

HBL

ASSET MANAGEMENT LTD.

ايسيت مينجمنت لميٹڈ

HBL Islamic Pension Fund

Half Yearly Report
December 31, 2016
(Un- Audited)

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FUND AND CORPORATE INFORMATION

Management Company
HBL Asset Management Limited.

Board of Directors

Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Directors	Mr. Farid Ahmed Khan	(Executive Director & CEO)
	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Ms. Sima Kamil	(Non-Executive Director)
	Mr. Nadeem Abdullah	(Independent Non-Executive Director)
	Ms. Ava Ardeshir Cowasjee	(Independent Non-Executive Director)

Audit Committee

Chairman	Mr. Nadeem Abdullah	(Independent Non-Executive Director)
Members	Mr. Rizwan Haider	(Non-Executive Director)
	Ms. Ava Ardeshir Cowasjee	(Independent Non-Executive Director)

Human Resource Committee

Chairperson	Mr. Towfiq Habib Chinoy	(Non-Executive Director)
Members	Ms. Sima Kamil	(Non-Executive Director)
	Mr. Farid Ahmed Khan	(Executive Director & CEO)

Risk Management Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Farid Ahmed Khan	(Executive Director & CEO)

Company Secretary &
Chief Financial Officer

Mr. Noman Qurban

External Auditors

Deloitte Yousuf Adil,
Member of Deloitte Touch Tohmastu Limited
Cavish Court, A-35, block 7 & 8 KCHSU,
Shahra-e-Faisal, Karachi-75350, Pakistan

Internal Auditors

Ernst Young Rhodes Sidat Hyder
Progressive Plaza, Beamont Road, 75530,
Karachi, Pakistan.

Trustee

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

Bankers

Habib Bank Limited
Bank Al-Habib
MCB Bank Limited
Habib Metropolitan Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
Allied Bank Limited
Soneri Bank Limited
NIB Bank Limited

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.

REVIEW REPORT OF THE DIRECTORS OF THE MANAGEMENET COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2016

The Board of Directors of HBL Asset Management Limited is pleased to present its report along with Financial Statements Report of **HBL Islamic Pension Fund** (the Funds) for the half-year ended December 31, 2016.

MARKET REVIEW

Economic & Money Market Review

Following the accommodating monetary policy that was observed in FY16, the State Bank of Pakistan took a more cautious approach in the half-year ended December 2016. The policy rate was kept unchanged at 5.75% in view of increased risk of higher inflation in the upcoming quarters and a deteriorating current account deficit. Brent Crude oil prices were stagnant during 1QFY17, but rose by 16% in 2QFY17 due to the OPEC deal which was struck in late-November, thus pushing up the market's inflation expectations. CPI inflation clocked in at 3.88% for the half, compared to 2.08% in the same period last year, further stocking inflationary fears in the market. On the external front, the current account deficit for the half came in at 2.0% of GDP vs. 1.1% last year. The deterioration in the current account balance could be attributed to falling exports, increasing imports of machinery and waning foreign remittances, particularly from the Middle East. However, the country's foreign exchange reserves and USDPKR rate have been cushioned from the negative effects of the current account balance by the issuance of a USD 1.0 billion international Sukuk, which was floated in October 2016 at a profit rate of 5.50% p.a. Challenges on the external accounts side are likely to linger, however, with adequate support from strategic regional economies, the Pakistani economy looks set to overcome these. With GDP growth expected to accelerate to 5.0% this year, inflation likely to remain comfortably in single-digits, and pro-growth policy action in the run-up to general elections next year, Pakistan's economic outlook is positive.

The yield curve has steepened during the period as secondary market yields on 3, 5 and 1-year PIBs have increased by 64, 86 and 93 bps respectively. Meanwhile, yields on the 3, 6 and 12-month T-Bills rose by 9, 15 and 15 bps respectively. The SBP raised PKR 646 billion through PIBs compared to the cumulative target of PKR 500 billion and maturities of PKR 1.72 trillion. All PIB auctions held during 2QFY17 were scrapped. The large maturity of PIBs resulted in a net retirement of PKR 478 billion of government borrowing from commercial banks in 1HFY17 while government borrowing from the SBP crossed the PKR 1.0 trillion mark during the period vs. a net retirement of PKR 436 billion in the same period last year. Through T-Bills, the SBP raised PKR 2.81 trillion compared to the cumulative target of PKR 2.66 trillion and maturities of PKR 2.22 trillion. Market sentiment has shifted slightly since the close of the previous year, mainly due to below-expected CPI data for the month of December and the release of the previous MPC meeting minutes which showed a close split between those members voting for status-quo and those voting for a cut in the policy rate. Going forward, it seems that the SBP is likely to continue its status-quo stance on monetary policy for longer than the market had expected, which will keep the market divided as to the timing of the first change in the policy rate.

Stock Market Review

Driven by strong inflow of domestic liquidity, rising oil prices and higher policy rate expectations, the KSE100 Index surged by 26.5% in 1HFY17. Cumulatively, the KSE100 Index posted a gain of 45.6% for the full-year 2016, breaking its previous all-time highs and making Pakistan the 5th best performing equity market worldwide. Mutual funds emerged as the largest net buyers of USD 307 million, followed by NBFCs (USD 102 million) and companies (USD 61 million). This strong buying by local institutional investors was sufficient to absorb the steady selling of foreign investors, who offloaded USD 298 million of Pakistani equities. The rally was driven mainly by the banking sector, where investors expected that interest rates had bottomed-out, and the E&P sector, which would benefit from the surge in international oil prices. On the flip side, selected scripts in the textile, electricity and pharmaceutical sectors were the main drags on the KSE100 Index's performance. Furthermore, average daily trading volume in KSE100 Index shares posted a sizable improvement of 42% H/H to 154 million shares. M&A and IPO activity also remained robust in the period, particularly in the food & personal care, cement and automobile parts sectors. Going forward, we expect the market to continue its upward trajectory, given that Pakistan is still trading at a sizable discount to its Emerging Market peers in terms of P/E multiples and dividend yield. These attractive valuations should act as a catalyst for inflows from foreign investors, adding to the anticipated inflow from passive Emerging Market Index funds. The recent acquisition of a 40% stake in the PSX by Chinese investors should also pave the way for the introduction of new products and greater visibility of the Pakistani market on the global stage. Over the longer term, the gathering momentum of the China-Pakistan Economic Corridor (CPEC) projects are likely to stimulate investment-led GDP growth which bodes well for Pakistan's equity market as well.

REVIEW REPORT OF THE DIRECTORS OF THE MANAGMENET COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2016

FUND'S PERFORMANCE

HBL ISLAMIC PENSION FUND

The Fund comprises of three sub funds namely Equity sub-fund, Debt sub-fund and Money Market sub-fund. The Fund as a whole earned total and net income of Rs. 32.52 million and Rs. 28.89 million respectively during the period under review. The fund size increased from Rs 315.04 million as at June 30, 2016 to Rs. 361.73 million as at December 31, 2016 showing growth of 14.82%. Performance review for each sub Fund is given below:

EQUITY SUB-FUND

During the period under review, the Equity sub-fund earned total and net income of Rs. 26.325 million and Rs. 24.403 million respectively. The net assets of the Equity sub-fund was Rs. 210.85 million representing Net Asset Value (NAV) of Rs. 444.9298 per unit as at December 31, 2016. The Fund yielded a return of 28.61% for the period. The Sub Fund is invested to the extent of 92.72% in equities.

DEBT SUB-FUND

During the period under review, the Debt sub-fund earned total and net income of Rs. 3.65 million and Rs. 2.72 million respectively. The net assets of the Debt sub-fund was Rs. 86.794 million representing Net Asset Value (NAV) of Rs. 135.4569 per unit as at December 31, 2016. The Fund yielded annualized return of 6.45% for the period under review. The Fund has major investment to the extent of 33.79% in Government Securities.

MONEY MARKET SUB-FUND

During the period under review, the Money Market sub-fund earned total and net income of Rs. 2.54 million Rs. 1.77 million respectively. The net assets of the Money Market sub-fund was Rs.64.08 million representing Net Asset Value (NAV) of Rs. 132.5758 per unit as at December 31, 2016. An annualized return of 4.87% was earned by the Fund for the period under review. .

ACKNOWLEDGEMENT

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

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

Karachi
Date: February 24, 2017

For and on behalf of the Board
Farid Ahmed Khan
Chief Executive Officer

HBL ISLAMIC PENSION FUND
CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2016

		December 31, 2016 (Un-Audited)				June 30, 2016 (Audited)			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note		(Rupees in '000)				(Rupees in '000)			
ASSETS									
Bank balances	4	13,758	51,885	64,831	130,474	15,080	19,016	40,838	74,934
Investments	5	197,142	31,087	-	228,229	151,679	68,863	22,810	243,352
Dividend receivable and accrued mark-up		668	875	287	1,830	395	1,287	602	2,284
Advances, deposits and other receivables		2,502	4,100	-	6,602	100	100	-	200
Total assets		214,070	87,947	65,118	367,135	167,254	89,266	64,250	320,770
LIABILITIES									
Payable to the Pension Fund Manager	6	303	125	92	520	232	125	91	448
Payable to the Central Depository Company of Pakistan Limited - Trustee		31	11	9	51	23	12	9	44
Payable to the Securities and Exchange Commission of Pakistan		31	15	11	57	51	28	20	99
Accrued expenses and other liabilities	7	2,855	1,002	923	4,780	3,331	916	894	5,141
Total liabilities		3,220	1,153	1,035	5,408	3,637	1,081	1,014	5,732
NET ASSETS		210,850	86,794	64,083	361,727	163,617	88,185	63,236	315,038
PARTICIPANTS' SUB-FUNDS (as per statement attached)		210,850	86,794	64,083	361,727	163,617	88,185	63,236	315,038
Contingencies and commitments	8								
Number of units in issue	9	473,896	640,750	483,365	1,598,011	472,936	672,201	488,681	1,633,818
		Rupees				Rupees			
Net asset value per unit		444.9298	135.4569	132.5758		345.9646	131.1891	129.4022	

HBL ISLAMIC PENSION FUND
CONDENSED INTERIM INCOME STATEMENT AND STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note	(Rupees in '000)				(Rupees in '000)			
Income								
Dividend income	4,014	-	-	4,014	2,844	-	-	2,844
Profit on bank deposits	285	897	1,513	2,695	303	391	215	909
Mark-up / return on investments	-	1,731	496	2,227	-	1,892	1,368	3,260
Capital gain on sale of investments	22,026	1,027	534	23,587	21,228	-	-	21,228
	26,325	3,655	2,543	32,523	24,375	2,283	1,583	28,241
Expenses								
Remuneration to the Pension Fund Manager	1,575	743	551	2,869	1,501	795	591	2,887
Remuneration of Central Depository Company of Pakistan Limited - Trustee	143	69	51	263	127	67	50	244
Annual fee to the Securities and Exchange Commission of Pakistan	31	15	11	57	25	13	10	48
Auditors' remuneration	59	59	59	177	50	50	50	150
Settlement and bank charges	4	-	51	55	32	10	5	47
Other expenses	110	49	49	208	9	-	-	9
	1,922	935	772	3,629	1,744	935	706	3,385
Net income from operating activities	24,403	2,720	1,771	28,894	22,631	1,348	877	24,856
Provision for Workers' Welfare Fund and Sindh Workers' Welfare Fund	11	-	-	-	-	-	-	-
Net income for the period before taxation	24,403	2,720	1,771	28,894	22,631	1,348	877	24,856
Taxation	12	-	-	-	-	-	-	-
Net income for the period after taxation	24,403	2,720	1,771	28,894	22,631	1,348	877	24,856
Other comprehensive income for the period								
Items that may be reclassified to income statement in subsequent periods								
Net unrealised appreciation / (diminution) in the market value of investments classified as available for sale	22,460	14	-	22,474	(24,430)	(186)	(59)	(24,675)
Total comprehensive income for the period	46,863	2,734	1,771	51,368	(1,799)	1,162	818	181

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC PENSION FUND
CONDENSED INTERIM INCOME STATEMENT AND STATEMENT OF
COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED DECEMBER 31, 2016

Note	2016				2015			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Income								
Dividend income	3,079	-	-	3,079	1,276	-	-	1,276
Profit on bank deposits	142	618	894	1,654	129	243	214	586
Mark-up / return on investments	-	675	(49)	626	-	690	384	1,074
Capital gain on sale of investments	8,058	1,027	534	9,619	8,049	-	-	8,049
	11,279	2,320	1,379	14,978	9,454	933	598	10,985
Reversal of impairment loss into capital gain on investments - classified as available for sale	-	-	-	-	2,608	-	-	2,608
	11,279	2,320	1,379	14,978	12,062	933	598	13,593
Expenses								
Remuneration to the Pension Fund Manager	822	368	275	1,465	750	405	297	1,452
Remuneration of Central Depository Company of Pakistan Limited - Trustee	67	1	23	91	65	35	26	126
Annual fee to the Securities and Exchange Commission of Pakistan	16	7	6	29	12	6	5	23
Auditors' remuneration	34	34	34	102	25	25	25	75
Settlement and bank charges	4	-	51	55	21	5	2	28
Other expenses	110	49	49	208	-	-	-	-
	1,053	459	438	1,950	873	476	355	1,704
Net income from operating activities	10,226	1,861	941	13,028	11,189	457	243	11,889
Provision for Workers' Welfare Fund and Sindh Workers' Welfare Fund	11	-	-	-	-	-	-	-
Net income for the period before taxation	10,226	1,861	941	13,028	11,189	457	243	11,889
Taxation	12	-	-	-	-	-	-	-
Net income for the period after taxation	10,226	1,861	941	13,028	11,189	457	243	11,889
Other comprehensive income for the period								
Items that may be reclassified to income statement in subsequent periods								
Net unrealised appreciation / (diminution) in the market value of investments classified as available for sale	19,797	(381)	(127)	19,289	(5,484)	(186)	123	(5,547)
Total comprehensive income for the period	30,023	1,480	814	32,317	5,705	271	366	6,342

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC PENSION FUND

CONDENSED INTERIM STATEMENT OF MOVEMENT IN PARTICIPANTS' FUNDS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2016

	2016				2015			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
Net assets at beginning of the period	163,617	88,185	63,236	315,038	151,736	74,923	58,291	284,950
Amount received on issuance of units	14,796	7,883	13,368	36,047	7,187	6,376	1,713	15,276
Amount paid on redemption of units	(14,352)	(12,026)	(14,348)	(40,726)	(356)	(1,706)	(1,255)	(3,317)
Reallocation among sub-funds	(74)	18	56	-	(3,211)	2,702	509	-
Net income for the period	24,403	2,720	1,771	28,894	22,631	1,348	877	24,856
Net unrealised appreciation / (diminution) in the market value of securities classified as available for sale	22,460	14	-	22,474	(24,430)	(186)	(59)	(24,675)
Total comprehensive income for the period	46,863	2,734	1,771	51,368	(1,799)	1,162	818	181
Net assets at end of the period	210,850	86,794	64,083	361,727	153,557	83,457	60,076	297,090

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC PENSION FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016

Note	2016				2015			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES								
Net income for the period before taxation	24,403	2,720	1,771	28,894	22,631	1,348	877	24,856
Adjustments for non-cash items:								
Dividend income	(4,014)	-	-	(4,014)	(2,844)	-	-	(2,844)
Profit on bank deposits	(285)	(897)	(1,513)	(2,695)	(303)	(391)	(215)	(909)
Mark-up / return on investments	-	(1,731)	(496)	(2,227)	-	(1,892)	(1,368)	(3,260)
	20,104	92	(238)	19,958	19,484	(935)	(706)	17,843
(Increase) / decrease in assets								
Investments - net	(23,003)	37,790	22,810	37,597	(30,448)	12,048	29,836	11,436
Advances, deposits and other receivables	(2,402)	(4,000)	-	(6,402)	-	-	-	-
	(25,405)	33,790	22,810	31,195	(30,448)	12,048	29,836	11,436
Increase / (decrease) in liabilities								
Payable to the Pension Fund Manager	71	-	1	72	4	15	(20)	(1)
Payable to Central Depository Company of Pakistan Limited - Trustee	8	(1)	-	7	1	1	(1)	1
Payable to the Securities and Exchange Commission of Pakistan	(20)	(13)	(9)	(42)	(18)	(10)	(10)	(38)
Accrued expenses and other liabilities	(476)	86	29	(361)	538	151	125	814
	(417)	72	21	(324)	525	157	94	776
	(5,718)	33,954	22,593	50,829	(10,439)	11,270	29,224	30,055
Dividend income received	3,764	-	-	3,764	2,758	-	-	2,758
Mark-up income received	262	3,040	2,324	5,626	311	2,138	1,735	4,184
Net cash (used in) / generated from operating activities	(1,692)	36,994	24,917	60,219	(7,370)	13,408	30,959	36,997
CASH FLOWS FROM FINANCING ACTIVITIES								
Amount received on issue of units	14,796	7,883	13,368	36,047	7,187	6,376	1,713	15,276
Amount paid on redemption of units	(14,352)	(12,026)	(14,348)	(40,726)	(356)	(1,706)	(1,255)	(3,317)
Reallocation among Sub-Funds	(74)	18	56	-	(3,211)	2,702	509	-
Net cash generated from / (used in) financing activities	370	(4,125)	(924)	(4,679)	3,620	7,372	967	11,959
Net (decrease) / increase in cash and cash equivalents	(1,322)	32,869	23,993	55,540	(3,750)	20,780	31,926	48,956
Cash and cash equivalents at beginning of the period	15,080	19,016	40,838	74,934	13,986	10,223	3,665	27,874
Cash and cash equivalents at end of the period	13,758	51,885	64,831	130,474	10,236	31,003	35,591	76,830

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC PENSION FUND

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)

FOR THE HALF YEAR ENDED DECEMBER 31, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Islamic Pension Fund ("the Fund") was established under a Trust Deed, dated August 17, 2011, between HBL Asset Management Limited as the Pension Fund Manager (the Pension Fund Manager) and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a pension fund on October 05, 2011.

The Pension Fund Manager has been licensed to act as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 (VPS Rules) through a certificate of registration issued by the SECP. The registered office of the Pension Fund Manager is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan.

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

The Fund has been formed to enable the participants to contribute in a diversified portfolio of securities, which are Shariah compliant. Under the Trust Deed, all the conducts and acts of the Fund are based on Shariah. The Pension Fund Manager has appointed Mufti Yahya Asim as Shariah Advisor to the Pension Fund to ensure that the activities of the Fund are in compliance with the principles of Shariah.

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

- The Equity sub-fund consists of a minimum 90% of net assets invested in Shariah compliant listed equity securities. Investment in a single company is restricted to lower of 10% of Net Asset Value (NAV) or paid-up capital of the investee company. Investment in a single stock exchange sector is restricted to the higher of 30% of NAV or index weight, subject to a maximum of 35% of NAV. Remaining assets of the Equity Sub-Fund may be invested in any government security having less than one year time to maturity, or be deposited with Islamic Commercial banks or Islamic window of a commercial bank having at least 'A' rating.
- The Debt Sub-Fund consist of tradable debt securities with weighted average duration of the investment portfolio of the sub-fund not exceeding five years. At least twenty five percent (25%) of the assets in the sub-fund shall be invested in debt securities issued by the Federal Government. Up to twenty five percent (25%) may be deposited with banks having not less than 'AA+' rating. Composition of the remaining portion of the investments shall be as defined in the offering document.
- The Money Market Sub-Fund consists of short term debt instruments with weighted average time to maturity not exceeding one year. There is no restriction on the amount of investment in securities issued by the Federal Government and the commercial banks having 'A+' or higher rating provided that deposit with any one bank shall not exceed twenty (20%) of net assets. Investment in securities issued by provincial government, city government, government entity with 'A' or higher rating or a corporate entity with 'A+' or higher rating shall be made up to 10%, 5% and 5% of net assets of the sub-fund respectively.

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

The Pension Fund Manager also offers a HBL Monthly Islamic Pension Plan ("the Income Plan") to the participants of the Fund or any other approved pension fund, at the retirement date of participants. The Income Plan intends to provide investors a monthly income stream based on investment according to the investor's desired risk exposure, within the prescribed allocation limits.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2' to the Pension Fund Manager while the Fund is currently not rated.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

2.1.1 This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, technical releases issued by the Institute of Chartered Accountants of Pakistan from time to time, the provisions of the Voluntary Pension System Rules, 2005 (the VPS Rules) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the VPS Rules or directives issued by the SECP differ with the requirements of IFRSs, the requirements of the VPS Rules or the directives issued by the SECP shall prevail.

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. However, this condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2016.

2.1.3 This condensed interim financial information is being submitted to the participants as required under Regulation 7(f) of the VPS Rules.

2.2 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except that certain financial assets are stated at fair value.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENTS AND CHANGES THEREON

3.1 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 audited financial statements of the Fund for the year, ended June 30, 2016 except for the following:

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statement i.e. income statement and statement of comprehensive income separately, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2016, has changed its policy with regard to preparation of statement of comprehensive income and opted to prepare one single performance statement i.e. "income statement and statement of comprehensive income" showing both income or loss for the period and items of other comprehensive income in it.

This change has no impact on the items of income or loss or other comprehensive income recognized in prior year/period except that items of other comprehensive income previously presented under 'other comprehensive income' in separate statement of comprehensive income are now presented within 'income statement and statement of comprehensive income' under 'other comprehensive income'.

- 3.2 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2016.
- 3.4 Certain amendments to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 01, 2016. None of these amendments are expected to have a significant effect on this condensed interim financial information.
- 3.5 The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Fund for the year ended June 30, 2016.

4. BANK BALANCES

BANK BALANCES		December 31, 2016 (Un-audited)				June 30, 2016 (Audited)			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Balances in savings accounts	4.1	13,758	51,885	64,831	130,474	15,080	19,016	40,838	74,934

- 4.1 This represents bank accounts held with various banks. Profit rates on these accounts ranges between 3.5% to 6.5% (June 30, 2016: 4.00% to 7.00%) per annum.

5. INVESTMENTS

December 31, 2016 (Un-audited)						June 30, 2016 (Audited)			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note		------(Rupees in '000)-----				------(Rupees in '000)-----			
Available for sale investments									
Listed equity securities	5.1	196,547	-	-	196,547	151,084	-	-	151,084
Unlisted equity securities	5.2	595	-	-	595	595	-	-	595
Government of Pakistan - Ijarah Sukuks	5.3	-	29,324	-	29,324	-	64,914	19,810	84,724
Sukuk certificates - Unlisted	5.4	-	1,763	-	1,763	-	3,949	3,000	6,949
		197,142	31,087	-	228,229	151,679	68,863	22,810	243,352

5.1 Listed equity securities

5.1.1 Held by Equity Sub-Fund

Fully paid up ordinary shares of Rs. 10 each except for K-Electric Limited which have face value of Rs. 3.5 each.

Name of the investee company	As at July 1, 2016	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at December 31, 2016	Market value as at December 31, 2016	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	Holding as a % of paid-up capital of the investee company
	Number of shares				Rupees in '000		%		
Oil and Gas Exploration Companies									
Pakistan Petroleum Limited	59,000	61,000	-	45,500	74,500	14,019	6.65%	7.11%	0.0038%
Mari Petroleum Company Limited	3,500	5,200	-	-	8,700	11,962	5.67%	6.07%	0.0079%
Sui Northern Gas Pipelines Limited	-	58,000	-	-	58,000	4,731	2.24%	2.40%	0.0091%
Pakistan Oilfields Limited	15,900	27,800	-	18,500	25,200	13,472	6.39%	6.83%	0.0107%
	78,400	152,000	-	64,000	166,400	44,184	20.95%	22.41%	
Oil and Gas Marketing Companies									
Shell Pakistan Limited	-	8,500	-	-	8,500	4,367	2.09%	2.23%	0.0079%
Sui Southern Gas Company Limited	-	85,000	-	85,000	-	-	-	-	0.0000%
	-	93,500	-	85,000	8,500	4,367	2.09%	2.23%	
Refinery									
Attock Refinery Limited	-	7,500	-	7,500	-	-	-	-	-
	-	7,500	-	7,500	-	-	-	-	-
Fertilizer									
Engro Corporation Limited	33,000	24,700	-	10,000	47,700	15,077	7.15%	7.65%	0.0091%
Engro Fertilizers Limited	77,500	101,000	-	90,000	88,500	6,016	2.85%	3.05%	0.0066%
Fauji Fertilizer Bin Qasim Limited	35,000	-	-	35,000	-	-	-	-	-
Fauji Fertilizer Company Limited	-	30,000	-	30,000	-	-	-	-	-
	145,500	155,700	-	165,000	136,200	21,093	10.00%	10.70%	
Chemical									
Akzo Nobel Pakistan Limited	-	10,000	-	10,000	-	-	-	-	-
ICI Pakistan Limited	-	21,200	-	16,400	4,800	4,770	2.26%	2.42%	0.0052%
Dawood Hercules Corporation Limited	-	50,000	-	50,000	-	-	-	-	-
	-	81,200	-	76,400	4,800	4,770	2.26%	2.42%	
Cement									
Kohat Cement Company Limited	16,000	-	-	16,000	-	-	-	-	-
Lucky Cement Limited	20,900	15,500	-	18,000	18,400	15,939	7.56%	8.09%	0.0057%
Fauji Cement Company Limited	-	263,000	-	165,000	98,000	4,418	2.10%	2.24%	0.0071%
Maple Leaf Cement Factory Limited	-	34,000	-	-	34,000	4,338	2.06%	2.20%	0.0064%
D.G. Khan Cement Company Limited	44,000	-	-	8,000	36,000	7,982	3.79%	4.05%	0.0082%
Pioneer Cement Limited	46,500	15,000	-	5,000	56,500	8,028	3.81%	4.07%	0.0249%
Cheral Cement Company Limited	-	12,000	-	12,000	-	-	-	-	-
Bestway Cement Limited	-	5,900	-	5,900	-	-	-	-	-
	127,400	345,400	-	229,900	242,900	40,705	19.32%	20.65%	
Engineering									
Amrel Steels Limited	123,000	-	-	67,500	55,500	3,696	1.75%	1.87%	0.0187%
Crescent Steel and Allied Products Limited	61,700	-	-	36,200	25,500	3,932	1.86%	1.99%	0.0328%
Mughal Iron and Steel Industries	50,000	-	-	50,000	-	-	-	-	-
	234,700	-	-	153,700	81,000	7,628	3.61%	3.86%	
Pharmaceuticals									
GlaxoSmithKline Pakistan Limited	32,000	-	-	32,000	-	-	-	-	-
The Searl Company Limited (Note 5.1.2)	9,460	-	190	8,100	1,550	1,013	0.48%	0.51%	0.0011%
	41,460	-	190	40,100	1,550	1,013	0.48%	0.51%	
Food and Personal Care Products									
Engro Foods Limited	25,000	25,000	-	50,000	-	-	-	-	-
Trest Corporation Limited	-	62,000	-	31,000	31,000	2,028	0.96%	1.03%	0.0220%
	25,000	87,000	-	81,000	31,000	2,028	0.96%	1.03%	
Power Generation and Distribution									
The Hub Power Company Limited	116,500	72,500	-	45,700	143,300	17,695	8.39%	8.98%	0.0124%
K-Electric Limited	865,000	-	-	865,000	-	-	-	-	-
Kot Addu Power Company Limited	-	118,000	-	9,500	108,500	8,550	4.06%	4.34%	0.0123%
	981,500	190,500	-	920,200	251,800	26,245	12.45%	13.32%	
Cable and Electrical Goods									
Pak. Electron Limited	83,500	79,500	-	72,000	91,000	6,486	3.08%	3.29%	0.0183%
	83,500	79,500	-	72,000	91,000	6,486	3.08%	3.29%	
Paper and Board									
Packages Limited	11,400	5,800	-	1,650	15,550	13,218	6.27%	6.70%	0.0174%
	11,400	5,800	-	1,650	15,550	13,218	6.27%	6.70%	
Transport									
Pakistan National Shipping Corporation	72,300	-	-	72,300	-	-	-	-	-
	72,300	-	-	72,300	-	-	-	-	-
Textile Composite									
Nishat Mills Limited	30,000	69,000	-	43,000	56,000	8,527	4.04%	4.33%	0.0159%
	30,000	69,000	-	43,000	56,000	8,527	4.04%	4.33%	
Balance carried forward						189,294			

Name of the investee company	As at July 1, 2016	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at December 31, 2016	Market value as at December 31, 2016	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	Holding as a % of paid-up capital of the investee company
	Number of shares					Rupees in '000	%		
Balance brought forward						180,294			
Automobile Assembler									
Pak Suzuki Motor Company Limited	-	4,800	-	-	4,800	2,942	1.40%	1.49%	0.0058%
Honda Atlas Cars (Pakistan) Limited	12,200	4,000	-	16,200	-	-	-	-	-
Millat Tractors Limited	-	5,000	-	-	5,000	4,523	2.15%	2.29%	0.0113%
	12,200	13,800	-	16,200	9,800	7,465	3.55%	3.78%	
Leather and Tanneries									
Service Industries Limited	-	6,600	-	5,400	1,200	1,797	0.85%	0.91%	0.0100%
	-	6,600	-	5,400	1,200	1,797	0.85%	0.91%	
Glass and Ceramics									
Tariq Glass Industries Limited	-	71,000	-	71,000	-	-	-	-	-
	-	71,000	-	71,000	-	-	-	-	-
Automobile Parts and Accessories									
The General Tyre and Rubber Company Limited	24,000	25,100	-	24,000	25,100	6,991	3.32%	3.55%	0.0420%
	24,000	25,100	-	24,000	25,100	6,991	3.32%	3.55%	
	1,867,360	1,383,600	190	2,128,350	1,122,800	196,547	93.23%	99.69%	

Cost of investments at December 31, 2016

164,419

5.1.2 This includes gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 had brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Pension Fund Manager of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption available to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having fair market value of Rs. 0.06 million at December 31, 2016 (June 30, 2016: Rs. 0.04 million) and not yet deposited on CDC account of department of Income tax. Pension Fund Manager is of the view that the decision will be in favor of the Fund and accordingly has recorded the bonus shares on gross basis at fair value in investments of the Fund at period end.

5.2 Unlisted equity securities

Name of the investee company	As at July 1, 2016	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at December 31, 2016	Market value as at December 31, 2016	Market value as a % of net assets of the sub-fund	Market value as a % of total investment of the sub-fund	Holding as a % of paid-up capital of the investee company
	Number of shares					Rupees in '000	%		
GlaxoSmithKline Consumer Healthcare Pakistan Limited	9,600	-	-	-	9,600	595	0.28%	0.30%	-

Cost of investment at December 31, 2016

-

5.2.1 This represents shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited, a subsidiary of GlaxoSmithKline plc, which were received due to demerger of GlaxoSmithKline Pakistan Limited on April 01, 2016. These are stated at break up value of Rs. 62.00 per share as trading in shares has not yet commenced. The Company has submitted its listing application with the Pakistan Stock Exchange Limited which is currently pending.

5.3 Government of Pakistan - Ijarah Sukuks

5.3.1 Held by Debt Sub-Fund

GoP Ijarah Sukuk - having face value of Rs. 100 each	Note	Issue date	Face value			As at December 31, 2016	Amortised cost as at December 31, 2016	Market value as at December 31, 2016	Market value as a percentage of	
			As at July 1, 2016	Purchases during the period	Sales / matured during the period				Total investments of the sub-fund	Net assets of the sub- fund
(Rupees in '000)										
GoP Ijarah Sukuk	5.3.1.1	December 18, 2015	13,000	-	-	13,000	13,082	13,319	42.84%	15.36%
GoP Ijarah Sukuk	5.3.1.2	February 15, 2016	51,000	-	35,500	15,500	15,532	16,005	51.48%	18.44%
			64,000	-	35,500	28,500	28,614	29,324	94.32%	33.79%

5.3.1.1 These carry mark-up at the rate of 5.45% (June 30, 2016: 5.89%) per annum receivable semi-annually in arrears, maturing in December 2018.

5.3.1.2 These carry mark-up at the rate of 6.10% (June 30, 2016: 6.10%) per annum receivable semi-annually in arrears, maturing in February 2019.

5.3.2 Held by Money Market Sub-Fund

GoP Ijarah Sukuk - having face value of Rs. 100 each	Issue date	Face value			As at December 31, 2016	Amortised cost as at December 31, 2016	Market value as at December 31, 2016	Market value as a percentage of	
		As at July 1, 2016	Purchases during the period	Sales / matured during the period				Total investments of the sub-fund	Net assets of the sub- fund
		(Rupees in '000)						%	
GoP Ijarah Sukuk	February 15, 2016	19,500	-	19,500	-	-	-	-	-

5.4 Sukuk certificates - Unlisted

5.4.1 Held by Debt Sub-Fund

Name of the Investee company	Number of certificates			As at December 31, 2016	Amortized cost as at December 31, 2016	Market / Carrying value as at December 31, 2016	Market value as a percentage of	
	As at July 1, 2016	Purchases during the period	Sales / matured during the period				Total investments of the sub-fund	Net assets of the sub-fund
					(Rupees in '000)		%	
Multi-utilities								
Water and Power Development Authority	474	-	-	474	1,693	1,763	5.67%	2.03%
	474	-	-	474	1,693	1,763	5.67%	2.03%
Fertilizers								
Engro Fertilizers Limited	2	-	2	-	-	-	-	-
	2	-	2	-	-	-	-	-
Total	476	-	2	474	1,693	1,763	5.67%	2.03%

5.4.1.1 Significant terms and conditions of Sukuk certificates outstanding as at December 31, 2016 are:

Name of security	Remaining principal (per certificate) (Rupees)	Mark-up rate (per annum)	Issue date	Maturity date
Water and Power Development Authority	3,572	6 month KIBOR + 1%	14-Oct-13	14-Oct-21

5.4.2 Held by Money Market Sub-Fund

Name of the Investee company	Number of certificates			As at December 31, 2016	Amortized cost as at December 31, 2016	Market / Carrying value as at December 31, 2016	Market value as a percentage of	
	As at July 1, 2016	Purchases during the period	Sales / matured during the period				Total investments of the sub-fund	Net assets of the sub-fund
					(Rupees in '000)		%	
Fertilizers								
Engro Fertilizers Limited	3	-	3	-	-	-	-	-

6. PAYABLE TO THE PENSION FUND MANAGER

	Note	December 31, 2016 (Un-audited)				June 30, 2016 (Audited)			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		(Rupees in '000)				(Rupees in '000)			
Management fee	6.1	268	111	81	460	200	108	78	386
Sindh Sales Tax	6.2	35	14	11	60	32	17	13	62
		303	125	92	520	232	125	91	448

6.1 As per rule 11 of the VPS Rules, the Pension Fund Manager is allowed to charge maximum annual management fee of 1.5% of the average of the values of the net assets of each of the Sub-Fund calculated during the period. Accordingly, the management fee has been accrued at 1.5% of the average annual net assets of each of the Sub-Fund.

6.2 This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2016: 14%) on the services provided by the Pension Fund Manager as required by Sindh Sales Tax on Services Act, 2011.

7. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	December 31, 2016 (Un-audited)				June 30, 2016 (Audited)			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		(Rupees in '000)				(Rupees in '000)			
Auditors' remuneration		133	133	133	399	74	74	74	222
Payable to broker		-	-	-	-	290	-	-	290
Federal Excise Duty	7.1	879	488	383	1,750	879	488	383	1,750
Provision for Workers' Welfare Fund	11	232	108	104	444	1,397	269	223	1,889
Provision for Sindh Workers' Welfare Fund	11	1,165	161	119	1,445	-	-	-	-
Others		446	112	184	742	691	85	214	990
		2,855	1,002	923	4,780	3,331	916	894	5,141

7.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Pension Fund Manager has been applied effective from June 13, 2013. The Pension Fund Manager 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 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.

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. Therefore, the Fund has discontinued making provision on account of FED from July 01, 2016.

However, since the appeal is pending in Supreme Court of Pakistan, the Pension Fund Manager, as a matter of abundant caution, has made a provision on FED on remuneration of Pension Fund Manager with effect from June 13, 2013, aggregating to Rs. 0.879 million, Rs. 0.488 million and Rs. 0.383 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Had the provision not being made, the Net Asset Value per unit as at December 31, 2016 would have been higher by Rs. 1.85 (June 30, 2016: Rs. 1.86) per unit, Rs. 0.76 (June 30, 2016: Rs. 0.73) per unit and Rs. 0.78 (June 30, 2016: Rs. 0.78) per unit for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively.

8. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2016 and June 30, 2016.

9. NUMBER OF UNITS IN ISSUE

	December 31, 2016 (Un-audited)				June 30, 2016 (Audited)			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Opening units in issue	472,936	672,201	488,681	1,633,818	462,955	589,580	463,203	1,515,738
Units issued during the period / year	38,530	59,044	104,953	202,527	28,514	96,607	45,731	170,852
Units redeemed during the period / year	(38,003)	(90,634)	(110,056)	(238,693)	(3,415)	(42,277)	(30,490)	(76,182)
Reallocation during the period / year	433	139	(213)	359	(15,118)	28,291	10,237	23,410
Total units in issue at the end of the period / year	473,896	640,750	483,365	1,598,011	472,936	672,201	488,681	1,633,818

10. CONTRIBUTION TABLE

Contributions received are as follows:

For the half year ended December 31, 2016 (Un-audited)								
Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total		
Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	
From:								
Individuals	38,530	14,796	59,044	7,883	104,953	13,368	202,527	36,047

For the half year ended December 31, 2015 (Un-audited)								
Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total		
Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	
From:								
Individuals	22,366	7,187	49,654	6,376	13,482	1,713	85,502	15,276

11. WORKERS' WELFARE FUND (WWF) AND SINDH WORKERS' WELFARE FUND (SWWF)

As disclosed in the annual audited financial of the Fund for the year ended June 30, 2016, the Fund had maintained provision of the Workers' Welfare Fund (WWF), which had been recognized till June 30, 2015, as the decision in the High Court of Sindh was pending with regard to applicability of WWF on Collective Investment Schemes (CISs), although the High Court of Sindh, in other case, had provided the judgement considering levy of WWF lawful whereas the Lahore High Court had provided different conclusion.

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

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

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

- As an abundant caution, the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014 till December 31, 2016; and
- Provision computed for SWWF should be adjusted against provision of WWF and if any further provision is required, then it should be recognized in books of the Fund before December 31, 2016. If provision of WWF is in excess of provision required for SWWF, the excess provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Pension Fund Manager assessed that no further provision is required for SWWF, net of provision already made for WWF, and additional provision of WWF of Rs. 0.232 million, Rs. 0.108 million and Rs. 0.104 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively should be carried forward till the matter is cleared.

Subsequent to the period end December 31, 2016, in the wake of the developments mentioned above paragraphs, the MUFAP also, on behalf of Asset Management Companies (AMCs) and Collective Investment Schemes (CISs) obtained legal opinion on December 05, 2016 and called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members the following, effective from January 12, 2017:

- Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and
- As an abundant caution, Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015

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

Considering the recommendation of the MUFAP, the Pension Fund Manager on January 12, 2017, reversed the excess provision of WWF of Rs. 0.232 million, Rs. 0.108 million and Rs. 0.104 million for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Had the excess been reversed as of December 31, 2016, the NAV per unit of the Fund would have been higher by Rs. 0.489, Rs. 0.169 and Rs. 0.215 for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively.

12. TAXATION

No provision for taxation for the period ended December 31, 2016 has been made in the view of exemption available under clause 57 (3) (viii) of Part I of the Second Schedule of the Income Tax Ordinance, 2001.

13. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties comprise HBL Asset Management Limited being the Pension Fund Manager, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited being the Trustee of the Fund, collective investment schemes managed by the Pension Fund Manager, directors and officers of the Pension Fund Manager and of the connected persons. Transactions with connected persons / related parties are made in the normal course of business, at agreed/ contracted rates and terms determined in accordance with market rates. Remuneration payable to Pension Fund Manager and Trustee is determined in accordance with the provisions of the VPS Rules and the Trust Deed respectively.

Details of the transactions with connected persons / related parties during the period and balances with them at period / year end, if not disclosed elsewhere in this condensed interim financial information, are as follows:

13.1 Transactions during the period

	Half year ended December 31, 2016 (Un-audited)				Half year ended December 31, 2015 (Un-audited)			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)				(Rupees in '000)			
HBL Asset Management Limited - Pension Fund Manager								
Management remuneration inclusive of sales tax	1,575	743	551	2,869	1,501	795	591	2,887
Habib Bank Limited - Sponsor								
Bank charges paid	2	-	20	22	9	4	3	16
Profit on bank deposits earned	150	302	350	802	313	156	192	661
Directors and Executives of the Pension Fund Manager								

Executives**	-----Number-----				-----Number-----			
Redemption of units	-	-	2,581	2,581	-	-	-	
Reallocation of units	(707)	(475)	2,582	1,400	(70)	187	(1)	116
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Amount of units redeemed	-	-	340	340	-	-	-	-
Amount of units reallocated	(275)	(63)	338	-	(24)	24	-	-
Central Depository Company of Pakistan Limited - Trustee								
Remuneration	143	69	51	263	127	67	50	244
CDC Charges	-	-	-	-	16	3	-	19
Directors of connected persons	-----Number-----				-----Number-----			
Redemption of units	135	1,519	5,786	7,440	286	1,844	4,843	6,973
Reallocation of units	2,334	(19,302)	12,843	(4,125)	(3,029)	5,112	2,997	5,080
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Amount of units redeemed	53	203	760	1,016	93	236	614	943
Amount of units reallocated	882	(2,551)	1,669	-	(1,028)	650	378	-
** These include transactions in relation to those executives, who have resigned from the Pension Fund Manager during the period upto the date of their resignation.								
Habib Bank Limited - Sponsor	-----Number-----				-----Number-----			
Units held	300,000	300,000	300,000	900,000	300,000	300,000	300,000	900,000
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Amount of units held	133,479	40,637	39,773	213,889	103,789	39,357	38,821	181,967
Profit accrued on deposits with bank	50	260	42	352	16	3	8	27
Balance in savings account	9,759	2,805	14,091	26,655	7,192	4,385	4,072	15,649
Directors and Executives of the Pension Fund Manager								
Executives**								

13.2 Balances outstanding as at period / year end

	December 31, 2016 (Un-audited)				June 30, 2016 (Audited)			
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total
	(Rupees in '000)				(Rupees in '000)			
HBL Asset Management Limited - Pension Fund Manager								
Management fee payable	268	111	81	460	200	108	78	386
Sindh Sales Tax payable	35	14	11	60	32	17	13	62
Federal Excise Duty payable	879	488	383	1,750	879	488	383	1,750
	Number				Number			
Units held	910	707	159	1,776	909	710	158	1,777
	(Rupees in '000)				(Rupees in '000)			
Amount of units held	405	96	21	522	314	93	20	427
Central Depository Company of Pakistan Limited - Trustee								
	(Rupees in '000)				(Rupees in '000)			
Remuneration payable	31	11	9	51	23	12	9	44
Security deposit receivable	100	100	-	200	100	100	-	200
Directors of connected persons								
	Number				Number			
Units held	41,094	61,147	105,576	207,817	14,527	38,650	19,547	72,724
	(Rupees in '000)				(Rupees in '000)			
Amount of units held	18,284	8,283	13,997	40,564	5,026	5,070	2,529	12,625

** These include transactions in relation to those executives, who have resigned from the Pension Fund Manager during the period upto the date of their resignation.

14. 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 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: Disclosures' 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).
- 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.

December 31, 2016 (Un-Audited)							
Carrying amount				Fair Value			
Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)							

On-balance sheet financial instruments

Financial assets measured at fair value

Investments:

- Listed equity securities	196,547	-	-	196,547	196,547	-	-	196,547
- Government of Pakistan - Ijarah Sukuks	29,324	-	-	29,324	-	29,324	-	29,324
- Sukuk certificates - Unlisted	1,763	-	-	1,763	-	1,763	-	1,763
	227,634	-	-	227,634	196,547	31,087	-	227,634

December 31, 2016 (Un-Audited)								
	Carrying amount				Fair Value			
	Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note	(Rupees in '000)							
Financial assets not measured at fair value	14.1							
Bank balances	-	130,474	-	130,474	-	-	-	-
Investments:								
- Unlisted equity securities	595	-	-	595	-	-	-	-
Dividend receivable and accrued mark-up	-	1,830	-	1,830	-	-	-	-
Advances, deposits and other receivables	-	6,602	-	6,602	-	-	-	-
	595	138,906	-	139,501	-	-	-	-
Financial liabilities not measured at fair value	14.1							
Payable to the Pension Fund Manager	-	-	520	520	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	51	51	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	-	57	57	-	-	-	-
Accrued expenses and other liabilities	-	-	1,141	1,141	-	-	-	-
Participants' sub-funds	-	-	361,727	361,727	-	-	-	-
	-	-	363,496	363,496	-	-	-	-
June 30, 2016 (Audited)								
	Carrying amount				Fair Value			
	Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)							
On-balance sheet financial instruments								
Financial assets measured at fair value								
Investments:								
- Listed equity securities	151,084	-	-	151,084	151,084	-	-	151,084
- Government of Pakistan - Ijarah Sukuks	84,724	-	-	84,724	-	84,724	-	84,724
- Sukuk certificates - Unlisted	6,949	-	-	6,949	-	6,949	-	6,949
	242,757	-	-	242,757	151,084	91,673	-	242,757

June 30, 2016 (Audited)							
Carrying amount				Fair Value			
Available-for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)							
Financial assets not measured at fair value							
Bank balances	-	74,934	-	74,934	-	-	-
Investments:							
-Unlisted Equity Securities	595	-	-	595	-	-	-
Dividend receivable and accrued mark-up	-	2,284	-	2,284	-	-	-
Advances, deposits and other receivables	-	200	-	200	-	-	-
	595	77,418	-	78,013	-	-	-
Financial liabilities not measured at fair value							
Payable to the Pension Fund Manager	-	-	448	448	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	44	44	-	-	-
Payable to the Securities and Exchange Commission of Pakistan	-	-	99	99	-	-	-
Accrued expenses and other liabilities	-	-	1,502	1,502	-	-	-
Participants' sub-funds	-	-	315,038	315,038	-	-	-
	-	-	317,131	317,131	-	-	-

14.1 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.

15. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim financial information was authorized for issue by the Board of Directors of the Pension Fund Manager on **February 24, 2016**.

16. GENERAL

16.1 Figures have been rounded off to the nearest thousand rupees.

16.2 This condensed interim financial information is unaudited and has been reviewed by the auditors. Further, the figures of the condensed interim income statement and statement of comprehensive income for the quarter ended December 31, 2016 have not been reviewed.

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

Chief Executive

Director

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