17%
Income distribution	0.00%	0.00%	0.00%
Capital growth	7.85%	4.43%	-16.17%
<b>DISTRIBUTION</b>			
Final dividend distribution- Rs	-	-	-
Date of Income Distribution	-	-	-
Total dividend distribution for the year/ period	-	-	-
<b>AVERAGE RETURNS ( % )</b>			
Average annual return 1 year	28.00%	4.43%	-16.17%
Average annual return 2 year	N/A	-6.44%	0.00%
Average annual return 3 year	N/A	0.00%	0.00%
<b>Weighted average portfolio during (No. of days)</b>			
<b>PORTFOLIO COMPOSITION - (%)</b>			
<b>Percentage of Total Assets as at 30 June:</b>			
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, 2021

Summary of Actual Proxy voted by CIS

HBL IDEF	Meetings	Resolutions	For	Against
Number	0	0	0	-
(%ages)		-	-	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Aisha Steel Mills Ltd	28-10-20	
Amreli Steels Limited	27-10-20	
Attock Cement Pakistan Ltd	22-10-20	
Attock Refinery Ltd	19-10-20	
Avanceon Limited		12-01-21
Azgard Nine Ltd	28-10-20	
BankIslami Pakistan Limited	30-03-21	11-02-21
Cherat Cement Company Ltd.	27-10-20	
Clover Pakistan Limited	20-01-2021	
D G Khan Cement Co.Ltd.	28-10-20	
Engro Corporation Ltd		
Engro Fertilizers Limited	30-03-21	
Engro Polymer & Chemicals Ltd		
Fauji Fertilizer Bin Qasim Ltd	29-03-21	(09/09/2020)(25-11-2020)
Fauji Fertilizer Co Ltd	18-03-21	06-11-20
Fauji Foods Limited	25-03-21	
General Tyre & Rubber Co of Pakistan Ltd	28-10-20	20-08-20
GlaxoSmithKline Pakistan Ltd		
Gul Ahmed Textile Mills Ltd	28-10-20	
Hascol Petroleum Ltd	11-08-20	(08/09/2020)(23-02-2021)
Highnoon Laboratories Limited		
Hub Power Company Ltd	24-09-20	
IGI Holdings Limited		
Interloop Limited	15-10-20	10-12-20
International Industries Ltd	30-09-20	
International Steels Limited	29-09-20	
K-Electric Limited	26-11-20	
Kohat Cement Ltd	28-10-20	
Lucky Cement Ltd	29-09-20	
Maple Leaf Cement Factory Ltd	27-10-20	
Mari Petroleum Company Ltd	29-09-20	
Mughal Iron & Steel Inds Ltd	28-10-20	
National Refinery Ltd	22-10-20	
Netsol Technologies	23-10-20	
Nimir Resins Limited	21-10-20	
Nishat (Chunian) Ltd		
Nishat Mills Ltd	28-10-20	15-12-20
Oil & Gas Development Co Ltd	28-10-20	17-03-21
Pak Elektron Ltd		
Pak Suzuki Motor Company Limited		29-01-2021
Pakistan National Shipping Corp Ltd	26-10-20	
Pakistan Oilfields Ltd	19-10-20	
Pakistan Petroleum Ltd	26-10-20	23-12-20
Pakistan State Oil Company Ltd	21-10-20	
Pioneer Cement Limited	28-10-20	
Sitara Chemical Industries Limited	26-10-20	
Sui Northern Gas Pipeline Ltd	15-08-20	
Systems Limited	31-03-2021	03-12-20
Tariq Glass Industries Ltd		
Thal Limited	22-10-20	
The Organic Meat Company Limited	27-10-20	
The Searle Company Ltd	28-10-20	
TPL Properties Ltd	27-10-20	
TPL Trakker Limited	26-10-20	
TRG Pakistan Ltd	27-11-20	
Unity Foods Limited	23-10-20	22-03-21
Waves Singer Pakistan Limited		(11/08/2020)(09-09-2020)
WorldCall Telecom Ltd	30-07-20	



**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 30<sup>th</sup> June 2021 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  
Digital Custodian Company Limited  
Formerly MCB Financial Services Limited

Karachi: September 22, 2021

Perdesi House | 2/1 R-Y | Old Queens Road | Karachi – 74200 | Pakistan  
+92-21-32419770 | www.digitalcustodian.co | info@digitalcustodian.co

**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, 2021. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 26, 2021

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

September 14, 2021

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, 2021 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

**Al-Hilal Shariah Advisors (Pvt) Limited**

807 8th Floor Horizon Tower, Khayban-e-Saadi, Block - 3 Clifton,  
Karachi, Pakistan. Tel :+92-21-35305931-37, Web: www.alhilalsa.com



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the Management Company

### 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, 2021, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement 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, 2021, 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 HBL Asset Management Limited (the 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.

#### Emphasis of matter paragraph

We draw attention to note 1.7 to the financial statements where it is stated that the nil value of net assets is in accordance with the Constitutive Documents of the Fund. Our opinion is not qualified in respect of this matter.

#### 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.

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

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

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

Board of Directors 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.

**Report on other legal and regulatory requirements**

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

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

  
Chartered Accountants

Place: Karachi

Dated: September 27, 2021

**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 Shariah Principles (the Statement) for the year ended June 30, 2021. 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 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 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 Engagement other than Audit or Reviews of Historical Financial Statements'. This standard requires that we comply with the ethical requirements, including independent requirements, and plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with 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 risks of material non-compliance with the Shariah Principles whether due to Fraud or error. In making those risk assessments, we have considered Internal controls relevant to the Fund's Compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for purpose of expressing an opinion in the effectiveness of the Fund's Internal control.

The Procedures performed include:

- Checking compliance of specified guideline issued by the Shariah Advisor relating to the 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 Investment made by the Fund during the year ended June 30, 2021 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 Fund's compliance with Shariah Principles in the Trust Deed and the guideline issued by the Shariah Advisor for the year ended June 30, 2021.

  
Chartered Accountants

Place: Karachi  
Dated: September 27, 2021

**HBL Islamic Dedicated Equity Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2021*

	Note	2021 ----- Rupees in '000 -----	2020 ----- Rupees in '000 -----
<b>ASSETS</b>			
Bank balances	5	1,454	543
Investments	6	-	22,248
Dividend receivable and accrued mark-up	7	19	700
Preliminary expenses and floatation costs	8	610	715
Advance and deposits	9	5,422	5,291
Receivable against sale of investments		-	1,607
<b>Total assets</b>		<b>7,506</b>	<b>31,104</b>
<b>LIABILITIES</b>			
Payable to the Management Company	10	6,195	174
Payable to the Trustee	11	78	24
Payable to Securities and Exchange Commission of Pakistan	12	3	29
Accrued expenses and other liabilities	13	1,230	3,440
<b>Total liabilities</b>		<b>7,506</b>	<b>3,667</b>
<b>NET ASSETS</b>		<b>-</b>	<b>27,437</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>-</b>	<b>27,437</b>
<b>Contingencies and commitments</b>			
	14		
		----- Number of units -----	
Number of units in issue	15	-	313,411
		----- Rupees -----	
Net assets value per unit	4.6	-	87.5443

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 Dedicated Equity Fund

## Income Statement

For the year ended June 30, 2021

	Note	2021 ----- Rupees in '000 -----	2020
<b>INCOME</b>			
Mark-up on bank deposit		141	1,191
Dividend income		82	6,951
Net gain on sale of investments		5,263	29,710
Net unrealised gain on re-measurement of investments classified as 'financial asset at fair value through profit or loss'		-	784
<b>Total income</b>		<b>5,486</b>	<b>38,636</b>
<b>EXPENSES</b>			
Remuneration of the Management Company	10.1 & 10.2	298	3,231
Remuneration of the Trustee	11.1 & 11.2	124	282
Annual fee to Securities and Exchange Commission of Pakistan	12	3	29
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	21	301
Selling and marketing expense - net	10.4	(116)	1,087
Amortisation of preliminary expenses and floatation costs	8	105	220
Auditors' remuneration	16	266	266
Fees and subscription		144	202
Printing and stationary charges		-	33
Securities transaction costs		152	1,756
Settlement and bank charges		74	40
Charity expense		6	490
<b>Total expenses</b>		<b>1,077</b>	<b>7,937</b>
<b>Net income from operating activities</b>		<b>4,409</b>	<b>30,699</b>
Provision for Sindh Workers' Welfare Fund	13.2	(88)	(614)
<b>Net income for the year before taxation</b>		<b>4,321</b>	<b>30,085</b>
Taxation	17	-	-
<b>Net income for the year after taxation</b>		<b>4,321</b>	<b>30,085</b>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		4,321	30,085
Income already paid on redemption of units		(4,321)	(30,085)
		-	-
<b>Accounting income available for distribution:</b>			
- Relating to capital gain		-	-
- Excluding capital gain		-	-
		-	-
<b>Earnings per unit</b>	18		

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

	2021	2020
	----- Rupees in '000 -----	
Net income for the year after taxation	4,321	30,085
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>4,321</u>	<u>30,085</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 Dedicated Equity Fund**  
**Statement of Movement in Unit Holders' Fund**  
 For the year ended June 30, 2021

	2021			2020		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
	----- Rupees in '000 -----					
<b>Net assets at beginning of the period</b>	119,577	(92,140)	27,437	208,720	(92,140)	116,580
Issuance 414,955 units (2020: 3,230,770 units)						
- Capital value	36,327	-	36,327	270,843	-	270,843
- Element of income / (loss)	4,234	-	4,234	(9,843)	-	(9,843)
Total proceeds on issuance of units	40,561	-	40,561	261,000	-	261,000
Redemption of units 728,366 units (2020: 4,307,997 units)						
- Capital value	(63,764)	-	(63,764)	(361,149)	-	(361,149)
- Element of (income) / loss	(4,234)	(4,321)	(8,555)	11,006	(30,085)	(19,079)
Total payments on redemption of units	(67,998)	(4,321)	(72,319)	(350,143)	(30,085)	(380,228)
Total comprehensive income for the year	-	4,321	4,321	-	30,085	30,085
<b>Net assets at end of the year</b>	<b>92,140</b>	<b>(92,140)</b>	<b>-</b>	<b>119,577</b>	<b>(92,140)</b>	<b>27,437</b>
<b>Accumulated loss brought forward comprising of:</b>						
- Realised		(92,924)			(72,993)	
- Unrealised		784			(19,147)	
		(92,140)			(92,140)	
Accounting income available for distribution		-			-	
<b>Accumulated loss carried forward</b>		<b>(92,140)</b>			<b>(92,140)</b>	
<b>Accumulated loss carried forward comprising of:</b>						
- Realised		(92,140)			(92,924)	
- Unrealised		-			784	
		(92,140)			(92,140)	
			--- Rupees ---			--- Rupees ---
<b>Net assets value per unit at beginning of the year</b>			<b>87.5443</b>			<b>83.8322</b>
<b>Net assets value per unit at end of the year</b>			<b>-</b>			<b>87.5443</b>

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 Dedicated Equity Fund

## Cash Flow Statement

For the year ended June 30, 2021

Note	2021	2020
	----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	4,321	30,085
<b>Adjustments for:</b>		
Dividend income	(82)	(6,951)
Mark-up on bank deposits	(141)	(1,191)
Net gain on sale of investments	(5,263)	(29,710)
Net unrealised gain on re-measurement of investments classified as 'financial asset at fair value through profit or loss'	-	(784)
Amortisation of preliminary expenses and floatation costs	105	220
Provision for Sindh Workers' Welfare Fund	88	614
	<u>(972)</u>	<u>(7,717)</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	27,511	110,638
Advance and deposits	(131)	(1,089)
Receivable against sale of investments	1,607	1,509
	<u>28,987</u>	<u>111,058</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	6,021	(301)
Payable to the Trustee	54	14
Payable to Securities and Exchange Commission of Pakistan	(26)	(253)
Payable against formation cost	-	(1,100)
Accrued expenses and other liabilities	(2,298)	2,063
	<u>3,751</u>	<u>423</u>
Mark-up received on bank deposits	130	1,226
Dividend income received	773	7,806
<b>Net cash generated from operating activities</b>	<u>32,669</u>	<u>112,796</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issuance of units	40,561	261,000
Payment against redemption of units	(72,319)	(380,228)
<b>Net cash used in financing activities</b>	<u>(31,758)</u>	<u>(119,228)</u>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	911	(6,432)
Cash and cash equivalents at beginning of the year	543	6,975
<b>Cash and cash equivalents at end of the year</b>	<u>1,454</u>	<u>543</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

**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 located at 7th Floor, Emerald Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi, Pakistan.
- 1.3** The Fund is an open-ended mutual fund. Only Fund of Funds and allocation plans under fund of funds schemes may submit the application for purchase of units.
- 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 an asset manager rating of 'AM2++' (stable outlook) 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** The Fund's only investors are other collective schemes, managed by the Management Company which are formed under "Fund of Fund" structure. Since the Fund's objective is to provide investment avenues to the allocation plans under fund of funds schemes managed by the Management Company, it may become zero as allowed under the terms of its Offering Document. Also as the Fund is not directly managing general public money therefore, it will have no effect if its AUMs size reduced to nil at times.

Although, as of the year end the fund size is 'nil', however, the Management Company maintains that it has no intention to revoke or discontinue it within 12 months from the date of these financial statements.

**1.8 COVID - 19 impact**

The coronavirus (COVID-19) outbreak situation emerged last year in March 2020, has caused governments around the world to implement measures to help control its spread, including, smart lock-downs, travel bans, quarantines, social-distancing, closures or reduced operations for non-essential businesses, governmental agencies, schools and other institutions and vaccination.

General economic activities in Pakistan was although affected but continued since then. Stock markets and financial institutions remained open throughout the year. Activities of the Fund were operational during the year as staff of the Management Company were working without any disruption either from office or online remotely.

The management of the Fund is closely monitoring the situation, and there has not been any material adverse impact on fiscal and economic fronts facing the country and therefore not materially affected the financial performance 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; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, 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, 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 for the investments which are stated at fair value.

## **2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the functional and presentation currency of the Fund. All amounts have been rounded to the nearest thousands of Rupee, unless otherwise indicated.

## **2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgements, 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 judgements 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:

- (i) Classification and valuation of financial assets (note 4.2)
- (ii) Provisions (note 4.4)

## **3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS**

### **3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2021**

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. 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:**

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
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
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 period  
beginning on or after:**

Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
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
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

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

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 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 comprises savings accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

##### **4.2 Financial assets and liabilities**

###### **4.2.1 Initial recognition**

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

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

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

###### **4.2.2 Classification and measurement**

###### **4.2.2.1 Financial assets**

There are 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 FVTOCI**

A financial asset is measured at FVTOCI 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.

FVTOCI 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 FVTOCI).

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 FVTOCI 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 income statement.

### **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.



#### **4.2.2.2 Financial liabilities**

The Company classifies its financial liabilities in the following categories:

- Measured at amortized cost ("AC"), or
- Fair value through profit or loss ("FVTPL").

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Fund has opted to measure them at FVTPL.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows:

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

#### **4.2.3 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.

#### **4.2.4 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. 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.

#### **4.2.5 Fair value measurement principles and provision**

The fair value of financial instruments is determined as follows:

##### **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 instruments at amortised cost

Subsequent to initial recognition, financial instruments 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 instruments carried at amortised cost are derecognised or impaired, and through the amortisation process.

#### **4.2.6 Derecognition**

##### **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.

##### **Financial liabilities**

The Fund derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired.

#### **4.2.7 Offsetting of financial instruments**

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

#### **4.3 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. The sales load is payable to the Management Company.

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.

#### **4.4 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 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 (excluding distribution made by issuance of bonus units).

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**

- Gain / (loss) arising on sale of investments are included in the 'income statement' on the date at which the sale 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 is recognized when the right to receive the dividend is established.
- Mark-up / return on bank deposits are recognised at effective profit rates based on a time proportion 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 five years commencing from the date of operations as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

	Note	2021 ----- Rupees in '000 -----	2020
<b>5. BANK BALANCES</b>			
Savings accounts	5.1	<u>1,454</u>	<u>543</u>
5.1 The balance in savings accounts carry mark up at the rates ranging from 5.0% to 7.4% (2020: 7.50% to 13.50%) per annum.			
<b>6. INVESTMENTS</b>			
<b>At fair value through profit or loss</b>			
Listed equity securities	6.1	<u>-</u>	<u>22,248</u>

#### 6.1 Listed equity securities

Sectors / Name of investee companies	Number of shares				Market value as at June 30, 2021 (Rupees in '000)	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
	As at July 1, 2020	Acquired / bonus received during the year	Disposed during the year	As at June 30, 2021				

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

#### TEXTILE COMPOSITE

Nishat Mills Limited (note 6.1.1)	9,100	11,000	20,100	-	-	-	-
Kohinoor Textile Mills Limited	-	10,000	10,000	-	-	-	-
Interloop Limited	-	15,000	15,000	-	-	-	-
					<u>-</u>	<u>-</u>	<u>-</u>

#### CEMENT

D G Khan Cement Company Limited	3,500	15,800	19,300	-	-	-	-
Lucky Cement Limited (note 6.1.1)	4,800	5,300	10,100	-	-	-	-
Fauji Cement Company Limited	-	19,500	19,500	-	-	-	-
Pioneer Cement Limited	-	5,000	5,000	-	-	-	-
Maple Leaf Cement Factory Limited	22,500	28,000	50,500	-	-	-	-
Kohat Cement Limited	2,650	1,900	4,550	-	-	-	-
Attock Cement Pakistan Limited	-	2,500	2,500	-	-	-	-
Cherat Cement Company Limited	8,500	-	8,500	-	-	-	-
					<u>-</u>	<u>-</u>	<u>-</u>

#### POWER GENERATION & DISTRIBUTION

Hub Power Company Limited (note 6.1.1)	19,667	15,500	35,167	-	-	-	-
					<u>-</u>	<u>-</u>	<u>-</u>

#### ENGINEERING

Mughal Iron & Steel Industries Limited	14,000	12,500	26,500	-	-	-	-
Amreli Steels Limited	-	5,000	5,000	-	-	-	-
International Steels Limited	-	4,500	4,500	-	-	-	-
Agha Steel Industries Limited	-	22,000	22,000	-	-	-	-
Aisha Steel Mills Limited	-	19,000	19,000	-	-	-	-
International Industries Limited	-	3,500	3,500	-	-	-	-
					<u>-</u>	<u>-</u>	<u>-</u>

# HBL Islamic Dedicated Equity Fund

## Notes to the financial statements

For the year ended June 30, 2021

Sectors / Name of investee companies	Number of shares				Market value as at June 30, 2021 (Rupees in '000)	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
	As at July 1, 2020	Acquired / bonus received during the year	Disposed during the year	As at June 30, 2021				
<b>PHARMACEUTICALS</b>								
The Searle Company Limited (note 6.1.1)	5,100	-	5,100	-	-	-	-	-
GlaxoSmithKline Pakistan Limited	2,300	-	2,300	-	-	-	-	-
Ferozsons Laboratories Limited	-	2,800	2,800	-	-	-	-	-
AGP Limited	4,000	6,800	10,800	-	-	-	-	-
Highnoon Laboratories Limited	2,210	-	2,210	-	-	-	-	-
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>								
Pakistan Oilfields Limited	800	3,400	4,200	-	-	-	-	-
Oil & Gas Development Company Limited (note 6.1.1)	22,400	22,900	45,300	-	-	-	-	-
Pakistan Petroleum Limited (note 6.1.1)	15,720	29,300	45,020	-	-	-	-	-
Mari Petroleum Company Limited (note 6.1.1)	583	2,400	2,983	-	-	-	-	-
<b>OIL &amp; GAS MARKETING COMPANIES</b>								
Pakistan State Oil Company Limited (note 6.1.1)	5,520	7,300	12,820	-	-	-	-	-
Shell Pakistan Limited	-	1,500	1,500	-	-	-	-	-
Sui Northern Gas Pipeline Limited	13,000	-	13,000	-	-	-	-	-
<b>COMMERCIAL BANKS</b>								
Meezan Bank Limited	-	15,000	15,000	-	-	-	-	-
BankIslami Pakistan Limited	-	69,500	69,500	-	-	-	-	-
<b>FERTILIZER</b>								
Engro Corporation Limited (note 6.1.1)	6,970	7,700	14,670	-	-	-	-	-
Fauji Fertilizer Company Limited (note 6.1.1)	8,000	5,700	13,700	-	-	-	-	-
Engro Fertilizers Limited	5,000	7,500	12,500	-	-	-	-	-
<b>CHEMICAL</b>								
ICI Pakistan Limited	1,800	-	1,800	-	-	-	-	-
Engro Polymer & Chemicals Limited	-	16,000	16,000	-	-	-	-	-
Sitara Peroxide Limited	13,000	7,500	20,500	-	-	-	-	-
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>								
Panther Tyres Limited	-	6,000	6,000	-	-	-	-	-
<b>TECHNOLOGY &amp; COMMUNICATION</b>								
Systems Limited	6,100	-	6,100	-	-	-	-	-
Avanceon Limited	-	6,500	6,500	-	-	-	-	-
<b>AUTOMOBILE ASSEMBLER</b>								
Honda Atlas Cars (Pakistan) Limited	-	2,400	2,400	-	-	-	-	-
Millat Tractors Limited	-	1,000	1,000	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	2,500	2,500	-	-	-	-	-
Sazgar Engineering Works Limited	1,100	1,200	2,300	-	-	-	-	-
<b>CABLE &amp; ELECTRICAL GOODS</b>								
Pak Elektron Limited	-	10,500	10,500	-	-	-	-	-
Waves Singer Pakistan Limited	-	28,500	28,500	-	-	-	-	-
<b>GLASS &amp; CERAMICS</b>								
Tariq Glass Industries Limited	-	4,000	4,000	-	-	-	-	-
<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>								
Unity Foods Limited	-	29,500	29,500	-	-	-	-	-
The Organic Meat Company Limited	-	50,000	50,000	-	-	-	-	-

Sectors / Name of investee companies	Number of shares				Market value as at June 30, 2021 (Rupees in '000)	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
	As at July 1, 2020	Acquired / bonus received during the year	Disposed during the year	As at June 30, 2021				
<b>REFINERY</b>								
Attock Refinery Limited	-	1,500	1,500	-	-	-	-	-
National Refinery Limited	-	2,500	2,500	-	-	-	-	-
Pakistan Refinery Limited	-	19,500	19,500	-	-	-	-	-
<b>Total as at June 30, 2021</b>	<b>198,320</b>	<b>566,900</b>	<b>765,220</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total as at June 30, 2020	1,230,496	4,981,753	6,013,929	198,320	22,248	100%	100%	
<b>Carrying value as at June 30, 2021</b>					<b>-</b>			
Carrying value as at June 30, 2020					21,464			

**6.1.1** Investments include shares with market value of Rs. Nil (2020: Rs. 12.883 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.

	Note	2021	2020
		----- Rupees -----	
<b>6.2. Net unrealised gain on re-measurement of investments classified as 'financial assets at fair value through profit or loss'</b>			
Market value of investments		-	22,248
Less: carrying value of investments before mark to market		-	(21,464)
		<u>-</u>	<u>784</u>
<b>7. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP</b>			
Dividend receivable		3	694
Accrued mark-up on bank deposits	5.1	16	6
		<u>19</u>	<u>700</u>
<b>8. PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance		715	935
Less: amortised during the year		(105)	(220)
Closing balance		<u>610</u>	<u>715</u>
<b>9. ADVANCE AND DEPOSITS</b>			
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited		100	100
Advance tax		2,822	2,691
		<u>5,422</u>	<u>5,291</u>
<b>10. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration of the Management Company	10.1	169	58
Sindh Sales Tax on remuneration of the Management Company	10.2	22	8
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	16	5
Selling and marketing expenses	10.4	-	103
Other payable to the Management Company	10.5	5,988	-
		<u>6,195</u>	<u>174</u>

- 10.1** Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. Resultantly, the management fee expense charged by the Asset Management Company at the rate of 2% (2020: 1.7% to 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% (2020: 13%) on the remuneration of the 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 at the rate of 0.1610% (2020: 0.1% to 0.5%) 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). The selling and marketing expenses charged by the Asset Management Company at the rate of 0.75% (2020: 0.4% to 0.75%) of average annual net assets of the Fund. There arose a debit balance of Rs. 0.012 million at end of the year as a result of reversal of Rs. 0.215 million, during the year, of excess selling and marketing expense charged to the Fund by Management Company in prior year. The net reversal in income statement represents expense for the period net of aforesaid reversal recorded during the year.
- 10.5** This represents interest-free loan of Rs. 6 million from Management Company to the Fund repayable on demand net off debit balance of Rs. 0.012 million as explained in note 10.4 above.

	Note	2021 ----- Rupees in '000 -----	2020
<b>11. PAYABLE TO THE TRUSTEE</b>			
Remuneration of the Trustee	11.1	69	21
Sindh Sales Tax on remuneration of the Trustee	11.2	9	3
		<b>78</b>	<b>24</b>

- 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	0.09% per annum of the daily average net assets
Over Rs.1 billion	Rs. 0.9 million per annum Plus 0.065% exceeding Rs. 1 billion

- 11.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (2020: 13%) on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011.

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

As per SRO 685(I)/2019 dated June 28, 2019, annual fee at the rate of 0.02% (2020: 0.02%) of the net assets of the fund has been charged during the year by Securities and Exchange Commission of Pakistan.



	Note	2021 ----- Rupees in '000 -----	2020
<b>13. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		412	278
Charity payable	13.1	55	490
Payable to brokers		18	409
Payable to shariah advisor		43	17
Provision for Sindh Workers' Welfare Fund	13.2	702	614
Other payables		-	1,632
		<b>1,230</b>	<b>3,440</b>

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

However, subsequent to current year ended, the SRB through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Company's (AMCs) are covered under the term "financial institutions" as per the Sindh WWF Act 2014 and are therefore subject to SWWF charge whereas as the Mutual Funds/Pension Funds managed by those AMCs do not qualify as "financial institutions" as per SWWF Act 2014.

In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB.

In these financial statements the Fund has recognised provision for SWWF amounting to Rs. 0.0702 million for the period from July 1, 2014 till June 30, 2021 which were reversed subsequently as on August 13, 2021. Had the provision not being made, the net asset value per unit as at June 30, 2021 would have been higher by Rs. nil (2020: Rs. 1.959) per unit.

**14. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments outstanding as at June 30, 2021 and June 30, 2020.

	2021	2020
	----- Number of units -----	
<b>15. NUMBER OF UNITS IN ISSUE</b>		
Total outstanding as of July 01	<b>313,411</b>	1,390,638
Add: Issued during the year	<b>414,955</b>	3,230,770
Less: Redeemed during the year	<b>(728,366)</b>	(4,307,997)
Total units in issue as of June 30	<u>-</u>	<u>313,411</u>
<b>16. AUDITORS' REMUNERATION</b>		
Audit fee	<b>175</b>	<b>175</b>
Fee for half yearly review	<b>79</b>	<b>79</b>
Shariah compliance audit fee	<b>5</b>	<b>5</b>
Other certifications and out of pocket expenses	<b>7</b>	<b>7</b>
	<u>266</u>	<u>266</u>

**17. TAXATION**

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

**18. EARNINGS PER UNIT**

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

19. FINANCIAL INSTRUMENTS BY CATEGORY

	2021		
	At fair value through profit or loss	Amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial assets</b>			
Bank balances	-	1,454	1,454
Dividend receivable and accrued mark-up	-	19	19
Deposits	-	2,600	2,600
	-	4,073	4,073
<b>Financial liabilities</b>			
Payable to the Management Company	-	6,195	6,195
Payable to the Trustee	-	78	78
Accrued expenses and other liabilities	-	528	528
	-	6,801	6,801
2020			
	At fair value through profit or loss	Amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial assets</b>			
Bank balances	-	543	543
Investment - Listed equity securities	22,248	-	22,248
Dividend receivable and accrued mark-up	-	700	700
Receivable against sale of investments	-	1,607	1,607
Deposits	-	2,600	2,600
	22,248	5,450	27,698
<b>Financial liabilities</b>			
Payable to the Management Company	-	174	174
Payable to the Trustee	-	24	24
Accrued expenses and other liabilities	-	2,826	2,826
Net assets attributable to redeemable units	-	27,437	27,437
	-	30,461	30,461

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

Connected persons / related parties include HBL Asset Management Limited (HBL-AML) being the Management Company of the Fund, Habib Bank Limited (HBL) being the Sponsor, (holding 100% shares of HBL Asset Management Limited), MCB Financial Services Limited (MCBFSL) being the Trustee of the Fund, other associated companies of HBL, HBL-AML and its subsidiaries, 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 terms.

Remuneration payable to the 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:

	2021	2020
	----- Rupees in '000 -----	
<b>20.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company including sales tax thereon	298	3,231
Allocation of expenses related to registrar services, accounting, operation and valuation services	21	301
Selling and marketing expense - net	(116)	1,087
Loan received from management company	6,000	-
<b>MCB Financial Services Limited - Trustee</b>		
Trustee remuneration including sales tax thereon	124	282
<b>MCBFSL Trustee HBL IFPF Islamic Capital Preservation Plan</b>		
Issue of Nil units (2020: 2,827,957 units)	-	231,000
Redemption of 313,411 units (2020: 3,905,184 units)	30,290	345,458
<b>MCBFSL Trustee HBL FPF Active Allocation Plan</b>		
Issue of 159,617 units (2020: Nil units)	15,600	-
Redemption of 159,617 units (2020: Nil units)	16,203	-
<b>MCBFSL Trustee HBL IFPF Active Allocation Plan</b>		
Issue of 251,913 units (2020: 161,125 units)	24,600	12,000
Redemption of 251,913 units (2020: 161,125 units)	25,487	12,623
<b>MCBFSL Trustee HBL IFPF Conservative Allocation Plan</b>		
Issue of 3,425 units (2020: Nil units)	362	-
Redemption of units 3,425 (2020: Nil units)	341	-

2021                      2020  
----- Rupees in '000 -----

**MCBFSL Trustee HBL IFPF Strategic Allocation Plan**

Issue of Nil units (2020: 241,688 units)	-	18,000
Redemption of Nil units (2020: 241,688 units)	-	22,147

**20.2 Amounts outstanding as at year end**

**HBL Asset Management Limited - Management Company**

Management remuneration payable including sales tax thereon	<b>191</b>	66
Allocation of expenses related to registrar services, accounting, operation and valuation services	<b>16</b>	5
Selling and marketing expense	-	103
Other payable	<b>5,988</b>	-

**MCB Financial Services Limited - Trustee**

Remuneration payable including sales tax thereon	<b>78</b>	24
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**MCBFSL Trustee HBL IFPF Islamic Capital Preservation Plan**

Investment held in the Fund: Nil units (2020: 313,411 units)	-	27,437
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**21. PARTICULARS OF INVESTMENT COMMITTEE**

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	22 + years
2	Adeel Abdul Wahab	Head of Equity	ACCA	13 + years
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	8 + years
4	Karim Khawaja	Head of Risk	MBA, CMA	18 + years

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

**Top brokers during the year ended June 30, 2021**

- 1 DJM Securities Limited
- 2 Next Capital Limited
- 3 IGI Finex Securities Limited
- 4 Intermarket Securities Limited
- 5 AKD Securities Limited
- 6 JS Global Capital Limited
- 7 Habib Metropolitan Financial Services Limited
- 8 EFG Hermes Pakistan Limited
- 9 AL Habib Capital Markets (Private) Limited
- 10 AL Falah Securities (Private) Limited

**Top ten brokers during the period 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	

**23. PATTERN OF UNIT HOLDING**

During the year, the funds managed by the management company has redeemed all of its units held on March 15, 2021 after which there has been no unit holder left in the Fund. Refer note 1.7

Category	June 30, 2020			
	Number of units holder	Number of units held	Unit holding or investment	Percentage of investment
MCBFSL Trustee HBL IFPF Islamic Capital Preservation plan	1	313,411	27,437	100%
	1	313,411	27,437	100%

**24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

Seven meetings of the Board of Directors were held on July 28 & 29, 2020, August 27, 2020, September 30, 2020, October 12, 2020, October 29, 2020, February 10, 2021 and April 30, 2021 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Mir Adil Rashid	7	7	-	-
2 Ms. Ava A. Cowasjee	7	7	-	-
3 Mr. Rayomond H. Kotwal	7	7	-	-
4 Mr. Rizwan Haider <sup>1</sup>	2	2	-	-
5 Mr. Shabbir Hussain Hashmi	7	7	-	-
6 Mr. Shahid Ghaffar	7	7	-	-
7 Mr. Muhammad Afaq Khan <sup>2</sup>	6	6	-	-
8 Mr. Abrar Ahmed Mir <sup>2</sup>	6	6	-	-
9 Mr. Tariq Masaud <sup>3</sup>	4	4	-	-

<sup>1</sup> Resigned on September 18, 2020.

<sup>2</sup> Appointed on July 29, 2020.

<sup>3</sup> Appointed on September 22, 2020.

## **25. FINANCIAL RISK MANAGEMENT**

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

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

The Fund primarily invests in 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.

### **25.1 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.

#### **25.1.1 Currency risk**

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

#### **25.1.2 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. 0.015 (2020: Rs. 0.005 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. 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, 2021 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.



As at June 30, 2021

Exposed to yield / interest rate risk

Yield / interest rate	Total	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk
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% ----- Rupees in '000 -----

**On-balance sheet financial instruments**

**Financial assets**

Bank balances	5% to 7.4%	1,454	1,454	-	-	-
Dividend receivable and accrued mark-up		19	-	-	-	19
Deposits		2,600	-	-	-	2,600
		<b>4,073</b>	<b>1,454</b>	-	-	<b>2,619</b>

**Financial liabilities**

Payable to the Management Company		6,195	-	-	-	6,195
Payable to the Trustee		78	-	-	-	78
Accrued expenses and other liabilities		528	-	-	-	528
		<b>6,801</b>	-	-	-	<b>6,801</b>

<b>On-balance sheet gap</b>		<b>(2,728)</b>	<b>1,454</b>	-	-	<b>(4,182)</b>
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**Off-balance sheet financial instruments**

		-	-	-	-	-
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**Off-balance sheet gap**

		-	-	-	-	-
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As at June 30, 2020

Exposed to yield / interest rate risk

Yield / interest rate	Total	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk
-----------------------	-------	--------------------	---	--------------------	---

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

**On-balance sheet financial instruments**

**Financial assets**

Bank balances	7.5% to 13.5%	543	543	-	-	-
Investment - Listed equity securities		22,248	-	-	-	22,248
Dividend receivable and accrued mark-up		700	-	-	-	700
Receivable against sale of investments		1,607	-	-	-	1,607
Deposits		2,600	-	-	-	2,600
		<b>27,698</b>	<b>543</b>	-	-	<b>27,155</b>

**Financial liabilities**

Payable to the Management Company		174	-	-	-	174
Payable to the Trustee		24	-	-	-	24
Accrued expenses and other liabilities		2,826	-	-	-	2,826
Net assets attributable to redeemable units		27,437	-	-	-	27,437
		<b>30,461</b>	-	-	-	<b>30,461</b>

<b>On-balance sheet gap</b>		<b>(2,763)</b>	<b>543</b>	-	-	<b>(3,306)</b>
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**Off-balance sheet financial instruments**

		-	-	-	-	-
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**Off-balance sheet gap**

		-	-	-	-	-
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### 25.1.3 Other market 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 is exposed to equity securities price risk because of investments held by the Fund and classified on the statement of assets and liabilities as financial assets 'at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the trust deed. The Fund's constitutive document / regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company, whichever is lower, and sector exposure limit to 30% of net assets.

In case of 5% increase / decrease in the fair value of the Fund's equity securities on June 30, 2021, net assets of the Fund would increase / decrease by Rs. Nil million (2020: Rs. 1.112 million).

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 PSX 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 KMI index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2021 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of PSX 100 Index.

### 25.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from bank balances, dividend receivable, accrued mark-up, receivables against sale of investments and deposits.

#### Management of credit risk

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

The analysis below summarises the credit quality of the bank balances and accrued interest thereon:

Name of the bank	Balance as at June 30, 2021	Latest available published rating as at June 30, 2021	Rating agency
Rupees in '000'			
<b>Savings accounts</b>			
Bank Islami Pakistan Limited	1,450	A+	PACRA
Dubai Islamic Pakistan Limited	10	AA	JCR-VIS
Allied Bank Limited	10	AAA	PACRA
	1,470		

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 accounts			
Bank Islami Pakistan Limited	529	A+	PACRA
Dubai Islamic Pakistan Limited	10	AA	JCR-VIS
Allied Bank Limited	10	AAA	PACRA
	<u>549</u>		

Other exposure to credit risks are as follows:

	2021	2020
	----- Rupees in '000 -----	
Dividend receivable	<u>3</u>	<u>694</u>
Deposits	<u>2,600</u>	<u>2,600</u>
Receivable against sale of investments	<u>-</u>	<u>1,607</u>

The maximum exposure to credit risk before considering any collateral as at June 30, 2021 and June 30, 2020 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

#### Concentration of credit risk

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

The Fund's major bank balance is held with one Bank. Management believes that such bank is a reputed institution.

	2021		2020	
	Rupees in '000	%	Rupees in '000	%
Commercial banks (including profit due)	1,470	36%	549	10%
National Clearing Company of Pakistan Limited - security deposit	2,500	61%	2,500	46%
Central Depository Company of Pakistan Limited - security deposit	100	2%	100	2%
National Clearing Company of Pakistan Limited - receivable against sale of investments	-		1,607	29%
Dividend receivable	3	0%	694	13%
	<u>4,073</u>	<u>100%</u>	<u>5,450</u>	<u>100%</u>

#### Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed on sale.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

### 25.3 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.

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.

	Carrying value	Total	Less than 1 month	Within 3 months
----- Rupees in '000 -----				
<b>June 30, 2021</b>				
<b>Financial liabilities</b>				
Payable to the Management Company	6,195	6,195	6,195	-
Payable to the Trustee	78	78	78	-
Accrued expenses and other liabilities	528	528	528	-
	<b>6,801</b>	<b>6,801</b>	<b>6,801</b>	<b>-</b>
Net assets attributable to redeemable units	-	-	-	-

	Carrying value	Total	Less than 1 month	Within 3 months
----- Rupees in '000 -----				
<b>June 30, 2020</b>				
<b>Financial liabilities</b>				
Payable to the Management Company	174	174	174	-
Payable to the Trustee	24	24	24	-
Accrued expenses and other liabilities	2,826	2,826	2,826	-
	<b>3,024</b>	<b>3,024</b>	<b>3,024</b>	<b>-</b>
Net assets attributable to redeemable units	27,437	27,437	27,437	-

Above financial liabilities do not carry any mark-up and are unsecured.

## **26. 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 endeavors 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.

## **27. 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.

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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (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, 2021					
Note	Carrying amount			Fair value	
	At fair value through profit or loss	At amortised cost	Total	Level 1	Total
----- Rupees in '000 -----					
<b>Financial assets not measured at fair value</b>	27.1				
Bank balances	-	1,454	1,454		
Dividend receivable and accrued mark-up	-	19	19		
Deposits	-	2,600	2,600		
	-	4,073	4,073		
<b>Financial liabilities not measured at fair value</b>	27.1				
Payable to the Management Company	-	6,195	6,195		
Payable to the Trustee	-	78	78		
Accrued expenses and other liabilities	-	528	528		
	-	6,801	6,801		

June 30, 2020					
Note	Carrying amount			Fair value	
	At fair value through profit or loss	At amortised cost	Total	Level 1	Total
----- Rupees in '000 -----					
<b>Financial assets measured at fair value</b>					
Investments - Listed equity securities	22,248	-	22,248	22,248	22,248
	22,248	-	22,248	22,248	22,248
<b>Financial assets not measured at fair value</b>	27.1				
Bank balances	-	543	543		
Dividend receivable and accrued mark-up	-	700	700		
Receivable against sale of investment	-	1,607	1,607		
Deposits	-	2,600	2,600		
	-	5,450	5,450		
<b>Financial liabilities not measured at fair value</b>	27.1				
Payable to the Management Company	-	174	174		
Payable to the Trustee	-	24	24		
Accrued expenses and other liabilities	-	3,440	3,440		
Net assets attributable to redeemable units	-	27,437	27,437		
	-	31,075	31,075		

**27.1** 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 frequently. Therefore, their carrying amounts are reasonable approximation of fair value.

**28. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2021 is 4.93% (2020: 5.52%) which includes 0.50% (2020: 0.71%) representing government levy and SECP fee. During the year ended June 30, 2020 the Management Company have reverse Rs. 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.

**29. 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 26, 2021.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

---

**Director**












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# HBL

## ASSET MANAGEMENT LTD.

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