



HBL IncomeFund

Half Yearly Report
December 31, 2014
(Un-audited)

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HBL INCOME FUND

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CORPORATE INFORMATION

Management Company

HBL Asset Management Limited.

Board of Directors

Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Directors	Mr. Rehan N. Shaikh	(Executive Director)
	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Salim Amlani	(Non-Executive Director)
	Ms. Sima Kamil	(Non-Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

Audit Committee

Chairman	Mr. Salim Amlani	(Non-Executive Director)
Members	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)

Human Resource Committee

Chairperson	Ms. Sima Kamil	(Non-Executive Director)
Members	Ms. Sadia Khan	(Independent Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)

Risk Management Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Salim Amlani	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director)

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

KPMG Taseer Hadi & Co., Chartered Accountants,
Sheikh Sultan Trust Building No 02
Beaumont Road, Karachi-75530, Pakistan

Internal Auditors

A.F. Ferguson & Co., Chartered Accountants,
State Life Building No. 1-C, I.I Chundrigar Road,
P.O.Box 4716, Karachi.

Trustee

Central Depository Company of Pakistan Limited (CDC)
CDC House, 99- B, Block "B", S.M.C.H.S, Main Shakra-e-Faisal, Karachi

Legal Advisors

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

Website

www.hblasset.com

Head Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

Registered Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

FUND INFORMATION

NAME OF FUND **HBL Income Fund**

FUND MANAGER **Mr. Fahad Aziz**

NAME OF AUDITORS

External Auditors **KPMG Taseer Hadi & Co., Chartered Accountants.**

Internal Auditors **A.F. Ferguson & Co., Chartered Accountants.**

NAME OF BANKERS

NIB Bank Limited
Allied Bank Limited
Askari bank Limited
Faysal Bank Limited
Meezan Bank Limited
Bank AlFalah Limited
Bank Al Habib Limited
MCB Bank Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Standard Chartered Bank (Pakistan) Limited
Soneri Bank Limited

TRUSTEE REPORT TO THE UNIT HOLDERS

HBL INCOME FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of **HBL Income Fund** (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2014 in accordance with the provisions of the following:

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

Aftab Ahmed Diwan
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 24, 2015

**AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL
INFORMATION TO THE UNIT HOLDERS**

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **HBL Income Fund** ("the Fund") as at December 31, 2014 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the half year then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matters

The figures for the quarter ended December 31, 2014 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

Date: February 27, 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

HBL INCOME FUND
Condensed Interim Statement of Assets and Liabilities
As at December 31, 2014

	<i>Note</i>	December 31, 2014 (Un-Audited)	June 30, 2014 (Audited)
(Rupees in '000)			
Assets			
Bank balances	4	554,617	659,789
Investments	5	2,494,086	2,080,010
Accrued mark-up	6	90,400	57,678
Advances, deposits and other receivables	7	112,000	3,607
Total assets		3,251,103	2,801,084
Liabilities			
Payable to HBL Asset Management Limited - Management Company	8	4,637	4,001
Payable to Central Depository Company of Pakistan Limited - Trustee		296	263
Payable to Securities and Exchange Commission of Pakistan		1,076	1,441
Accrued expenses and other liabilities	9	45,912	27,027
Total liabilities		51,921	32,732
Net assets		3,199,182	2,768,352
Unit holders' fund (as per statement attached)		3,199,182	2,768,352
(Number of units)			
Number of units in issue		29,573,984	27,317,798
(Rupees)			
Net assets value per unit		108.1756	101.3388

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL INCOME FUND
Condensed Interim Income Statement (Un-Audited)
For the half year ended December 31, 2014

	Note	Half year ended December 31,		Quarter ended December 31,	
		2014	2013	2014	2013
------(Rupees in '000)-----					
Income					
Mark-up on deposits with banks		21,785	13,113	8,321	11,353
Mark-up / return on investments		137,327	74,787	72,959	33,758
Capital gain on sale of investments - net		3,396	380	6,155	461
		162,508	88,280	87,435	45,572
(Provision) / reversal against non-performing Term Finance Certificates and Sukuk bonds	5.5	(6,895)	1,779	(3,429)	4,063
		155,613	90,059	84,006	49,635
Expenses					
Remuneration of HBL Asset Management Limited - Management Company		28,716	17,786	14,894	7,360
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,648	1,177	856	573
Annual fee to Securities and Exchange Commission of Pakistan		1,076	661	558	317
Settlement and bank charges		150	37	148	37
Auditors' remuneration		309	337	210	205
Other expenses		127	449	63	385
		32,026	20,447	16,729	8,877
Net income from operating activities		123,587	69,612	67,277	40,758
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		11,537	(2,947)	15,984	(1,511)
Provision for Workers' Welfare Fund	10	(2,649)	(1,327)	(1,609)	(778)
Net income for the period before taxation		132,475	65,338	81,652	38,469
Taxation	11	-	-	-	-
Net income for the period after taxation		132,475	65,338	81,652	38,469
Earnings per unit	12				

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL INCOME FUND**Condensed Interim Statement of Comprehensive Income (Un-Audited)***For the half year ended December 31, 2014*

	Half year ended December 31,		Quarter ended December 31,	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Net income for the period	132,475	65,338	81,652	38,469
Other comprehensive income for the period				
<i>Items to be reclassified to income statement in subsequent periods:</i>				
Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale	66,954	(1,516)	52,298	1,594
Total comprehensive income for the period	<u>199,429</u>	<u>63,822</u>	<u>133,950</u>	<u>40,063</u>

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL INCOME FUND
Condensed Interim Distribution Statement (Un-Audited)
For the half year ended December 31, 2014

	Half year ended December 31,	
	2014	2013
	(Rupees in '000)	
Undistributed income brought forward - realised	11,287	41,431
Net income for the period	132,475	65,338
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund	932	(536)
Final distribution for the year ended June 30, 2014: Nil [(Year ended June 30, 2013: Rs. 2.00 per unit in the form of 377,274 bonus units) (Date of distribution: July 8, 2013)]	-	(37,958)
First interim distribution for the year ending June 30, 2015: Nil [(Year ended June 30, 2014: Rs. 1.75 per unit in the form of 287,530 bonus units) (Date of distribution: October 30, 2013)]	-	(29,140)
Total distributions	-	(67,098)
Undistributed income carried forward - realised	144,694	39,135

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL INCOME FUND**Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)***For the half year ended December 31, 2014*

	Half year ended December 31,	
	2014	2013
	(Rupees in '000)	
Net assets at beginning of the period [Rs.101.3388 (June 30, 2013: Rs. 102.6114)]	2,768,352	1,947,464
Issue of 13,582,262 units (2013: 887,562 units)	1,433,222	90,634
Redemption of 11,326,076 units (2013: 4,481,467 units)	(1,190,284)	(454,872)
Issue of bonus units: Nil (2013: 664,804 bonus units)	-	67,098
	242,938	(297,140)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement-net	(11,537)	2,947
Net income for the period	132,475	65,338
Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale	66,954	(1,516)
Total comprehensive income for the period	199,429	63,822
Final distribution for the year ended June 30, 2014: Nil [(Year ended June 30, 2013: Rs. 2.00 per unit in the form of 377,274 bonus units) (Date of distribution: July 8, 2013)]	-	(37,958)
First interim distribution for the year ending June 30, 2015: Nil [(Year ended June 30, 2014: Rs.1.75 per unit in the form of 287,530 bonus units) (Date of distribution: October 30, 2013)]	-	(29,140)
Total distributions	-	(67,098)
Net assets at end of the period [Rs.108.1756 per unit (December 31, 2013: Rs. 102.8039 per unit)]	3,199,182	1,649,995

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

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

Chief Executive

Director

HBL INCOME FUND
Condensed Interim Cash Flow Statement (Un-Audited)
For the half year ended December 31, 2014

	Note	Half year ended December 31,	
		2014	2013
(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the period		132,475	65,338
Adjustments			
Provision / (Reversal) against non-performing Term Finance Certificates and Sukuk bonds	5.5	6,895	(1,779)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		(11,537)	2,947
		127,833	66,506
(Increase) / decrease in assets			
Investments - net		(354,017)	853,103
Accrued mark-up		(32,722)	2,299
Advances, deposits, and other receivables		(108,393)	(94,999)
		(495,132)	760,403
Increase / (decrease) in liabilities			
Payable to HBL Asset Management Limited - Management Company		636	(500)
Payable to Central Depository Company of Pakistan Limited - Trustee		33	(36)
Payable to Securities and Exchange Commission of Pakistan		(365)	(812)
Accrued expenses and other liabilities		18,885	2,737
		19,189	1,389
Net cash (used in) / generated from operating activities		(348,110)	828,298
CASH FLOW FROM FINANCING ACTIVITIES			
Amount received on issue of units		1,433,222	90,634
Payment against redemption of units		(1,190,284)	(454,872)
Net cash generated from / (used in) financing activities		242,938	(364,238)
Net (decrease) increase in cash and cash equivalents		(105,172)	464,060
Cash and cash equivalents at beginning of the period		659,789	375,795
Cash and cash equivalents at end of the period	4	554,617	839,855

The annexed notes 1 to 16 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL INCOME FUND

Notes to the Condensed Interim Financial Information (Un-Audited)

For the half year ended December 31, 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Income Fund (the Fund) was established under a Trust Deed, dated September 06, 2006, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on July 25, 2006.

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 SECP. The registered office of the Management Company is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan.

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 Lahore Stock Exchange. The units of the Fund were initially offered for public subscription at par from March 15, 2007 to March 17, 2007.

The principal activity of the Fund is to make investments in fixed income securities. Other avenues of investments include ready future arbitrage in listed securities and transactions under Continuous Funding System.

JCR-VIS Credit Rating Agency has assigned an asset manager rating of 'AM2-' to the Management Company and fund stability rating of 'A(f)' to the Fund.

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

2. STATEMENT OF COMPLIANCE

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the financial statements of the Fund for the year ended June 30, 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2014.

4. BANK BALANCES	Note	December 31, 2014	June 30, 2014
(Rupees in '000)			
Current account		2,180	-
Savings accounts	4.1	252,437	309,789
Term Deposit Receipts (TDRs)	4.2	300,000	350,000
		<u>554,617</u>	<u>659,789</u>

4.1 This represents bank accounts held in different banks. Mark-up rates on these accounts range between 7.05% - 9.15% (June 30, 2014: 7.05% - 9%) per annum.

4.2 This represents TDRs placed with Allied Bank Limited having original maturity of one month and carry mark-up at the rate of 10.00% per annum.

5. INVESTMENTS	Note	December 31, 2014	June 30, 2014
(Rupees in '000)			
Available for sale			
- Term Finance Certificates - Listed	5.1.1	-	22,852
- Term Finance Certificates and Sukuk bonds - Unlisted	5.1.2	331,144	331,344
- Government Securities	5.2	2,162,942	1,525,814
		<u>2,494,086</u>	1,880,010
Loans and receivables			
- Placements	5.3	-	200,000
		<u>2,494,086</u>	<u>2,080,010</u>

5.1 Available for sale investments

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

5.1.1 Term Finance Certificates - Listed

Name of the Investee Company	Number of certificates				Market value/ Carrying value* as at December 31, 2014	Market value as a percentage of	
	As at July 1, 2014	Purchases during the period	Sales / Matured during the period	As at December 31, 2014		Total Investments	Net Assets
(Rupees in '000)							
Financial Services							
Saudi Pak Leasing Company Limited - (Note 5.1.3)	2,000	-	-	2,000	-	-	-
	2,000	-	-	2,000	-	-	-
Commercial Banks							
Faysal Bank Limited	12,758	-	12,758	-	-	-	-
	12,758	-	12,758	-	-	-	-
Fixed Line Telecommunication							
World Call Telecom Limited - (Note 5.1.4)	23,750	-	-	23,750	-	-	-
	23,750	-	-	23,750	-	-	-
	<u>38,508</u>	-	<u>12,758</u>	<u>25,750</u>	-	-	-
Cost of investments at December 31, 2014					<u>56,412</u>		

5.1.2 Term Finance Certificates and Sukuk bonds - Unlisted

Name of the Investee Company	Number of certificates			As at December 31, 2014	Market value/ Carrying value* as at December 31, 2014	Market value as a percentage of	
	As at July 1, 2014	Purchases during the period	Sales / Matured during the period			Total Investments	Net Assets
(Rupees in '000)							
Commercial Banks							
Bank Al Habib Limited	6,000	-	-	6,000	34,346	1.23%	1.07%
Standard Chartered Bank (Pakistan) Limited	8,000	-	-	8,000	40,025	1.43%	1.25%
	14,000	-	-	14,000	74,371	2.66%	2.32%
Chemicals							
Engro Fertilizer Limited - Perpetual I	21,000	-	-	21,000	104,475	3.74%	3.27%
Engro Fertilizer Limited - Perpetual II	7,000	-	-	7,000	33,614	1.20%	1.05%
Agritech Limited - (Note 5.1.5)	2,000	-	-	2,000	-	-	-
	30,000	-	-	30,000	138,089	4.94%	4.32%
Construction and Materials							
Maple Leaf Cement Factory Limited - Sukuk	7,000	-	-	7,000	16,785	0.60%	0.52%
	7,000	-	-	7,000	16,785	0.60%	0.52%
Multitilities							
WAPDA Sukuk	23,750	-	-	23,750	101,899	3.65%	3.19%
	23,750	-	-	23,750	101,899	3.65%	3.19%
Others							
New Allied Electronics Industries (Pvt) Limited - (Note 5.1.5)	9,000	-	-	9,000	-	-	-
New Allied Electronics Industries (Pvt) Limited -Sukuk - (Note 5.1.5)	9,000	-	-	9,000	-	-	-
	18,000	-	-	18,000	-	-	-
	92,750	-	-	92,750	331,144	11.85%	10.35%
Cost of investments at December 31, 2014					397,427		

* In case of debt securities against which a provision has been made, these are carried at amortised cost less provision. For non-performing securities market value / valuation by MUFAP is not available.

5.1.3 Saudi Pak Leasing Company Limited defaulted towards payment falling due in September 2010. Accordingly, the exposure was classified as non-performing and provision was recognised in accordance with the SECP's provisioning guidelines.

Subsequently, on the request of the Issuer, TFC holders approved the restructuring of the facility by extending repayment period from 5 years to 9 years and by reducing mark-up rate to 6% for 24 months from restructuring date and 8% for next 24 months and thereafter fixing the mark-up rate at 1 month KIBOR. Further, half of the accrued mark-up is to be paid in cash and the balance is being deferred.

The Issuer defaulted again in the payment of principal and mark-up due on September 13, 2011. In accordance with the requirements of Circular No. 33 of 2012 dated October 24, 2012 issued by the Securities Exchange Commission of Pakistan (SECP), the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. Accordingly, the exposure has been fully provided.

5.1.4 Worldcall Telecom Limited TFC's were classified by MUFAP as non-performing on November 8, 2012 after default of instalment due on October 7, 2012 (earlier default on April 7, 2012) for the second time. A restructuring agreement was signed on December 26, 2012. The restructuring included the extension of repayment period by 2 years, deferral of principal instalments till October 7, 2014 and payment of regular mark-up during the restructuring period. The issuer defaulted again in payment of principal instalment due on October 7, 2014. In accordance with Circular No. 33 of 2012 dated October 24, 2012, the exposure has been fully provided.

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

5.1.6 The Term Finance Certificates and Sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

5.1.7 Instalments amounting to Rs. 1,998 thousand have become due for payment of the following TFCs / sukuks and are reflected in note 7.

	December 31, 2014	June 30, 2014
	(Rupees in '000)	
Bank Al Habib Limited	-	6
Agriotech Limited	1,998	1,998
	1,998	2,004

5.1.8 Significant terms and conditions of Term Finance Certificates Sukuk bonds outstanding as at December 31, 2014 are as follows:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Term Finance Certificates - Listed				
Saudi Pak Leasing Company Limited	2,775	6% Fixed Rate	13-Mar-08	13-Mar-17
World Call Telecom Limited	2,142	6 Month KIBOR + 1.60%	3-Dec-07	3-Dec-18
Term Finance Certificates and Sukuk bonds - Unlisted				
New Allied Electronics Industries (Pvt) Limited - Sukuk	4,905	6 Month KIBOR + 2.50%	15-May-07	15-May-11
Agriotech Limited	3,997	6 Month KIBOR + 1.75%	30-Nov-07	30-Nov-14
Maple Leaf Cement Factory Limited -Sukuk	3,044	3 Month KIBOR + 1.00%	3-Dec-07	3-Dec-18
New Allied Electronics Industries (Pvt) Limited	2,114	6 Month KIBOR + 2.20%	3-Dec-07	3-Dec-12
Engro Fertilizer Limited - Perpetual I	5,000	6 Month KIBOR + 1.70%	18-Mar-08	18-Mar-18
Engro Fertilizer Limited - Perpetual II	5,000	6 Month KIBOR + 1.25%	18-Mar-08	18-Mar-18
Bank Al Habib Limited	4,992	15% Fixed Rate	30-Jun-11	30-Jun-21
Standard Chartered Bank (Pakistan) Limited	5,000	6 Month KIBOR + 0.75%	29-Jun-12	29-Jun-22
WAPDA - Sukuk	5,000	6 Month KIBOR + 1%	14-Oct-13	14-Oct-21

5.2 Investment in Government Securities - Available for sale

Issue Date	Tenor	Face value			Market Value as at December 31, 2014	Market Value as a percentage of	
		As at July 1, 2014	Purchases during the period	Sales / Matured during the period		As at December 31, 2014	Total Investments
------(Rupees in '000)-----							
Treasury bill							
March 20, 2014	6 months	210,000	-	210,000	-	-	-
April 17, 2014	3 months	12,000	215,000	227,000	-	-	-
April 17, 2014	6 months	150,000	-	150,000	-	-	-
May 15, 2014	3 months	250,000	-	250,000	-	-	-
May 15, 2014	6 months	100,000	-	100,000	-	-	-
June 12, 2014	3 months	-	20,000	20,000	-	-	-
June 26, 2014	3 months	-	15,000	15,000	-	-	-
July 24, 2014	3 months	-	565,000	565,000	-	-	-
August 7, 2014	3 months	-	400,000	400,000	-	-	-
September 4, 2014	3 months	-	80,000	80,000	-	-	-
September 30, 2014	3 months	-	200,000	200,000	-	-	-
October 2, 2014	3 months	-	100,000	100,000	-	-	-
October 30, 2014	3 months	-	400,000	250,000	150,000	149,165	5.34%
November 13, 2014	6 months	-	400,000	400,000	-	-	-
November 27, 2014	3 months	-	300,000	-	300,000	296,150	10.60%
November 28, 2014	3 months	-	100,000	-	100,000	98,969	3.54%
		<u>722,000</u>	<u>2,795,000</u>	<u>2,967,000</u>	<u>550,000</u>	<u>544,284</u>	<u>19.48%</u>
Pakistan Investment Bonds							
July 19, 2012	10 years	160,000	-	160,000	-	-	-
July 18, 2013	3 years	675,000	625,000	300,000	1,000,000	1,025,425	36.70%
July 17, 2014	3 years	-	580,000	350,000	230,000	238,566	8.54%
July 17, 2014	10 years	-	378,000	50,000	328,000	354,667	12.69%
		<u>835,000</u>	<u>1,583,000</u>	<u>860,000</u>	<u>1,558,000</u>	<u>1,618,658</u>	<u>57.93%</u>
Grand total		<u>1,557,000</u>	<u>4,378,000</u>	<u>3,827,000</u>	<u>2,108,000</u>	<u>2,162,942</u>	<u>77.41%</u>
Cost of investments at December 31, 2014					<u>2,102,611</u>		

5.3 Loans and receivables - Placements

Name of Bank	As at July 01, 2014	Placements made during the period	Matured during the period	As at December 31, 2014	Percentage of Total value of Investments	Percentage of Net Assets
------(Rupees in '000)-----						
Bank Alfalah Limited	<u>200,000</u>	-	<u>200,000</u>	-	-	-

5.4 Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale	Note	December 31, 2014	June 30, 2014
(Rupees in '000)			
Market value of investments	5.1.1, 5.1.2 & 5.2	2,494,086	1,880,010
Cost of investments	5.1.1, 5.1.2 & 5.2	2,556,450	2,002,433
Provision against non-performing TFCs and Sukuk bonds		(127,579)	(120,684)
		2,428,871	1,881,749
		<u>65,215</u>	<u>(1,739)</u>
5.5 Movement in provision against investments			
Opening balance		122,682	147,746
Add: Charge for the period		6,895	13,563
Less: Reversals / write-offs		-	38,627
Net (reversal) / charge		6,895	(25,064)
Closing balance		<u>129,577</u>	<u>122,682</u>
Classified under investments		127,579	120,684
Classified under other receivables		1,998	1,998
		<u>129,577</u>	<u>122,682</u>
6. ACCRUED MARK-UP			
Mark-up accrued on savings accounts		-	2,312
Mark-up accrued on term deposit receipts		1,808	590
Mark-up / return accrued on Term Finance Certificates and Sukuk bonds		7,235	9,723
Mark-up / return accrued on Government Securities		81,357	42,694
Mark-up accrued on placements		-	2,359
		<u>90,400</u>	<u>57,678</u>
7. ADVANCE, DEPOSITS, AND OTHER RECEIVABLES			
Security deposit with National Clearing Company of Pakistan Limited		3,500	3,500
Security deposit with Central Depository Company of Pakistan Limited		100	100
Receivable against investments of Term Finance Certificates and Sukuk bonds		1,998	2,004
Receivable against sale of government securities		108,399	-
Others		1	1
		<u>113,998</u>	<u>5,605</u>
Less: Provision against overdue instalments of Term Finance Certificates and Sukuk bonds	5.5	(1,998)	(1,998)
		<u>112,000</u>	<u>3,607</u>

8. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	December 31, 2014	June 30, 2014
(Rupees in '000)			
Management fee	8.1	3,958	3,374
Sindh Sales Tax	8.2	679	627
		<u>4,637</u>	<u>4,001</u>

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

8.2 The Sindh Government has levied Sindh Sales Tax at the rate of 15% (June 30, 2014: 16%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2011.

9. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	December 31, 2014	June 30, 2014
(Rupees in '000)			
Auditors' remuneration		252	300
Brokerage payable		30	29
Payable to unit holders against redemption of units		2	1
Federal Excise Duty payable	9.1	7,534	4,090
Provision for Workers' Welfare Fund	10	25,167	22,518
Advance against units to be issued		12,630	-
Other payables		297	89
		<u>45,912</u>	<u>27,027</u>

9.1 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 June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. The matter has been taken up collectively by Mutual Funds Association of Pakistan, where various options are being considered. On September 09, 2013, the Honourable High Court of Sindh in a Constitutional petition relating to levy of FED on Mutual Funds has granted a stay order for the recovery of FED. As a matter of abundant caution, without prejudice to the above, the Management Company has made a provision with effect from June 13, 2013, aggregating to Rs. 8.687 million out of which Rs. 1.1534 million have been paid to the Management Company. Had the provision not been made, the Net Asset Value (NAV) per unit of the fund as at December 31, 2014 would have been higher by Rs. 0.2938 per unit.

10. PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

Furthermore in 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 25.167 million (including Rs. 2.649 million for the current period). Had the provision not been made, the Net Asset Value (NAV) per unit of the fund as at December 31, 2014 would have been higher by Rs. 0.8510 per unit.

11. 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 the accounting income, the income distributed through bonus units 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 unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute in cash at least 90 percent of the Fund's accounting income for the year ending June 30, 2015 as reduced by capital gains (whether realised or unrealised) to its unit holders.

The tax department has issued show cause notice to the Fund for tax year 2008. In the notice, the tax department has alleged that the return filed by the Fund in respect of above tax year is found erroneous in so far as prejudicial to the interest of the revenue and requires amendment under section 122 (5A) of the Income Tax Ordinance, 2001. They have further stated that as the Fund has distributed income in the form of bonus shares which has not resulted in increase in capital, therefore such distribution / payment tantamount to dividend as per section 2 (29) of the Ordinance and the Fund has not made withholding under section 150 of the Ordinance, therefore does not qualify for exemption in terms of Clause (99) of Part I of the Second Schedule to the Ordinance.

The Fund has filed a reply to show cause notice stating that the assessment cannot be reopened as a period of five years has already lapsed. The contention that bonus units do not result in increase in the capital is not correct and the distribution was in accordance with Clause 99 Part I of the Second Schedule. The Clause 99 of Part I of the Second Schedule has only been amended vide Finance Act 2014 and therefore is applicable for tax year 2015.

The Fund considers that application of amended Clause 99 to tax year 2008 is void and is confident that the proceedings would be dropped.

12. EARNINGS PER UNIT (EPU)

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

13. 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 the 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 the condensed interim financial information are as follows:

	Half year ended	
	December 31,	
13.1 Transactions during the period	2014	2013
	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Management fee	28,716	17,786
Issue of 1,390,061 units (2013: Nil units)	150,000	-
Issue of bonus units: Nil (2013: 37,913 bonus units)	-	3,828
Redemption of 1,140,867 units (2013: 1,049,216 units)	123,050	106,522
Profit earned on units redeemed	13,050	6,522
Habib Bank Limited - Sponsor		
Issue of bonus units: Nil (2013: 396,046 bonus units)	-	39,983
Bank charges paid	36	30
Mark-up earned during the period	2,826	2,363
Mark-up received during the period	3,014	1,945
Jubilee General Insurance Company - Associated company		
Issue of 2,876,564 units (2013: 979,663 units)	300,000	-
Redemption of 2,025,970 units (2013: 980,033 units)	213,809	-
Profit earned on units redeemed	11,632	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	1,648	1,177
Central Depository system charges	4	3
Directors of connected persons		
Issue of bonus units: Nil (2013: 56,160 bonus units)	-	3,281
Redemption of units: Nil (2013: 2,967 units)	-	300
Profit earned on units redeemed	-	2
Executives and their relatives		
Issue of 86,665 units (2013: Nil units)	9,282	-
Issue of bonus units: Nil (2013: 197 bonus units)	-	20
Redemption of 28,443 units (2013: Nil units)	3,035	-
Profit earned on units redeemed	6	-

13.2 Balances outstanding as at year end	December 31, 2014	June 30, 2014
	(Rupees in '000)	
HBL Asset Management Limited - Management Company		
Investment held by the management company in the Fund:		
1,390,061 units (June 30, 2014: 1,140,867 units)	150,371	115,614
Management fee	3,958	3,374
Sindh Sales Tax	679	627
Habib Bank Limited - Sponsor		
Investment held by HBL in the Fund: 11,758,098 units (June 30, 2014: 11,758,098 units)	1,271,939	1,191,552
Bank balances with HBL	191,942	68,263
Mark-up receivable on deposits with bank	-	188
Jubilee General Insurance Company - Associated company		
Investment held by Jubilee Insurance Company in the Fund: 2,876,564 units (June 30, 2014: 2,025,970 units)	311,174	205,309
Directors and Executives of the Management Company and their relatives		
Directors and their relatives		
Investment held in the Fund: 35,175 units (June 30, 2014: 58,293 units)	3,805	5,907
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	296	263
Security deposit	100	100
Directors of connected persons		
Investment held in the Fund: 399,488 units (June 30, 2014 : 1,995,412)	43,215	202,213
Persons holding 10% or more units - other than above		
Investments held in the Fund : Nil units (June 30, 2014: 3,078,955 units)	-	312,018

14. DISCLOSURE UNDER CIRCULAR 16 OF 2010 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - CATEGORISATION OF OPEN END SCHEME

The Securities and Exchange Commission of Pakistan vide circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. HBL Asset Management Limited (Management Company) classified HBL Income Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at December 31, 2014, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than the investment grade.

Name of Non-Complaint Investment	Type of Investment	Value of Investment before Provision	Provision held (if any)	Value of Investment after Provision	% of Net Assets	% of Gross Assets
------(Rupees in '000)-----						
New Allied Electronics Industries (Private) Limited	TFC	19,025	19,025	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk	44,149	44,149	-	-	-
Agritech Limited	TFC	9,992	9,992	-	-	-
Saudi Pak Leasing Company Limited	TFC	5,790	5,790	-	-	-
Worldcall Telecom Limited	TFC	50,862	50,862	-	-	-

15. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on February 27, 2014.

16. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Executive

Director

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