

HBL

ASSET MANAGEMENT LTD.

ایسیٹ مینجمنٹ لمیٹڈ



**HBL Islamic Pension Fund &
HBL Pension Fund
Annual Report
2018-19**

MOVING TOWARDS
EXCELLENCE

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OUR VISION

Enabling people to
advance with
confidence and
success.

OUR MISSION

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

PROGRESSIVENESS

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

EXCELLENCE

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

MERITOCRACY

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

OUR CORPORATE VALUES

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

INTEGRITY

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

CUSTOMER FOCUS

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

Board of Directors (Composition as of June 30, 2019)

Directors

Mr. Farid Ahmed Khan	(Chief Executive Officer)
Ms. Ava Ardeshir Cowasjee	(Independent Director)
Mr. Shahid Ghaffar	(Independent Director)
Mr. Rizwan Haider	(Non-Executive Director)
Mr. Shabbir Hussain Hashmi	(Independent Director)
Mr. Aamir Hasan Irshad	(Non-Executive Director)
Mr. Rayomond H. Kotwal	(Non-Executive Director)

Audit Committee

Chairman

Mr. Shabbir Hussain Hashmi (Independent Director)

Members

Ms. Ava Ardeshir Cowasjee (Independent Director)
 Mr. Shahid Ghaffar (Independent Director)
 Mr. Rayomond H. Kotwal (Non-Executive Director)

Human Resource Committee

Members

Mr. Shabbir Hussain Hashmi (Independent Director)
 Mr. Rayomond H. Kotwal (Non-Executive Director)

Risk Management Committee

Chairman

Mr. Shahid Ghaffar (Independent Director)

Members

Mr. Rizwan Haider (Non-Executive Director)
 Mr. Aamir Hasan Irshad (Non-Executive Director)
 Mr. Farid Ahmed Khan (Chief Executive Officer)

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

AMC Rating

AM2+ (Positive Outlook)

Legal Advisors

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

Website

www.hblasset.com

Head Office & Registered Office

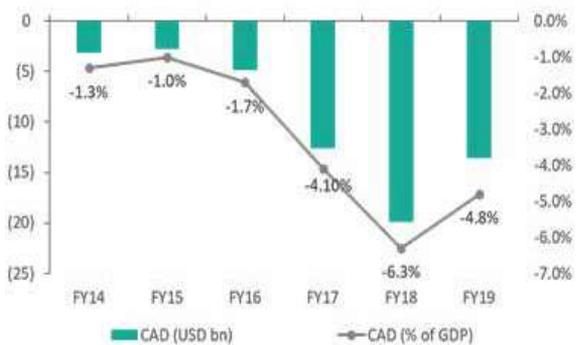
7th Floor, Emerald Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi.

The Board of Directors of HBL Asset Management Limited is pleased to present its report along with Financial Statements Report of HBL Pension Fund and HBL Islamic Pension Fund (the Funds) for the year ended June 30, 2019.

Economic Review – FY19

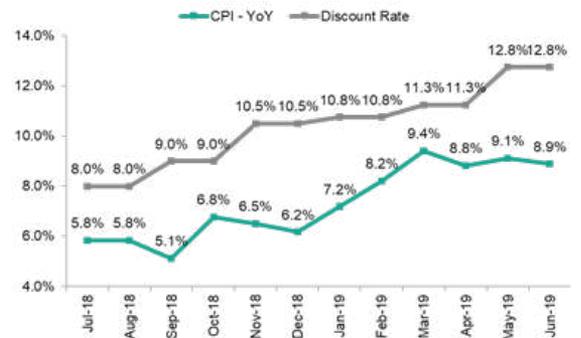
Pakistan’s economy shifted its gear in FY19 towards slowdown but sustainable growth. Twin deficits, increasing inflationary pressures, currency depreciation and depleting FX reserves remained key challenges for the country. More importantly, Government closed staff level agreement with International Monetary Fund (IMF) towards the end of the fiscal year. Due to persistent macroeconomic issues, policy makers pursued measures (monetary tightening and currency depreciation) to contain aggregate demand and address external account pressures. However, improvement in economic variables remained largely on external account front while fiscal deficit ballooned to over 7% of GDP. We expect that in addition to monetary tightening, Government would also focus on curtailing fiscal deficit in FY20 by aggressive taxation measures.

During FY19 policy makers allowed PKR depreciation of 31% and REER declined to 103 (levels last seen in FY10-12). Central bank also pursued monetary tightening by raising benchmark interest rates by 575bps during FY19. These drastic changes led to some respite in trade data (PBS) showed export decline of -2.2% in FY19 compared to decline in import by 7.3%, dragging FY19 trade deficit by 11.3% to USD 28.2bn. Remittances also showed encouraging trend as it witnessed an uptick of 10% in FY19 clocking at USD 21.8bn. These factors led the Current Account Deficit (CAD) for FY19 to decrease by 31.7% to USD 13.6bn (4.8% of GDP) compared to USD 19.9bn (6.3% of GDP) during same period last year. However these measures led to overall slowdown in domestic economy with 3.5% decline in LSM during 11MFY19 compared to increase of 5.7% during 11MFY18. Despite



slowdown in CAD, foreign exchange reserves maintained negative trend and dropped to USD 14.5bn while SBP reserves depleted to USD 7.3bn (less than 2 months of import cover). Fiscal deficit increased substantially to 7.2% of GDP as two mini-budgets failed to generate enough revenues in slowing economy.

Average headline CPI inflation was 7.3% in FY19, compared to 3.9% during the same period last year on account of higher average oil prices, currency depreciation and increase in energy prices. Core inflation (non-food & non-energy) continued to remain on the higher side averaging 8.0% compared to 5.2% during same period last year. We expect headline inflation to remain higher owing to expectation of hike in energy tariffs, currency depreciation and budgetary measures.

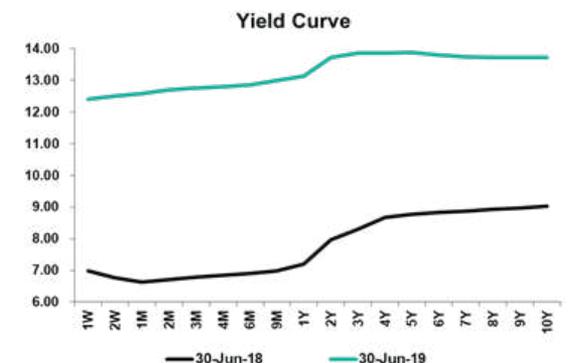


Moving ahead, we foresee tough economic conditions to persist with sluggish GDP growth and inflationary pressures. Focus would remain on government compliance with IMF policy directives largely on fiscal side and its implementation of its budget directives.

Money Market Review

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

Yields across all the tenors increased by 469-601 bps during FY19 due to cumulative increase of 575 bps in SBP policy rate in FY19. Secondary market yields of 3, 5 and 10-year PIBs increased by 556, 511 and 469 bps respectively while yields of 3, 6 and 12 month T-Bills increased in tandem by 597, 595 and 593 bps respectively during FY19. Government further raised PKR 674bn through the PIBs auction during FY19 against a target of PKR 950bn as market participants demand higher spreads over discount rate keeping in view steep monetary tightening during the year. Latest cut-off yields stood at 13.69%, 13.80% and 13.70% for the 3-year, 5-year and 10-year PIBs, respectively.



As per latest data available, Islamic Banking industry assets posted 19.5% growth and stood at PKR 2,790 billion by Mar-19. Similarly, deposits of Islamic banks also witnessed a sharp growth of 14.8% YoY and reached PKR 2,199 billion by Mar-19. Despite the massive

growth in assets and deposits, SBP did not issue any fixed or floating rate GOP Ijarah Sukuk in FY18 and in FY19. During FY19, PKR 314bn of GoP Ijara matured while government conducted “Bai-Muajjal” transaction of PKR 237bn carried out with the banks so that banks could park their excess liquidity. The “Bai-Muajjal” was SLR Eligible which ensured that the Islamic banks continue to meet the SLR requirement.

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

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

In the monetary policy held in May-19, SBP increased the policy rate by a further 150bps to 12.25%. Going forward, we expect that large part of monetary tightening has been done as real interest rates (390 bps) are higher than historic average (10 year average at 230 bps). However, we highlight that expected increase in energy tariffs pose risk to inflation estimates and may trigger further monetary tightening.

Stock Market Review

The market remained under pressure throughout the year owing to weak macroeconomic environment and massive adjustment in currency and interest rates. Lack of clarity on the economic and political front weakened the investors’ sentiment leading to flows towards risk free avenues like National Savings schemes, fixed income funds and instruments. Investors were also spooked by the FY20 Budget which envisions massive increase in tax revenue, fiscal consolidation and abolishment of subsidies.

The benchmark KSE-100 index recorded 8,009 points decline (-19%) during FY19 to close at 33,902 level while KMI-30 index recorded 16,942 points decline (-24%) during FY19 to close at 54,119 level. Major decline in the index was contributed by Oil & Gas (Exploration & Production), Cement and Banking sector stocks which caused cumulative attrition of 3,356pts due to overall bearish sentiment.



Tobacco was the only sector which defied trend and posted positive returns during the year. On the flows side, foreigners were the net sellers during the FY19 and sold shares of worth USD356mn, compared to net selling of USD290mn during FY18. However, it is important to note that foreign selling was skewed towards 1HFY19 as foreigners were net buyers in 2HFY19.

Moving ahead, Pakistan equities are expected to remain range bound due to tough macroeconomic environment. However, index heavyweights (Banks E&Ps, and Power) would remain in limelight as results of macroeconomic changes over the last 18 months (50% PKR depreciation and 750 bps cumulative interest rate hike) would start to reflect in earnings in FY20. Thus, we will maintain our strategy focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

Fund's Performance

HBL Pension Fund

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

The Fund as a whole incurred a total and net loss of Rs. 1.08 million and Rs. 12.62 million respectively during the year under review. The fund size decreased from Rs. 577.44 million as on June 30, 2018 to Rs. 461.63 million as at June 30, 2019 thereby showing a decline of 20% during the year under review. Performance review for each sub Fund is given below:

Equity Sub-Fund

During the year under review, the Equity sub-fund incurred a total and net loss of Rs. 30.04 million and Rs. 35.65 million respectively. The net assets of the Equity sub-fund was Rs. 192.70 million representing Net Asset Value (NAV) of Rs. 315.2585 per unit as at June 30, 2019. The Sub Fund earned a negative return of 13.94% for the year under review. The Fund is invested to the extent of 91% in equities.

Debt Sub-Fund

During the year under review, the Debt sub-fund earned total and net income of Rs. 14.99 million and Rs. 11.88 million respectively. The net assets of the Debt sub-fund was Rs. 144.72 million representing Net Asset Value (NAV) of Rs. 171.9703 per unit as at June 30, 2019. The Fund yielded annualized return of 7.79% for the year under review.

Money Market Sub-Fund

During the year under review, the Money Market sub-fund earned total and net income of Rs. 13.98 million and Rs. 11.17 million respectively. The net assets of the Money Market sub-fund was Rs. 124.21 million representing Net Asset Value (NAV) of Rs. 158.7278 per unit as at June 30, 2019. An annualized return of 7.78% was earned by the Fund for the year under review.

HBL Islamic Pension Fund

The Fund comprises of three sub funds namely Equity sub-fund, Debt sub-fund and Money Market sub-fund. The Fund as a whole incurred a total and net loss of Rs. 11.00 million and Rs. 18.93 million respectively during the year under review. The fund size decreased from Rs. 357.06 million as at June 30, 2018 to Rs. 247.73 million as at June 30, 2019 showing decline of 31%. Performance review for each sub Fund is given below:

Equity Sub-Fund

During the year under review, the Equity sub-fund incurred a total and net loss of Rs. 26.18 million and Rs. 30.73 million respectively. The net assets of the Equity sub-fund was Rs. 121.89 million representing Net Asset Value (NAV) of Rs. 323.8249 per unit as at June 30, 2019. The Fund yielded a negative return of 16.60% for the year. The Sub Fund is invested to the extent of 89% in equities.

Debt Sub-Fund

During the year under review, the Debt sub-fund earned total and net income of Rs. 8.34 million and Rs. 6.48 million respectively. The net assets of the Debt sub-fund was Rs. 72.60 million representing Net Asset Value (NAV) of Rs. 152.2556 per unit as at June 30, 2019. The Fund yielded annualized return of 7.36% for the year under review.

Money Market Sub-Fund

During the year under review, the Money Market sub-fund earned total and net income of Rs. 6.85 million and Rs. 5.33 million respectively. The net assets of the Money Market sub-fund was Rs. 53.24 million representing Net Asset Value (NAV) of Rs. 148.7409 per unit as at June 30, 2019. An annualized return of 6.73% was earned by the Fund for the year under review.

Auditors

The existing auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retired and being eligible, offered themselves for re-appointment. The Board of Directors on the recommendation of the Audit Committee, has re-appointed M/s KPMG Taseer Hadi & Co., Chartered Accountants as Auditors of for the next term.

Acknowledgement

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

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

On behalf of the Board of

HBL Asset Management Limited

Chief Executive Officer

FUND INFORMATION

NAME OF FUND

HBL Islamic Pension Fund

NAME OF AUDITOR

KPMG Taseer Hadi & Co.

NAME OF TRUSTEE

Central Depository Company of Pakistan

NAME OF BANKERS

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

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE PARTICIPANTS

HBL ISLAMIC PENSION FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Pension Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019





ASSET MANAGEMENT LTD.
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STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Pension Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2019. This has been duly confirmed by the Shariah Advisor of the Fund.

Farid Ahmed Khan

Chief Executive Officer

Dated: August 29, 2019

HBL Asset Management Limited
Head Office
7th Floor
Emerald Tower
G-19 Block-5,
Main Clifton Road,
Clifton, Karachi

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www.hblasasset.com

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



August 30, 2019

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2019 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Pension Fund (HBL-IPF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

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

Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA[®]
Chief Executive



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
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Independent Reasonable Assurance Report to the Participant's Holders on the Statement of Compliance with the Shariah Principles

We were engaged by the Board of Directors of HBL Asset Management Limited, Pension Fund Manager of HBL Islamic Pension Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Pension Fund Manager for the year ended June 30, 2019, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Fund's compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

Applicable Criteria

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

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended June 30, 2019.

Responsibilities of the Pension Fund Manager

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

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

Our Independence and Quality Control

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

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

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



KPMG Taseer Hadi & Co.

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

Our responsibilities

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

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

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

Conclusion

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

In our opinion, the annexed statement, for the year ended June 30, 2019, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

Date: 27 September 2019

Karachi

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



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

Independent Auditors' Report to the Participants

We have audited the annexed financial statements comprising:

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

of **HBL Islamic Pension Fund** ("the Fund") as at June 30, 2019 and for the year then ended together with the notes forming part thereof.

Pension Fund Manager's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



KPMG Taseer Hadi & Co.

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

Opinion

In our opinion:

- a) the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines there under;
- b) a true and fair view is given of the disposition of the Fund as at June 30, 2019 and of the transactions of the Fund for the year ended June 30, 2019 in accordance with the Accounting and Reporting Standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d) the cost and expenses debited to the pension fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the pension fund;
- e) proper books and records have been kept by the Pension Fund Manager and the financial statements prepared are in agreement with the pension fund's books and records;
- f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

Date: 27 September 2019

Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

HBL ISLAMIC PENSION FUND
Statement of Assets and Liabilities
 As at June 30, 2019

	Note	2019				2018			
		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) -----			
Assets									
Bank balances	6	12,902	47,175	49,444	109,521	22,106	64,977	83,992	171,075
Investments	7	111,997	25,333	3,975	141,305	153,805	36,959	-	190,764
Dividend and profit receivable	8	169	943	653	1,765	362	778	343	1,483
Advances, deposits, prepayments and other receivables	9	595	160	133	888	100	130	112	342
Total assets		125,663	73,611	54,205	253,479	176,373	102,844	84,447	363,664
Liabilities									
Payable to Pension Fund Manager	10	207	116	90	413	239	138	112	489
Payable to Central Depository Company of Pakistan Limited - Trustee	11	17	10	8	35	24	14	11	49
Payable to Securities and Exchange Commission of Pakistan	12	60	31	25	116	57	32	25	114
Accrued expenses and other liabilities	13	3,490	855	838	5,183	4,152	929	868	5,949
Total liabilities		3,774	1,012	961	5,747	4,472	1,113	1,016	6,601
Net assets		121,889	72,599	53,244	247,732	171,901	101,731	83,431	357,063
Participants' sub funds (as per statement attached)		121,889	72,599	53,244	247,732	171,901	101,731	83,431	357,063
Number of units in issue	15	376,403	476,820	357,964	1,211,187	442,737	717,333	598,657	1,758,727
Net assets value per unit	Rupees	323.8249	152.2556	148.7437		388.2683	141.8178	139.3646	

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC PENSION FUND

Income Statement and Statement of Comprehensive Income

For the year ended June 30, 2019

Note	2019				2018			
	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	7,808	-	-	7,808	7,419	-	-	7,419
Profit on bank deposits using the effective interest method	1,043	5,364	5,765	12,172	895	3,118	3,814	7,827
Mark-up / return on investments using the effective interest method	-	3,135	1,087	4,222	-	2,423	363	2,786
Realised (loss) / gain on sale of investments	(14,024)	(105)	(2)	(14,131)	(3,809)	182	54	(3,573)
Unrealised (diminution) / appreciation on re-measurement of investments at fair value through profit or loss	(21,010)	(57)	-	(21,067)	(555)	25	-	(530)
	<u>(26,183)</u>	<u>8,337</u>	<u>6,850</u>	<u>(10,996)</u>	<u>3,950</u>	<u>5,748</u>	<u>4,231</u>	<u>13,929</u>
Impairment loss on investments classified as 'available for sale'	-	-	-	-	(14,949)	-	-	(14,949)
	<u>(26,183)</u>	<u>8,337</u>	<u>6,850</u>	<u>(10,996)</u>	<u>(10,999)</u>	<u>5,748</u>	<u>4,231</u>	<u>(1,020)</u>
Expenses								
Remuneration of HBL Asset Management Limited - Pension Fund Manager	3,031	1,593	1,280	5,904	2,887	1,626	1,264	5,777
Remuneration of Central Depository Company of Pakistan Limited - Trustee	303	159	128	590	290	163	127	580
Annual fee to Securities and Exchange Commission of Pakistan	60	31	25	116	57	32	25	114
Auditors' remuneration	184	98	78	360	118	118	118	354
Settlement and bank charges	522	40	33	595	39	75	36	150
Other expenses	442	22	22	486	829	40	18	887
	<u>4,542</u>	<u>1,943</u>	<u>1,566</u>	<u>8,051</u>	<u>4,220</u>	<u>2,054</u>	<u>1,588</u>	<u>7,862</u>
	<u>(30,725)</u>	<u>6,394</u>	<u>5,284</u>	<u>(19,047)</u>	<u>(15,219)</u>	<u>3,694</u>	<u>2,643</u>	<u>(8,882)</u>
Reversal / (Provision) for Sindh Workers' Welfare Fund (SWWF)	-	67	50	117	-	(73)	(53)	(126)
Net (loss) / income before taxation	<u>(30,725)</u>	<u>6,461</u>	<u>5,334</u>	<u>(18,930)</u>	<u>(15,219)</u>	<u>3,621</u>	<u>2,590</u>	<u>(9,008)</u>
Taxation	-	-	-	-	-	-	-	-
Net (loss) / income for the year	<u>(30,725)</u>	<u>6,461</u>	<u>5,334</u>	<u>(18,930)</u>	<u>(15,219)</u>	<u>3,621</u>	<u>2,590</u>	<u>(9,008)</u>
Other comprehensive income								
<i>Items to be reclassified to income statement in subsequent years:</i>								
Unrealised gain / (loss) on re-measurement of investments - classified as available for sale	-	-	-	-	1,574	(409)	-	1,165
Reclassification adjustment relating to available for sale investments sold during the year	-	-	-	-	(11,473)	(93)	-	(11,566)
	-	-	-	-	(9,899)	(502)	-	(10,401)
Total comprehensive (loss) / income for the year	<u>(30,725)</u>	<u>6,461</u>	<u>5,334</u>	<u>(18,930)</u>	<u>(25,118)</u>	<u>3,119</u>	<u>2,590</u>	<u>(19,409)</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC PENSION FUND
Statement of Movement in Participants' Funds
For the year ended June 30, 2019

	2019				2018			
	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) -----			
Net assets at beginning of the year	171,901	101,731	83,431	357,063	207,430	95,942	78,580	381,952
Issuance of units	14 81,294	51,200	46,520	179,014	32,117	43,516	31,617	107,250
Redemption of units	(103,768)	(84,350)	(81,297)	(269,415)	(38,886)	(43,868)	(29,976)	(112,730)
Reallocation among funds	3,187	(2,443)	(744)	-	(3,642)	3,022	620	-
	(19,287)	(35,593)	(35,521)	(90,401)	(10,411)	2,670	2,261	(5,480)
Other comprehensive income								
Net (loss) / income for the year	(30,725)	6,461	5,334	(18,930)	(15,219)	3,621	2,590	(9,008)
Net unrealised (loss on remeasurement of investments classified as available for sale)	-	-	-	-	(9,899)	(502)	-	(10,401)
Total comprehensive (loss) / income for the year	(30,725)	6,461	5,334	(18,930)	(25,118)	3,119	2,590	(19,409)
Net assets at end of the year	121,889	72,599	53,244	247,732	171,901	101,731	83,431	357,063
Net assets value per unit at beginning of the year	388.2683	141.8178	139.3646		441.3274	137.8331	134.7699	
Net assets value per unit at end of the year	323.8249	152.2556	148.7437		388.2683	141.8178	139.3646	

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

HBL ISLAMIC PENSION FUND

Cash Flow Statement

For the year ended June 30, 2019

Note	2019				2018			
	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 FLOW FROM OPERATING ACTIVITIES								
Net (loss) / income for the year	(30,725)	6,461	5,334	(18,930)	(15,219)	3,621	2,590	(9,008)
Adjustments								
Unrealized diminution / (appreciation) in the market value of investments classified as fair value through profit or loss - held for trading	21,010	57	-	21,067	555	(25)	-	530
Impairment loss on investments classified as 'available for sale'	-	-	-	-	14,949	-	-	14,949
	(9,715)	6,518	5,334	2,137	285	3,596	2,590	6,471
Decrease / (Increase) in assets								
Investments - net	20,798	11,569	(3,975)	28,392	9,626	(6,859)	-	2,767
Dividend and profit receivable	193	(165)	(310)	(282)	450	(297)	(86)	67
Advances, deposits, prepayments and other receivables	(495)	(30)	(21)	(546)	-	2,370	(112)	2,258
	20,496	11,374	(4,306)	27,564	10,076	(4,786)	(198)	5,092
Increase / (decrease) in liabilities								
Payable to HBL Asset Management Limited - Pension Fund Manager	(32)	(22)	(22)	(76)	(57)	6	3	(48)
Payable to Central Depository Company of Pakistan Limited - Trustee	(7)	(4)	(3)	(14)	(6)	1	-	(5)
Payable to Securities and Exchange Commission of Pakistan	3	(1)	-	2	(9)	2	2	(5)
Accrued expenses and other liabilities	(662)	(74)	(30)	(766)	136	125	122	383
	(698)	(101)	(55)	(854)	64	134	127	325
Net cash generated from / (used in) operating activities	10,083	17,791	973	28,847	10,425	(1,056)	2,519	11,888
CASH FLOW FROM FINANCING ACTIVITIES								
Amount received on issue of units	81,294	51,200	46,520	179,014	32,117	43,516	31,617	107,250
Amount paid on redemption of units	(103,768)	(84,350)	(81,297)	(269,415)	(38,886)	(43,868)	(29,976)	(112,730)
Reallocation among funds	3,187	(2,443)	(744)	-	(3,642)	3,022	620	-
Net cash (used in) / generated from financing activities	(19,287)	(35,593)	(35,521)	(90,401)	(10,411)	2,670	2,261	(5,480)
Net decrease in cash and cash equivalents	(9,204)	(17,802)	(34,548)	(61,554)	14	1,614	4,780	6,408
Cash and cash equivalents at beginning of the year	22,106	64,977	83,992	171,075	22,092	63,363	79,212	164,667
Cash and cash equivalents at end of the year	12,902	47,175	49,444	109,521	22,106	64,977	83,992	171,075

The annexed notes 1 to 29 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

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

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

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

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+ (positive)' (2018: '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 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

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

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 1, 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual periods beginning on or after January 1, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of the standard is not likely to have an impact on Fund's financial statements.

- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Fund's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual periods beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future.. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, entities should review those policies and apply the new guidance retrospectively as of January 1, 2020, unless the new guidance contains specific scope outs.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following accounting and reporting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The above amendments are effective from annual periods beginning on or after July 1, 2019 and are not likely to have an impact on Fund's financial statements.

2.3 Critical accounting estimates and judgments

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

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

- (a) classification of financial assets (Note 4.2.1 / 4.3)
- (b) impairment of financial assets (Note 4.2.5 / 4.3)
- (c) provisions (Note 4.6)

2.4 Basis of Measurement

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

2.5 Functional and presentation currency

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

3. Changes in accounting policies

Except as described below, the Fund has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements.

The Fund has adopted IFRS 9 'Financial instruments' from July 1, 2018. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from July 1, 2018. A number of other new standards are effective from July 1, 2018 but they do not have a material effect on the Fund's financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain

aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / mark-up calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, mark-up and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 5.

Participant's Funds on net assets basis, there is no impact of the changes on net assets of the funds. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for 2019 under IFRS 9.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Financial assets (Policies applicable before July 1, 2018)

4.2.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

4.2.2 Regular way contracts

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

4.2.3 Initial recognition and measurement

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

4.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:

a) Basis of valuation of debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Basis of valuation of equity securities

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

c) Basis of valuation of Government securities

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

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

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

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

4.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

a) Debt securities and other exposures

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

b) Equity securities

In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale equity securities, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognised in income statement is reclassified from other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash inflows, discounted at the original effective interest rate.

4.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Fund has transferred substantially all risks and rewards of ownership.

4.2.7 Offsetting of financial assets and financial liabilities

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

4.3 Financial assets (Policies applicable after July 1, 2018)

i. Classification

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

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

ii. Subsequent measurement

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

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost

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

Debt investments at FVOCI

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

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

The fair value of financial assets are determined as follows:

a) Debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Government securities

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

c) Equity securities

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

iii. Reclassifications

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

iv. Impairment of financial assets

Financial assets at amortised cost

4.2.4 Policies applicable before 1 July 2018

i. Classification

The management determined the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), Financial Instruments: Recognition and Measurement" at the time of initial recognition.

The Fund classified its financial assets in the following categories:

a) Financial assets at fair value through profit or loss

Financial assets that were acquired principally for the purpose of generating profit from short-term fluctuations in prices were classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

b) Loans and receivables

These were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market.

c) Available for sale

Available for sale financial assets were those non-derivative financial assets that were designated as available-for-sale or were not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

ii. Subsequent measurement

Net gains and losses arising from changes in fair value of 'available for sale' financial assets were taken to the 'statement of comprehensive income' until these were derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' was transferred to the 'income statement'. The carrying value of the Fund's assets were reviewed at each reporting date to determine whether there was any indication of impairment. If such an indication exists, the recoverable amount of such asset was estimated. An impairment loss was recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses were recognised in the income statement.

iii. Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

Impairment losses are recognised in the income statement.

a) Debt securities and other exposures

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

b) Equity securities

In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost was considered as an indicator that the securities were impaired. If any such evidence existed for available for sale equity securities, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognised in income statement was reclassified from other comprehensive income to income statement. Impairment losses recognised on equity securities were not reversed through the income statement.

c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment was established when there was objective evidence that the Fund would not be able to collect all amounts due according to the original terms. The amount of the provision was the difference between the assets carrying value and present value of estimated future cash inflows, discounted at the original effective interest rate.

4.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

4.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchange and other expenses. These costs are amortised over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and the VPS Rules.

4.6 Provisions

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

4.7 Revenue recognition

- Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

4.8 Taxation

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

4.9 Issue and redemption of units

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

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

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

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

4.10 Net Asset Value per unit

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

4.11 Earnings per unit (EPU)

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

5. Financial assets and financial liabilities

5.1 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at July 1, 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Held by Equity sub Fund	
				Original carrying amount under IAS 39	Original carrying amount under IAS 39
Financial assets					
Listed equity securities	(a)	Available-for-sale	Mandatorily at FVTPL	44,796	44,796
Listed equity securities	(b)	Held for trading	Mandatorily at FVTPL	109,009	109,009
Bank balances	(c)	Loans and receivables	Amortised cost	22,106	22,106
Dividend receivable and accrued mark-up	(c)	Loans and receivables	Amortised cost	362	362
Advances, deposits, prepayments and other receivables	(c)	Loans and receivables	Amortised cost	100	100
				<u>176,373</u>	<u>176,373</u>
Financial assets					
				Held by Equity sub Fund	
	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Original carrying amount under IAS 39
Financial assets					
GoP ijarah sukuks	(c)	Available-for-sale	Mandatorily at FVTPL	25,766	25,766
Term finance certificates and sukuk bonds	(c)	Available-for-sale	Mandatorily at FVTPL	4,803	4,803
Term finance certificates and sukuk bonds	(b)	Held for trading	Mandatorily at FVTPL	6,390	6,390
Bank balances	(d)	Loans and receivables	Amortised cost	64,977	64,977
Dividend receivable and accrued mark-up	(d)	Loans and receivables	Amortised cost	778	778
Advances, deposits, prepayments and other receivables	(d)	Loans and receivables	Amortised cost	130	130
				<u>102,844</u>	<u>102,844</u>
Financial assets					
		Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Original carrying amount under IAS 39
Financial assets					
Bank balances	(d)	Loans and receivables	Amortised cost	83,992	83,992
Dividend receivable and accrued mark-up	(d)	Loans and receivables	Amortised cost	343	343
Advances, deposits, prepayments and other receivables	(d)	Loans and receivables	Amortised cost	112	112
				<u>84,447</u>	<u>84,447</u>

The reclassifications set out in the table above are explained below.

- Listed equity securities classified as financial assets 'available-for-sale' have not been elected by the Fund to be classified to fair value through other comprehensive income.
- Listed equity securities and debt securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to be recognised in income statement.

c) Debt securities classified as financial assets 'available-for-sale' have been reclassified as 'fair value through profit or loss' based on the business model whose objective is neither to collect the contractual cashflows nor both collecting contractual cashflows and selling of financial assets.

d) The financial assets classified as 'loans and receivables' have been classified as 'at amortised cost'.

		2019				2018			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
6. BANK BALANCES		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Savings accounts	6.1	12,902	47,175	39,344	99,421	22,106	45,477	68,492	136,075
Term deposit receipts	6.2	-	-	10,100	10,100	-	19,500	15,500	35,000
		<u>12,902</u>	<u>47,175</u>	<u>49,444</u>	<u>109,521</u>	<u>22,106</u>	<u>64,977</u>	<u>83,992</u>	<u>171,075</u>

6.1 This represents bank accounts held with various banks. Profit rates on these accounts range between 3.00% to 13.60% per annum (2018: 3.75% - 7.10% per annum).

6.2 This represents investment in TDRs placed with Soneri Bank Limited maturing in July 2019. It carries profit of 11.00% per annum (2018: 6.75% per annum).

		2019				2018			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
7. INVESTMENTS		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Investments by category		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
At fair value through profit or loss		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Listed equity securities	7.1	111,997	-	-	111,997	109,009	-	-	109,009
GoP ijarah sukuks		-	-	-	-	-	-	-	-
Term finance certificates and sukuk bonds	7.3	-	23,339	-	23,339	-	6,390	-	6,390
		<u>111,997</u>	<u>23,339</u>	<u>-</u>	<u>135,336</u>	<u>109,009</u>	<u>6,390</u>	<u>-</u>	<u>115,399</u>
Available for sale investments		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Listed equity securities		-	-	-	-	44,796	-	-	44,796
GoP ijarah sukuks		-	-	-	-	-	25,766	-	25,766
Term finance certificates and sukuk bonds		-	-	-	-	-	4,803	-	4,803
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,796</u>	<u>30,569</u>	<u>-</u>	<u>75,365</u>
At amortised Cost (2018: Loans and receivables)		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Commercial papers	7.4	-	1,994	3,975	5,969	-	-	-	-
		<u>111,997</u>	<u>25,333</u>	<u>3,975</u>	<u>141,305</u>	<u>153,805</u>	<u>36,959</u>	<u>-</u>	<u>190,764</u>

7.1 Listed equity securities - at fair value through profit or loss

Held by Equity Sub-Fund

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

Name of the Investee Company	As at July 1, 2018	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2019	Cost of holdings as at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of total investments of the sub-fund	Market value as a percentage of net assets of sub-fund	Par value as a percentage of issued capital of the investee company
	-----Number of shares-----				----- (Rupees in '000) -----			----- %-----		
Automobile Assembler										
Millat Tractors Limited	4,060	2,800	-	6,860	-	-	-	-	-	-
	4,060	2,800	-	6,860	-	-	-	-	-	-
Automobile Parts & Accessories										
Thal Limited (Rs. 5 each)	9,800	10,950	-	7,700	13,050	5,741	4,751	4.24	3.90	0.02
	9,800	10,950	-	7,700	13,050	5,741	4,751	4.24	3.90	0.02
Cement										
Lucky Cement Limited	12,150	8,100	-	8,950	11,300	5,619	4,299	3.84	3.53	0.00
D.G. Khan Cement Company Limited	28,000	4,300	-	32,300	-	-	-	-	-	-
Cherat Cement Company Limited	-	24,000	-	24,000	-	-	-	-	-	-
Kohat Cement Company Limited	5,900	44,100	2,250	28,650	23,600	1,828	1,240	1.11	1.02	0.01
Maple Leaf Cement Factory Limited	-	148,500	-	148,500	-	-	-	-	-	-
Pioneer Cement Limited	16,000	2,000	-	18,000	-	-	-	-	-	-
	62,050	231,000	2,250	260,400	34,900	7,447	5,539	4.95	4.55	0.01
Chemical										
Engro Polymer & Chemicals Limited	97,000	87,885	-	46,000	138,885	4,503	3,744	3.34	3.07	0.02
Engro Polymer & Chemicals Limited (Rights)	35,885	-	-	35,885	-	-	-	-	-	-
Dawood Hercules Chemicals Limited	-	33,600	-	11,300	22,300	2,699	2,481	2.22	2.04	-
Descon Oxychem	56,500	35,000	-	91,500	-	-	-	-	-	-
Sitara Chemical Industries Limited	-	7,200	-	1,500	5,700	1,792	1,743	1.56	1.43	0.03
Lotte Chemical Pakistan Limited	-	140,000	-	140,000	-	-	-	-	-	-
	189,385	303,685	-	326,185	166,885	8,994	7,968	7.12	6.54	0.05
Commercial Banks										
Meezan Bank Limited	110,500	63,000	17,005	133,000	57,505	4,401	5,012	4.48	4.11	-
	110,500	63,000	17,005	133,000	57,505	4,401	5,012	4.48	4.11	-
Engineering										
Amreli Steels Limited	19,300	-	-	19,300	-	-	-	-	-	-
Aisha Steel Limited	45,000	-	-	45,000	-	-	-	-	-	-
International Industries Limited	7,700	24,200	-	31,900	-	-	-	-	-	-
International Steels Limited	20,800	5,100	-	25,900	-	-	-	-	-	-
Mughal Iron and Steel Industries Limited	33,000	-	-	33,000	-	-	-	-	-	-
Crescent Steel and Allied Products Limited	-	20,000	-	20,000	-	-	-	-	-	-
	125,800	49,300	-	175,100	-	-	-	-	-	-
Fertilizer										
Engro Corporation Limited	35,900	45,300	3,390	53,700	30,890	8,755	8,204	7.33	6.73	0.01
Engro Fertilizer Limited	150,000	42,500	-	96,800	95,700	6,806	6,122	5.47	5.02	0.01
Fauji Fertilizer Company Limited	37,000	56,000	-	65,500	27,500	2,721	2,398	2.14	1.97	-
	222,900	143,800	3,390	216,000	154,090	18,282	16,724	14.94	13.72	0.02
Glass and Ceramics										
Shabbir Tiles & Ceramics Limited	75,000	-	-	75,000	-	-	-	-	-	-
	75,000	-	-	75,000	-	-	-	-	-	-
Oil and Gas Exploration Companies										
Oil and Gas Development Company Limited	64,300	107,200	-	89,600	81,900	12,265	10,769	9.61	8.84	0.00
Pakistan Petroleum Limited	48,900	76,000	9,300	65,600	68,600	12,156	9,908	8.84	8.13	0.00
Mari Petroleum Company Limited	6,000	4,720	580	2,000	9,300	12,600	9,387	8.37	7.70	0.01
Pakistan Oilfields Limited	11,300	7,700	2,400	6,000	15,400	8,133	6,251	5.58	5.13	0.01
	130,500	195,620	12,280	163,200	175,200	45,154	36,315	32.40	29.80	0.02
Oil and Gas Marketing Companies										
Pakistan State Oil Company Limited ***	23,680	21,100	4,556	15,600	33,736	8,348	5,723	5.11	4.70	0.01
Hascol Petroleum Limited	13,500	-	3,375	16,875	-	-	-	-	-	-
Sui Southern Gas Company Limited	70,000	-	-	70,000	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited	42,000	76,500	-	66,300	52,200	4,492	3,627	3.24	2.98	0.01
	149,180	97,600	7,931	168,775	85,936	12,840	9,350	8.35	7.68	0.02
Paper and Board										
Packages Limited	3,150	-	-	3,150	-	-	-	-	-	-
Security Papers Limited	-	22,000	-	4,000	18,000	1,729	1,670	1.49	1.37	0.03
	3,150	22,000	-	7,150	18,000	1,729	1,670	1.49	1.37	0.03
Pharmaceuticals										
AGP Limited	12,375	45,000	-	38,000	19,375	1,471	1,328	1.19	1.09	0.01
The Searl Company Limited ***	10,062	1,500	849	4,400	8,011	2,253	1,174	1.05	0.96	-
Highnoon Laboratories Limited ***	-	6,500	530	1,200	5,830	1,674	1,476	1.32	1.21	0.02
	22,437	53,000	1,379	43,600	33,216	5,398	3,978	3.56	3.26	0.03
Power Generation and Distribution										
The Hub Power Company Limited	88,600	90,000	17,131	69,000	126,731	10,532	9,980	8.91	8.19	0.01
Pakgen Power Limited	-	64,000	-	64,000	-	-	-	-	-	-
K-Electric Limited (Rs. 3.5 each)	725,500	424,000	-	601,000	548,500	3,038	2,408	2.15	1.98	0.01
	814,100	578,000	17,131	734,000	675,231	13,570	12,388	11.06	10.17	0.02

Name of the Investee Company	As at July 1, 2018	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2019	Cost of holdings as at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of total investments of the sub-fund	Market value as a percentage of net assets of sub-fund	Par value as a percentage of issued capital of the investee company
-----Number of shares----- (Rupees in '000) ----- %-----										
Textile Composite										
Nishat Mills Limited	48,000	40,000	-	55,500	32,500	4,007	3,034	2.71	2.49	0.01
Kohinoor Textile Mills Limited	-	122,500	-	122,500	-	-	-	-	-	-
Interloop Limited	-	99,445	-	27,500	71,945	3,314	3,185	2.84	2.61	0.01
	<u>48,000</u>	<u>261,945</u>	<u>-</u>	<u>205,500</u>	<u>104,445</u>	<u>7,321</u>	<u>6,219</u>	<u>5.55</u>	<u>5.10</u>	<u>0.02</u>
Technology & Communication										
Systems Limited	36,500	-	-	36,500	-	-	-	-	-	-
Pakistan Telecommunication Company Limited	-	100,000	-	100,000	-	-	-	-	-	-
	<u>36,500</u>	<u>100,000</u>	<u>-</u>	<u>136,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Leather and Tanneries										
Bata (Pakistan) Limited	-	260	-	-	260	424	359	0.32	0.29	0.00
	<u>-</u>	<u>260</u>	<u>-</u>	<u>-</u>	<u>260</u>	<u>424</u>	<u>359</u>	<u>0.32</u>	<u>0.29</u>	<u>0.00</u>
Transport										
Pakistan National Shipping Corporation	-	39,000	-	12,000	27,000	1,706	1,724	1.54	1.41	0.02
	<u>-</u>	<u>39,000</u>	<u>-</u>	<u>12,000</u>	<u>27,000</u>	<u>1,706</u>	<u>1,724</u>	<u>1.54</u>	<u>1.41</u>	<u>0.02</u>
	<u>2,003,362</u>	<u>2,151,960</u>	<u>61,366</u>	<u>2,670,970</u>	<u>1,545,718</u>	<u>133,007</u>	<u>111,997</u>	<u>100.00</u>	<u>91.90</u>	<u>0.26</u>

These represent gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Pension Fund Manager of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, have filed a petition in Honourable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 57(3)(viii) of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The Honourable Sindh High Court has granted stay order till the final outcome of the case. However, the investee companies have withheld the share equivalent to 5% of bonus announcement amounting Rs. 0.075 million (2018: 0.135 million) and not yet deposited with Government Treasury. Pension Fund Manager is of the view that the decision will be in its favour and accordingly has recorded the bonus shares on gross basis.

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

7.2.1 Held by Debt Sub-Fund

Issue Date	Tenor	Face Value			Amortised Cost as at June 30, 2019	Market value as at June 30, 2019 end of the year	Market value as a percentage of	
		As at July 1, 2018	Purchases during the year	Sales / matured during the year			As at June 30, 2019	Total investments of sub-fund
----- (Rupees in '000) ----- %-----								
December 18, 2015	3 Years	14,500	15,000	29,500	-	-	-	-
February 15, 2016	3 Years	6,200	-	6,200	-	-	-	-
March 29, 2016	3 Years	5,000	-	5,000	-	-	-	-
		<u>25,700</u>	<u>15,000</u>	<u>40,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

7.2.2 Held by Money Market Sub-Fund

Issue Date	Tenor	Face Value			Amortised Cost as at June 30, 2019	Market value as at June 30, 2019 end of the year	Market value as a percentage of	
		As at July 1, 2018	Purchases during the year	Sales / matured during the year			As at June 30, 2019	Total investments of sub-fund
----- (Rupees in '000) ----- %-----								
December 18, 2015	3 years	-	40,000	40,000	-	-	-	-
		<u>-</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

7.3.1 Held by Debt Sub-Fund

Name of the Investee Company	Face Value			Amortised Cost as at June 30, 2019	Market value as at June 30, 2019 end of the year	Market value as a percentage of		
	As at July 1, 2018	Purchases during the year	Sales / matured during the year			As at June 30, 2019	Total investments of sub-fund	Net assets of sub-fund
	----- (Rupees in '000) -----						----- % -----	
Fertilizers								
Dawood Hercules Corporation Limited Sukuk	20	10	-	30	2,697	2,691	10.62	3.71
Engro Fertilizer Limited	900	-	-	900	788	788	3.11	1.09
Fatima Fertilizers Company Limited	457	-	100	357	893	899	3.55	1.24
	1,377	10	100	1,287	4,377	4,378	17.28	6.03
Multiutilities								
Water and Power Development Authority	474	-	-	474	846	880	3.47	1.21
K-Electric	-	1,700	150	1,550	4,650	4,682	18.48	6.45
Hub Power Company Limited	-	1,600	-	1,600	8,000	8,000	31.58	11.02
	474	3,300	150	3,624	13,496	13,561	53.53	18.68
Pharmaceuticals								
AGP Limited	24	-	-	24	1,440	1,440	5.68	1.98
	24	-	-	24	1,440	1,440	5.68	1.98
Miscellaneous								
International Brands Limited Sukuk	20	-	-	20	2,000	1,959	7.73	2.70
Agha Steel Industries Limited Sukuk	-	2	-	2	2,000	2,000	7.89	2.75
	20	2	-	22	4,000	3,959	15.62	5.45
Total	1,895	3,312	250	4,957	23,314	23,339	92.12	32.15

*Related party due to common directorship

7.3.1.1 Significant terms and conditions of Term finance certificates and Sukuk bonds outstanding as at June 30, 2019 are as follows:

Name of security	Remaining principal (Rupees per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Dawood Hercules Corporation Limited Sukuk	90,000	3 months KIBOR + 1%	16-Nov-17	16-Nov-22
Engro Fertilizer Limited	875	6 months KIBOR + 1.75%	09-Jul-14	09-Jul-19
Fatima Fertilizers Company Limited	2,500	6 months KIBOR + 1.1%	28-Nov-16	28-Nov-21
Water and Power Development Authority	1,786	6 months KIBOR + 1%	14-Oct-13	14-Oct-21
K-Electric	3,000	3 months KIBOR + 1%	17-Jun-15	17-Jun-22
Hub Power Company Limited	5,000	3 months KIBOR + 1%	27-Feb-19	27-Nov-19
AGP Limited	60,000	3 months KIBOR + 1.3%	09-Jun-17	09-Jun-22
International Brands Limited Sukuk	100,000	12 months KIBOR + 0.5%	15-Nov-17	15-Nov-21
Agha Steel Industries Limited Sukuk	1,000,000	3 months KIBOR + 0.8%	09-Oct-18	09-Oct-24

7.4 Commercial papers - at amortised cost

7.4.1 Held by Debt Sub-Fund

Name of Company	Maturity Date	Placement made during the year	Income Accrued	Matured during the year	As at June 30, 2019	Percentage of total value of investments	Percentage of Net Assets
	Note	----- (Rupees in '000) -----					
Hascol Petroleum Limited	January 4, 2019	2,304	96	2,400	(0)	(0.00)	(0.00)
Hascol Petroleum Limited	7.4.1.1 July 15, 2019	1,885	109	-	1,994	7.87	2.75
		<u>4,189</u>	<u>205</u>	<u>2,400</u>	<u>1,994</u>	<u>7.87</u>	<u>2.75</u>

7.4.1.1 This commercial paper has been placed at discount at a rate of 12.16% per annum and is being amortised over a period of 181 days.

7.4.2 Held by Money Market Sub-Fund

Name of Company	Maturity Date	Placement made during the year	Income Accrued	Matured during the year	As at June 30, 2019	Percentage of total value of investments	Percentage of Net Assets
	Note	----- (Rupees in '000) -----					
Hascol Petroleum Limited	January 4, 2019	3,744	156	3,900	(0)	-	(0)
K- Electric Limited	March 1, 2019	3,349	151	3,500	(0)	-	(0)
Hascol Petroleum Limited	7.4.2.1 July 15, 2019	3,771	204	-	3,975	100	7.47
		<u>10,863</u>	<u>511</u>	<u>7,400</u>	<u>3,974</u>	<u>100</u>	<u>7.46</u>

7.4.2.1 This commercial paper has been placed at discount at a rate of 12.16% per annum and is being amortised over a period of 181 days.

8. DIVIDEND AND PROFIT RECEIVABLE

	2019				2018			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----							
Dividend receivable	96	-	-	96	303	-	-	303
Profit receivable on bank deposits	73	483	438	995	59	295	334	688
Profit accrued on sukuk bonds	-	460	-	460	-	235	-	235
Profit accrued on government securities - Ijarah Sukuk	-	-	-	-	-	237	-	237
Profit accrued on term deposit receipts	-	-	215	215	-	11	9	20
	<u>169</u>	<u>943</u>	<u>653</u>	<u>1,765</u>	<u>362</u>	<u>778</u>	<u>343</u>	<u>1,483</u>

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019				2018			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----							
Security Deposit with Central Depository Company of Pakistan Limited	100	100	100	300	100	100	100	300
Receivable against sale of investments	402	-	-	402	-	-	-	-
Other receivable	93	60	33	186	-	30	12	42
	<u>595</u>	<u>160</u>	<u>133</u>	<u>888</u>	<u>100</u>	<u>130</u>	<u>112</u>	<u>342</u>

10. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - PENSION FUND MANAGER

	2019				2018			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----							
Management fee	153	90	67	309	212	122	99	433
Sindh Sales Tax	20	12	9	40	27	16	13	56
Sales load payable	34	14	14	63	-	-	-	-
	<u>207</u>	<u>116</u>	<u>90</u>	<u>412</u>	<u>239</u>	<u>138</u>	<u>112</u>	<u>489</u>

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

10.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2018: 13%) on the remuneration of the Management Company through Sindh Sales Tax Act, 2011 effective from July 01, 2017.

11. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	Note	2019				2018			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Trustee remuneration	11.1	15	9	7	31	21	12	10	43
Sindh Sales Tax on Trustee remuneration	11.2	2	1	1	4	3	2	1	6
		<u>17</u>	<u>10</u>	<u>8</u>	<u>35</u>	<u>24</u>	<u>14</u>	<u>11</u>	<u>49</u>

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2019 is as follows:

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

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

12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2019				2018			
		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		142	56	38	236	79	79	80	238
Payable against purchase of investments		12	-	-	12	724	-	-	724
Federal Excise Duty	13.2	879	488	383	1,750	879	488	383	1,750
Provision for Sindh Workers' Welfare Fund	20	1,952	195	145	2,292	1,952	266	196	2,414
Payable against redemption of units		1	113	269	383	11	94	208	313
Other payable	13.1	504	3	3	510	507	2	1	510
		<u>3,490</u>	<u>855</u>	<u>838</u>	<u>5,183</u>	<u>4,152</u>	<u>929</u>	<u>868</u>	<u>5,949</u>

13.1 These includes charity payable amounting to Rs. 0.500 million (2018: Rs. 0.506 million):

	Note	2019 ------(Rupees in '000)-----	2018
Opening payable		506	67
Charge for the year		405	506
Payments made during the year		(411)	(67)
Closing		<u>500</u>	<u>506</u>

13.1.1 These payments are made to Ida Rieu Welfare Association, The Citizens Foundation and Sindh Institute of Urology and Transplantation.

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

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

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honorable Supreme Court against the Sindh High Court's decision dated June 2, 2016. Therefore, as a matter of abundant caution, without prejudice to the above, the Pension Fund Manager has made a provision with effect from June 13, 2013, aggregating to Rs. 0.879 million, 0.488 million and 0.383 million (2018: Rs. 0.879 million, Rs. 0.488 million and Rs. 0.383 million), for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Had the provision not been made, the Net Assets Value per unit of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund as at June 30, 2019 would have been higher by Rs. 2.34, Rs. 1.02 and Rs. 1.07 (2018: Rs. 1.98 Rs. 0.68 and Rs. 0.63) per unit respectively. However after the exclusion of the mutual funds from federal statute on FED from July 1, 2016, the Fund has discontinued making the provision in this regard.

14. CONTRIBUTION TABLE

Contributions received during the year are as follows:

		2019							
		Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
		Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
From:									
Individuals		212,044	81,294	352,265	51,200	328,547	46,520	892,856	179,014
		<u>212,044</u>	<u>81,294</u>	<u>352,265</u>	<u>51,200</u>	<u>328,547</u>	<u>46,520</u>	<u>892,856</u>	<u>179,014</u>
		2018							
		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		82,298	32,117	310,830	43,516	204,761	31,617	597,889	107,250
		<u>82,298</u>	<u>32,117</u>	<u>310,830</u>	<u>43,516</u>	<u>204,761</u>	<u>31,617</u>	<u>597,889</u>	<u>107,250</u>

15. NUMBER OF UNITS IN ISSUE	2019				2018			
	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) -----			
Opening units in issue	442,737	717,333	598,657	1,758,727	470,012	696,065	583,084	1,749,161
Units issued during the year	212,044	352,265	328,547	892,856	82,298	310,830	204,761	597,889
Units redeemed during the year	(287,138)	(575,625)	(563,942)	(1,426,705)	(101,291)	(311,459)	(193,430)	(606,180)
Reallocation during the year	8,760	(17,153)	(5,298)	(13,691)	(8,282)	21,897	4,242	17,857
Total units in issue at the end of the year	<u>376,403</u>	<u>476,820</u>	<u>357,964</u>	<u>1,211,187</u>	<u>442,737</u>	<u>717,333</u>	<u>598,657</u>	<u>1,758,727</u>

16. PROFIT ON BANK DEPOSITS	2019				2018			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Profit on bank deposits	<u>1,043</u>	<u>5,364</u>	<u>5,765</u>	<u>12,172</u>	<u>895</u>	<u>3,118</u>	<u>3,814</u>	<u>7,827</u>

17. MARK-UP / RETURN ON INVESTMENTS	2019				2018			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Mark-up / return on:								
Government of Pakistan -Ijarah Sukuks	-	938	568	1,506	-	1,600	255	1,855
Sukuk certificates	-	1,996	-	1,996	-	751	-	751
Term deposits receipts	-	-	-	-	-	-	-	-
Commercial papers	-	201	519	720	-	72	108	180
	<u>-</u>	<u>3,135</u>	<u>1,087</u>	<u>4,222</u>	<u>-</u>	<u>2,423</u>	<u>363</u>	<u>2,786</u>

18. AUDITOR'S REMUNERATION	2019				2018			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Statutory audit fee	103	54	44	201	43	60	60	163
Half yearly review fee	51	27	22	100	33	32	32	97
Shariah compliance certification	25	-	-	25	25	-	-	25
Out of pocket expenses	5	17	12	34	17	26	26	69
	<u>184</u>	<u>98</u>	<u>78</u>	<u>360</u>	<u>118</u>	<u>118</u>	<u>118</u>	<u>354</u>

19. TAXATION

No provision for taxation for the year ended June 30, 2019 has been made in view of the exemption available under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

20. PROVISION FOR WORKERS' WELFARE FUND

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

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

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

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

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. The reversal of provision for WWF amounting to Rs. 1.397 million, Rs. 0.269 million and Rs. 0.223 million of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively and a of provision for SWWF of Rs.1.952 million, Rs. 0.228 million and Rs. 0.170 million of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively upto January 12, 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund would have been higher by Rs. 5.19, Rs. 0.41 and Rs. 0.41 (2018: Rs. 4.41, Rs. 0.37 and Rs. 0.33) per unit respectively.

21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Pension Fund Manager, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the

Trustee of the Fund, collective investment schemes managed by the Management Company, directors and officers of the Management Company.

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

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

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

21.1 Transactions during the year

	2019				2018			
	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)								
HBL Asset Management Limited - Pension Fund Manager								
Management fee	3,031	1,593	1,280	5,904	2,887	1,626	1,264	5,777
Habib Bank Limited - Sponsor								
Bank charges paid	9	27	22	58	12	26	16	54
Profit on bank deposits earned	370	453	451	1,274	497	170	86	753
Withdrawal of units	(171,666)	(300,000)	(300,000)	(771,666)	-	-	-	-
Amount of units withdrawn	(61,302)	(44,195)	(43,447)	(148,944)	-	-	-	-
Directors and Executives of the Pension Fund Manager and their relatives								
Directors and their relatives								
Issue of units	4,183	6,226	3,142	13,551	19,575	44,027	11,216	74,818
Amount of units issued	1,650	900	450	3,000	7,639	6,111	1,528	15,278
Reallocation of units	7,912	(28,859)	8,989	(11,958)	(1,448)	2,985	1,667	3,204
Amount of units reallocated	2,881	(4,179)	1,298	-	(637)	412	225	-
Executives and their relatives								
Issuance of units	-	-	5	5	6,859	6,593	3,122	16,574
Amount of units issued	-	-	1	1	2,688	922	430	4,040
Withdrawal of units	-	-	-	-	-	-	(3,122)	(3,122)
Amount of units withdrawn	-	-	-	-	-	-	(430)	(430)
Reallocation of units	1,317	(3,617)	-	(2,300)	88	(279)	-	(191)
Amount of units reallocated	513	(513)	-	-	39	(39)	-	-
Directors and Executives of the Habib Bank Limited - Sponsor and their relatives								
Executives and their relatives								
Issue of units	-	-	-	-	6,743	19,646	-	26,389
Amount of units issued	-	-	-	-	2,750	2,750	-	5,500
Redemption of units	-	-	-	-	(6,547)	(20,867)	-	(27,414)
Amount of units redeemed	-	-	-	-	(2,648)	(2,920)	-	(5,568)
Reallocation of units	-	-	-	-	(388)	1,238	-	850
Amount of units reallocated	-	-	-	-	(171)	171	-	-
Central Depository Company of Pakistan Limited - Trustee								
Remuneration	303	159	128	590	290	163	127	580
Central Depository System Charges	21	7	7	35	20	6	3	29
Directors of connected persons								
Reallocation of units	340	(136)	(749)	(545)	(219)	53	660	494
Amount of units reallocated	124	(19)	(105)	-	(96)	7	89	-
Redemption of units	(430)	(430)	(11,279)	(12,139)	(235)	(2,994)	(11,472)	(14,701)
Amount of units redeemed	(166)	(445)	(1,624)	(2,235)	(92)	(419)	(1,574)	(2,085)

21.2 Balances outstanding as at year end

	2019				2018			
	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)								
HBL Asset Management Limited - Pension Fund Manager								
Management fee payable	153	90	67	310	212	122	99	433
Sindh Sales tax Payable	20	12	9	41	27	16	13	56
Sales load payable	34	14	14	62	-	-	-	-
Federal Excise Duty payable	879	488	383	1,750	879	488	383	1,750
Habib Bank Limited - Sponsor								
Units held	Number 128,334	-	-	128,334	300,000	300,000	300,000	900,000
Amount of units held	41,558	-	-	41,558	116,480	42,545	41,809	200,834
Profit receivable on bank deposits	370	453	451	1,274	38	8	6	52
Bank balances	6,660	14,309	20,718	41,687	10,832	5,152	8,494	24,478
Directors and Executives of the Pension Fund Manager and their relatives								
Directors and their relatives								
Units held	Number 45,629	65,886	46,076	157,591	33,534	88,519	33,945	155,998
Amount of units held	14,776	10,031	6,854	31,661	13,020	12,554	4,731	30,305
Executives and their relatives								
Units held	Number 13,155	8,685	5	21,845	11,838	12,302	-	24,140
Amount of units held	4,260	1,322	1	5,583	4,596	1,745	-	6,341
Executives of the Habib Bank Limited - Sponsor and their relatives								
Units held	Number 14,833	36,977	-	51,810	6,743	19,646	-	26,389
Amount of units held	4,803	5,630	-	10,433	2,618	2,786	-	5,404
Central Depository Company of Pakistan Limited - Trustee								
Remuneration payable	17	10	8	35	24	14	11	49
Security deposit receivable	100	100	100	300	100	100	100	300
Directors of connected persons								
Units held	Number 1,470	15,084	57,551	74,105	1,424	18,160	69,580	89,164
Amount of units held	476	2,126	8,560	11,162	553	2,575	9,697	12,825

22. FINANCIAL INSTRUMENTS BY CATEGORY

	2019											
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund			
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total
(Rupees in '000)												
Financial Assets												
Bank balances	12,902	-	-	12,902	47,175	-	-	47,175	49,444	-	-	49,444
Investments	-	-	111,997	111,997	1,994	-	23,339	25,333	3,975	-	-	3,975
Dividend and profit receivable	169	-	-	169	943	-	-	943	653	-	-	653
Advances, deposits, prepayments and other receivables	595	-	-	595	160	-	-	160	133	-	-	133
	13,666	-	111,997	125,663	50,272	-	23,339	73,611	54,205	-	-	54,205

	2019			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
At amortised cost (Rupees in '000)				
Financial liabilities				
Payable to the Pension Fund Manager	207	116	90	413
Payable to the Trustee	17	10	8	35
Accrued expenses and other liabilities	659	172	310	1,141
	883	298	408	1,589

	2018												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	
Financial Assets	----- (Rupees in '000) -----												
Bank balances	22,106	-	-	22,106	64,977	-	-	64,977	83,992	-	-	83,992	171,075
Investments	-	109,009	44,796	153,805	-	6,390	30,569	36,959	-	-	-	-	190,764
Dividend and profit receivable	362	-	-	362	778	-	-	778	343	-	-	343	1,483
Advances, deposits, prepayments and other receivables	100	-	-	100	130	-	-	130	112	-	-	112	342
	<u>22,568</u>	<u>109,009</u>	<u>44,796</u>	<u>176,373</u>	<u>65,885</u>	<u>6,390</u>	<u>30,569</u>	<u>102,844</u>	<u>84,447</u>	<u>-</u>	<u>-</u>	<u>84,447</u>	<u>363,664</u>

	2018			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	At amortised cost			
	----- (Rupees in '000) -----			
Financial liabilities				
Payable to the Pension Fund Manager	239	138	112	489
Payable to the Trustee	24	14	11	49
Payable to the SECP	-	-	-	-
Accrued expenses and other liabilities	1,321	175	289	1,785
	<u>1,584</u>	<u>327</u>	<u>412</u>	<u>2,323</u>

23. FINANCIAL RISK MANAGEMENT

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

23.1 Market risk

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

The Pension Fund Manager manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

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

23.1.1 Currency risk

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

23.1.2 Interest rate risk

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

a) Sensitivity analysis for fixed rate instruments

As at June 30, 2019, the Debt Sub-Fund hold no fixed rate instruments, therefore, not exposing the Fund to fair value interest rate risk.

	Effect on total comprehensive income and net assets					
	2019			2018		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)			(Rupees in '000)		
Change in basis points						
100	-	-	-	66	-	66
(100)	-	-	-	(67)	-	(67)

b) Sensitivity analysis for variable rate instruments

As at June 30, 2019, the Debt Sub-Fund and Money Market Sub-Fund hold GoP Ijarah Sukuks and Sukuk certificates which are classified as 'fair through profit or loss', exposing the Fund to cash flow interest rate risk and fair value interest rate risk. In case of 100 basis points increase / decrease in mark-up rates on June 30, 2019, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

	Total Exposure					
	2019			2018		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)			(Rupees in '000)		
Government of Pakistan - Ijarah Sukuks	-	-	-	11,210	-	11,210
Sukuk certificates	23,339	-	23,339	11,193	-	11,193
	<u>23,339</u>	<u>-</u>	<u>23,339</u>	<u>22,403</u>	<u>-</u>	<u>22,403</u>

	Effect on total comprehensive income and net assets					
	2019			2018		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)			(Rupees in '000)		
Change in basis points-Fair value interest rate risk						
100	(282)	-	(282)	(74)	-	(74)
(100)	353	-	353	73	-	73

	Effect on total comprehensive income and net assets					
	2019			2018		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	(Rupees in '000)			(Rupees in '000)		
Change in basis points-Cash flow interest rate risk						
100	37	-	37	23	-	23
(100)	(37)	-	(37)	(23)	-	(23)

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / Interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off balance sheet instruments is based on settlement date.

2019																	
Equity Sub-Fund					Debt Sub-Fund					Money Market Sub-Fund					Total		
Yield / Interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year			Up to three months	More than three months and up to one year	More than one year			Up to three months	More than three months and up to one year	More than one year				
%	(Rupees in '000)				%	(Rupees in '000)				%	(Rupees in '000)						
On-balance sheet financial instruments																	
Financial assets																	
Bank balances	3 - 13.6	12,902	-	-	12,902	3 - 13.6	47,175	-	-	47,175	3 - 13.6	49,444	-	-	49,444	109,521	
Investments		-	-	111,997	111,997	11.03 - 14.20	1,994	8,000	15,339	25,333		3,975	-	-	3,975	141,305	
Dividend and profit receivable		-	-	169	169		-	-	-	943		-	-	-	653	1,765	
Advances, deposits and other receivables		-	-	595	595		-	-	-	160		-	-	-	133	888	
		12,902	-	112,761	125,663		49,169	8,000	15,339	1,103	73,611		53,419	-	786	54,205	253,479
Financial liabilities																	
Payable to the Pension Fund Manager		-	-	207	207		-	-	-	116	116		-	-	90	90	413
Payable to the Trustee		-	-	17	17		-	-	-	10	10		-	-	8	8	35
Accrued expenses and other liabilities		-	-	659	659		-	-	-	172	172		-	-	310	310	1,141
		-	-	883	883		-	-	-	298	298		-	-	408	408	1,589
On-balance sheet gap		12,902	-	111,878	124,780		49,169	8,000	15,339	805	73,313		53,419	-	378	53,797	251,890
Off-balance sheet financial instruments																	
Off-balance sheet gap		-	-	-	-		-	-	-	-	-		-	-	-	-	-

2018																	
Equity Sub-Fund					Debt Sub-Fund					Money Market Sub-Fund					Total		
Yield / Interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	Yield / Interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year			Up to three months	More than three months and up to one year	More than one year			Up to three months	More than three months and up to one year	More than one year				
%	(Rupees in '000)				%	(Rupees in '000)				%	(Rupees in '000)						
On-balance sheet financial instruments																	
Financial assets																	
Bank balances	3.75 - 7.10	22,106	-	-	22,106	3.75 - 7.10	64,977	-	-	64,977	3.75 - 7.10	83,992	-	-	83,992	171,075	
Investments		-	-	153,805	153,805	5.51 - 8.15	-	25,766	11,193	36,959		-	-	-	-	190,764	
Dividend and profit receivable		-	-	362	362		-	-	-	778		-	-	-	343	1,483	
Advances, deposits, prepayments and other receivables		-	-	100	100		-	-	-	130		-	-	-	112	342	
		22,106	-	154,267	176,373		64,977	25,766	11,193	908	102,844		83,992	-	455	84,447	363,664
Financial liabilities																	
Payable to the Pension Fund Manager		-	-	239	239		-	-	-	138	138		-	-	112	112	489
Payable to the Trustee		-	-	24	24		-	-	-	14	14		-	-	11	11	49
Accrued expenses and other liabilities		-	-	1,321	1,321		-	-	-	175	175		-	-	289	289	1,785
		-	-	1,584	1,584		-	-	-	327	327		-	-	412	412	2,323
On-balance sheet gap		22,106	-	152,683	174,789		64,977	25,766	11,193	581	102,517		83,992	-	43	84,035	361,341
Off-balance sheet financial instruments																	
Off-balance sheet gap		-	-	-	-		-	-	-	-	-		-	-	-	-	-

23.1.3 Price Risk

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

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

Equity Sub-Fund	June 30, 2019		June 30, 2018	
	Funds equity portfolio (%)	KSE-100 benchmark portfolio (%)	Funds equity portfolio (%)	KSE-100 benchmark portfolio (%)
Oil and Gas Exploration Companies	32.42%	18.56%	24.15%	17.27%
Fertilizer	14.93%	9.53%	17.01%	4.68%
Power Generation and Distribution	11.06%	4.71%	7.99%	28.24%
Oil and Gas Marketing Companies	8.35%	19.04%	11.89%	5.18%
Chemical	7.11%	1.40%	2.89%	2.05%
Textile Composite	5.55%	4.69%	4.45%	0.94%
Cement	4.95%	8.39%	7.06%	2.98%
Commercial Banks	4.48%	27.96%	5.86%	30.32%
Automobile Parts & Accessories	4.24%	1.86%	3.04%	0.11%
Pharmaceuticals	3.55%	3.45%	2.94%	1.54%
Paper and Board	1.49%	0.02%	1.00%	0.23%
Automobile Assembler	0.00%	0.00%	3.14%	0.69%
Engineering	0.00%	0.37%	5.20%	5.05%
Glass and Ceramics	0.00%	0.00%	1.03%	0.43%
Technology & Communication	0.00%	0.00%	2.35%	0.29%
Others	1.87%	0.02%	0.00%	0.00%
Total	100.00%	100.00%	100.00%	100.00%

In case of 5% increase / decrease in KMI-30 index on June 30, 2019, with all other variables held constant, other components of equity and the net assets of the Fund would increase / decrease by Rs. 5.31 million as a result of gains / losses on equity securities.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KMI-30 index.

23.2 Credit risk

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

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

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

The maximum exposure to credit risk is as follows:

	Rating Agency	Rating	2019			
			Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
			----- (Rupees in '000) -----			
Bank balances by rating category						
Habib Bank Limited	JCR-VIS	AAA	6,661	14,315	10,747	31,723
Allied Bank Limited	PACRA	AAA	-	15	21	36
Habib Metropolitan Bank Limited	PACRA	AA+	-	85	1	86
Bank Al-Habib Limited	PACRA	AA+	-	4,211	7,433	11,644
Meezan Bank Limited	JCR-VIS	AA+	-	5	4	9
Dubai Islamic Bank Pakistan Limited	JCR-VIS	AA-	4,069	14,214	10,417	28,700
Soneri Bank Limited	PACRA	AA-	-	-	10,269	10,269
Faysal Bank Limited	JCR-VIS	AA	-	150	133	283
Bank Islami Pakistan Limited	PACRA	A+	2,172	14,170	10,409	26,751
Summit Bank Limited	JCR-VIS	A-	-	10	10	20
			<u>12,902</u>	<u>47,175</u>	<u>49,444</u>	<u>109,521</u>
Sukuk bonds by rating category						
AAA			-	880	-	880
AA+			-	4,682	-	4,682
AA-			-	899	-	899
AA			-	5,438	-	5,438
A+			-	1,440	-	1,440
A			-	-	-	-
Non rated			-	10,000	-	10,000
			-	<u>23,339</u>	-	<u>23,339</u>
Investment in commercial paper			-	1,994	3,975	5,969
Dividend and profit receivable			169	943	653	1,765
Advances, deposits, prepayments and other receivables			595	160	133	888
	Rating Agency	Rating	2018			
			Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
			----- (Rupees in '000) -----			
Habib Bank Limited	JCR-VIS	AAA	10,832	5,152	8,494	24,478
Allied Bank Limited	PACRA	AAA	-	39,162	31,456	70,618
Habib Metropolitan Bank Limited	PACRA	AA+	-	83	1	84
Bank Al-Habib Limited	PACRA	AA+	-	5,004	12,718	17,722
Meezan Bank Limited	JCR-VIS	AA+	-	5	4	9
Dubai Islamic Bank Pakistan Limited	JCR-VIS	AA-	1,389	17,762	15,983	35,134
Soneri Bank Limited	PACRA	AA-	-	-	15,019	15,019
Faysal Bank Limited	JCR-VIS	AA	-	32	101	133
Bank Islami Pakistan Limited	PACRA	A+	9,885	17,267	15,707	42,859
Summit Bank Limited	JCR-VIS	A-	-	10	9	19
			<u>22,106</u>	<u>84,477</u>	<u>99,492</u>	<u>206,075</u>
GoP ijarah sukuks			-	25,766	-	25,766
Sukuk bonds by rating category						
AAA			-	1,238	-	1,238
AA-			-	4,326	-	4,326
AA			-	4,004	-	4,004
A			-	1,625	-	1,625
			-	<u>11,193</u>	-	<u>11,193</u>
Investment in commercial paper			-	-	-	-
Dividend and profit receivable			362	778	343	1,483
Advances, deposits, prepayments and other receivables			100	130	112	342

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 is the carrying amount of the financial assets.

Concentration of credit risk

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

23.3 Liquidity risk

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

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

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

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

	2019												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
	(Rupees in '000)												
Financial Liabilities													
Payable to the Pension Fund Manager	207	-	-	207	116	-	-	116	90	-	-	90	413
Payable to the Trustee	17	-	-	17	10	-	-	10	8	-	-	8	35
Accrued expenses and other liabilities	659	-	-	659	172	-	-	172	310	-	-	310	1,141
	883	-	-	883	298	-	-	298	408	-	-	408	1,589
	2018												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
	(Rupees in '000)												
Financial Liabilities													
Payable to the Pension Fund Manager	239	-	-	239	138	-	-	138	112	-	-	112	489
Payable to the Trustee	24	-	-	24	14	-	-	14	11	-	-	11	49
Accrued expenses and other liabilities	1,321	-	-	1,321	175	-	-	175	289	-	-	289	1,785
	1,584	-	-	1,584	327	-	-	327	412	-	-	412	2,323

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

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

24. PARTICIPANTS' FUNDS RISK MANAGEMENT (CAPITAL RISK)

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

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

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

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

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

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

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

According to IFRS 7, Financial Instruments: Disclosure - an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

		Held by Equity sub-fund								
		2019					Fair Value			
Note		Carrying amount				Total	Level 1	Level 2	Level 3	Total
		Mandatorily at fair value	Designated as at fair value	Fair value through profit or loss	Amortised through other comprehensive income					
	On-balance sheet financial instruments	------(Rupees in '000)-----								
	Financial assets measured at fair value									
	- Listed equity securities	111,997				111,997	111,997	-	-	111,997
		111,997	-	-	-	111,997				
	Financial assets not measured at fair value									
25.1	- Bank balances	-	-	-	12,902	12,902				
	- Dividend receivable and accrued mark-up	-	-	-	169	169				
	- Advances, deposits, prepayments and other receivables	-	-	-	595	595				
		-	-	-	13,666	13,666				
		111,997	-	-	13,666	125,663				
	Financial liabilities not measured at fair value									
25.1	- Payable to the Pension Fund Manager	-	-	-	207	207				
	- Payable to the Trustee	-	-	-	17	17				
	- Payable to the SECP	-	-	-	-	-				
	- Accrued expenses and other liabilities	-	-	-	659	659				
		-	-	-	883	883				

		Held by Equity sub-fund								
		2018					Fair Value			
Note		Carrying amount				Total	Level 1	Level 2	Level 3	Total
		Held For Trading	Available for Sale	Loans and receivables	Other financial assets / liabilities					
	On-balance sheet financial instruments	------(Rupees in '000)-----								
	Financial assets measured at fair value									
	- Listed equity securities	109,009	44,796	-	-	153,805	153,805	-	-	153,805
		109,009	44,796	-	-	153,805				
	Financial assets not measured at fair value									
25.1	- Bank balances	-	-	22,106	-	22,106				
	- Dividend receivable and accrued mark-up	-	-	362	-	362				
	- Advances, deposits, prepayments and other receivables	-	-	100	-	100				
		-	-	22,568	-	22,568				
		109,009	44,796	22,568	-	176,373				
	Financial liabilities not measured at fair value									
25.1	- Payable to the Pension Fund Manager	-	-	-	239	239				
	- Payable to the Trustee	-	-	-	24	24				
	- Payable to the SECP	-	-	-	-	-				
	- Accrued expenses and other liabilities	-	-	-	1,321	1,321				
		-	-	-	1,584	1,584				

		Held by Equity sub-fund 2019								
		Carrying amount				Fair Value				
		Mandatorily at fair value	Designated as at fair value	Fair value through other comprehensive income	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note		through profit or loss	through profit or loss	through comprehensive income						
------(Rupees in '000)-----										
On-balance sheet financial instruments										
Financial assets measured at fair value										
		-	-	-	-	-	-	-	-	-
	- GoP Ijarah Sukuks	-	-	-	-	-	-	-	-	-
	- Term finance certificates and sukuk bonds - Unlisted	23,339	-	-	-	23,339	-	23,339	-	23,339
		<u>23,339</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,339</u>				
Financial assets not measured at fair value 25.1										
	- Bank balances	-	-	-	47,175	47,175				
	- Term Deposit Receipts	-	-	-	-	-				
	- Commercial papers	-	-	-	1,994	1,994				
	- Dividend receivable and accrued mark-up	-	-	-	943	943				
	- Advances, deposits, prepayments and other receivables	-	-	-	160	160				
	-	-	-	-	50,272	50,272				
		<u>23,339</u>	<u>-</u>	<u>-</u>	<u>50,272</u>	<u>73,611</u>				
Financial liabilities not measured at fair value 25.1										
	- Payable to the Pension Fund Manager	-	-	-	116	116				
	- Payable to the Trustee	-	-	-	10	10				
	- Payable to the SECP	-	-	-	-	-				
	- Accrued expenses and other liabilities	-	-	-	172	172				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>298</u>	<u>298</u>				

		Held by Equity sub-fund 2018								
		Carrying amount				Fair Value				
		Held For Trading	Available for Sale	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
Note										
------(Rupees in '000)-----										
On-balance sheet financial instruments										
Financial assets measured at fair value										
	- Ijarah Sukuks	-	25,766	-	-	25,766	-	25,766	-	25,766
	- Term finance certificates and sukuk bonds - Unlisted	6,390	4,803	-	-	11,193	-	11,193	-	11,193
		<u>6,390</u>	<u>30,569</u>	<u>-</u>	<u>-</u>	<u>36,959</u>				
Financial assets not measured at fair value 25.1										
	- Bank balances	-	-	45,477	-	45,477				
	- Dividend receivable and accrued mark-up	-	-	778	-	778				
	- Term deposits receipts (TDRs)	-	-	19,500	-	19,500				
	- Commercial papers	-	-	-	-	-				
	- Advances, deposits, prepayments and other receivables	-	-	130	-	130				
	-	-	-	65,885	-	65,885				
		<u>6,390</u>	<u>30,569</u>	<u>65,885</u>	<u>-</u>	<u>102,844</u>				
Financial liabilities not measured at fair value 25.1										
	- Payable to the Pension Fund Manager	-	-	-	138	138				
	- Payable to the Trustee	-	-	-	14	14				
	- Payable to the SECP	-	-	-	-	-				
	- Accrued expenses and other liabilities	-	-	-	175	175				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>327</u>	<u>327</u>				

		Held by Equity sub-fund								
		2019					Fair Value			
		Carrying amount				Total	Level 1	Level 2	Level 3	Total
Note		Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Fair value through other income	Amortised cost					
------(Rupees in '000)-----										
On-balance sheet financial instruments										
Financial assets not measured at fair value										
25.1										
	- Bank balances	-	-	-	39,344	39,344				
	- Term deposits receipts	-	-	-	10,100	10,100				
	- Commercial papers	-	-	-	3,975	3,975				
	- Dividend receivable and accrued mark-up	-	-	-	653	653				
	- Advances, deposits, prepayments and other receivables	-	-	-	133	133				
		-	-	-	54,205	54,205				
Financial liabilities not measured at fair value										
25.1										
	- Payable to the Pension Fund Manager	-	-	-	90	90				
	- Payable to the Trustee	-	-	-	8	8				
	- Payable to the SECP	-	-	-	-	-				
	- Accrued expenses and other liabilities	-	-	-	310	310				
		-	-	-	408	408				
------(Rupees in '000)-----										
		Held by Equity sub-fund					Fair Value			
		2018				Total	Level 1	Level 2	Level 3	Total
Note		Held For Trading	Available for Sale	Loans and receivables	Other financial assets / liabilities					
------(Rupees in '000)-----										
On-balance sheet financial instruments										
Financial assets not measured at fair value										
25.1										
	- Bank balances	-	-	68,492	-	68,492				
	- Term deposits receipts	-	-	15,500	-	15,500				
	- Dividend receivable and accrued mark-up	-	-	343	-	343				
	- Advances, deposits, prepayments and other receivables	-	-	-	112	112	112			
		-	-	84,447	-	84,447				
Financial liabilities not measured at fair value										
25.1										
	- Payable to the Pension Fund Manager	-	-	-	112	112				
	- Payable to the Trustee	-	-	-	11	11				
	- Payable to the SECP	-	-	-	-	-				
	- Accrued expenses and other liabilities	-	-	-	289	289				
		-	-	-	412	412				

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

		Equity sub-fund					
26.1	Equity sub-fund	2019	2018	%Change	2017	2016	2015
	Net income for the year	(30,725)	(15,219)	102%	41,151	23,945	31,185
	Realized capital gains / (losses)	(14,024)	(3,809)	268%	37,880	20,959	30,170
	Unrealized capital gains / (losses)	(21,010)	(25,403)	-17%	3,982	(14,881)	(422)
	Dividend income / profit on bank deposits	8,851	8,314	6%	7,846	6,558	4,695
	NAV per unit (Rupees)	323.8249	388.2683	-17%	441.3274	345.9646	327.7553
	Transactions in securities						
	Purchases	159,439	140,157	14%	339,346	339,370	169,639
	Sales	166,208	145,973	14%	344,054	333,622	134,511
	Total contribution received						
	Individuals	81,294	32,117	153%	35,872	8,841	10,540
		Debt sub-fund					
26.2	Debt sub-fund	2019	2018	%Change	2017	2016	2015
	Net income for the year	6,461	3,621	-949%	4,518	1,503	3,852
	Realized capital gains / (losses)	(105)	182	100%	1,346	(770)	-
	Unrealized capital (losses) / gains	(57)	(477)	-88%	(163)	650	(465)
	Mark-up income / profit on bank deposits	8,499	5,541	53%	4,973	4,214	5,565
	NAV per unit (Rupees)	152.2556	141.8178	7%	137.8331	131.1891	127.0785
	Transactions in securities						
	Purchases	36,990	63,723	-42%	11,861	117,270	17,600
	Sales	41,516	57,647	100%	46,965	50,235	-
	Total contribution received						
	Individuals	51,200	43,516	18%	23,277	12,980	11,638
		Money market sub-fund					
26.3	Money market sub-fund	2019	2018	%Change	2017	2016	2015
	Net income for the year	5,334	2,590	106%	2,856	1,087	3,009
	Realized capital gains / (losses)	(2)	54	100%	540	(378)	-
	Unrealized capital gains / (losses)	-	-	-	-	203	(84)
	Mark-up income / profit on bank deposits	6,852	4,177	64%	3,657	2,920	4,431
	NAV per unit (Rupees)	148.7409	139.3646	7%	134.7699	129.4022	125.8416
	Transactions in securities						
	Purchases	10,956	48,007	100%	-	47,559	16,000
	Sales	10,971	48,061	100%	20,368	24,625	-
	Total contribution received						
	Individuals	46,520	31,617	47%	30,385	6,266	4,372
26.4	Highest and lowest issue price of units during the year	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund	
		2019	2018	2019	2018	2019	2018
		----- (Rupees in '000) -----					
	Highest issue price	409.4661	446.8664	152.2556	141.8178	148.8859	139.3646
	Lowest issue price	308.8831	348.6521	141.7704	137.8764	139.4065	134.8166

27 NON COMPLIANT INVESTMENTS DISCLOSURE

27.1 Held by Debt Sub-Fund

Instruments / Banker	Type of investment / exposure	Rating of the issuer	Rating of the instrument	Value of investment / exposure	Provision held	Value of investment after provision	Limit	Market value as a percentage of net assets of sub-fund
				(Rupees in '000)				(%)
International Brands Limited	Sukuk	A	AA	1,959	-	1,959	2.50	2.70
Agha Steel Limited	Sukuk	A	non rated	2,000	-	2,000	2.50	2.75
Hub Power Company Limited	Sukuk	AA+	non rated	8,000	-	8,000	7.50	11.02
Hascol Petroleum Limited	Commercial Paper	AA-	A-1	1,994	-	1,994	2.50	2.75

27.2 Held by Money Market Sub-Fund

Instruments / Banker	Type of investment / exposure	Rating of the issuer	Rating of the instrument	Value of investment / exposure	Provision held	Value of investment after provision	Limit	Market value as a percentage of net assets of sub-fund
				(Rupees in '000)				(%)
Hascol Petroleum Limited	Commercial Paper	AA-	A-1	3,975	-	3,975	5.00	7.47
Habib Bank Limited	Bank Balance	AAA	not applicable	10,747	-	10,747	20.00	20.18

27.3 Section 8 of the offering document of the Fund sets out investment policy for each of the Sub Funds. At June 30, 2019, in the above cases the limits set out by the investment policy have been exceeded. The excess has been caused mainly due to fluctuation in net asset value of the Fund.

28. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Pension Fund Manager on August 29, 2019.

29. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Financial Officer

Chief Executive Officer

Director



HBL

Pension Fund

FUND INFORMATION

NAME OF FUND	HBL Pension Fund
NAME OF AUDITOR	KPMG Taseer Hadi & Co.
NAME OF TRUSTEE	Central Depository Company of Pakistan
NAME OF BANKERS	Habib Bank Limited Faysal Bank Limited Allied Bank JS Bank Limited NIB Bank Limited Sindh Bank Limited Soneri Bank Limited Zarai Taraqati Bank Limited

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office

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



TRUSTEE REPORT TO THE PARTICIPANTS

HBL PENSION FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Pension Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 26, 2019





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

Independent Auditors' Report to the Participants

We have audited the annexed financial statements comprising:

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

of **HBL Pension Fund** ("the Fund") as at June 30, 2019 and for the year then ended together with the notes forming part thereof.

Pension Fund Manager's responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



KPMG Taseer Hadi & Co.

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

Opinion

In our opinion:

- a) the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines there under;
- b) a true and fair view is given of the disposition of the Fund as at June 30, 2019 and of the transactions of the Fund for the year ended June 30, 2019 in accordance with the Accounting and Reporting Standards as applicable in Pakistan;
- c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d) the cost and expenses debited to the pension fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the pension fund;
- e) proper books and records have been kept by the Pension Fund Manager and the financial statements prepared are in agreement with the pension fund's books and records;
- f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

Date: 27 September 2019

Karachi

KPMG Taseer Hadi & Co.

**KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum**

HBL PENSION FUND
Statement of Assets and Liabilities
As at June 30, 2019

		2019				2018			
		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) -----			
Assets									
Bank balances	6	16,045	59,315	110,412	185,772	30,584	80,285	89,795	200,664
Investments	7	178,275	85,773	14,834	278,882	229,934	101,170	56,676	387,780
Dividend and profit receivable	8	209	1,675	990	2,874	525	1,054	302	1,881
Advances, deposits, prepayments and other receivables	9	1,131	206	178	1,515	105	100	102	307
Total assets		195,660	146,969	126,414	469,043	261,148	182,609	146,875	590,632
Liabilities									
Payable to Pension Fund Manager	10	276	212	202	690	355	249	202	806
Payable to Central Depository Company of Pakistan Limited - Trustee	11	27	19	17	63	35	25	20	80
Payable to Securities and Exchange Commission of Pakistan	12	80	53	48	181	78	61	51	190
Accrued expenses and other liabilities	13	2,573	1,965	1,937	6,475	8,232	1,969	1,920	12,121
Total liabilities		2,956	2,249	2,204	7,409	8,700	2,304	2,193	13,197
Net assets		192,704	144,720	124,210	461,634	252,448	180,305	144,682	577,435
Participants' sub funds (as per statement attached)		192,704	144,720	124,210	461,634	252,448	180,305	144,682	577,435
Number of units in issue	15	611,256	841,542	782,539	2,235,337	689,150	1,130,160	982,454	2,801,764
Net assets value per unit	Rupees	315.2585	171.9703	158.7278		366.3184	159.5394	147.2662	

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

HBL PENSION FUND

Income Statement and Statement of Comprehensive Income

For the year ended June 30, 2019

Note	2019				2018			
	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	11,021	-	-	11,021	11,261	-	-	11,261
Profit on bank deposits calculated using the effective interest method	1,823	2,182	6,617	10,622	1,344	1,164	3,051	5,559
Mark-up / return on investments calculated using the effective interest method	-	12,642	7,312	19,954	-	10,880	6,734	17,614
Realised (loss) / gain on sale of investments	(15,488)	418	35	(15,035)	(2,189)	82	(9)	(2,116)
Unrealised (loss) / gain on revaluation of investments at fair value through profit or loss	(27,404)	(248)	-	(27,652)	3,467	31	2	3,500
	<u>(30,048)</u>	<u>14,994</u>	<u>13,964</u>	<u>(1,090)</u>	<u>13,883</u>	<u>12,157</u>	<u>9,778</u>	<u>35,818</u>
Impairment loss on investments classified as 'available for sale'	-	-	-	-	(18,504)	-	-	(18,504)
	<u>(30,048)</u>	<u>14,994</u>	<u>13,964</u>	<u>(1,090)</u>	<u>(4,621)</u>	<u>12,157</u>	<u>9,778</u>	<u>17,314</u>
Expenses								
Remuneration of HBL Asset Management Limited - Pension Fund Manager	4,075	2,704	2,423	9,202	3,988	3,085	2,613	9,686
Remuneration of Central Depository Company of Pakistan Limited - Trustee	407	270	242	919	400	309	262	971
Annual fee to Securities and Exchange Commission of Pakistan	80	53	48	181	78	61	51	190
Auditors' remuneration	159	105	95	359	110	110	110	330
Settlement and bank charges	842	69	46	957	521	158	40	719
Other expenses	44	23	22	89	26	36	19	81
	<u>5,607</u>	<u>3,224</u>	<u>2,876</u>	<u>11,707</u>	<u>5,123</u>	<u>3,759</u>	<u>3,095</u>	<u>11,977</u>
	<u>(35,655)</u>	<u>11,770</u>	<u>11,088</u>	<u>(12,797)</u>	<u>(9,744)</u>	<u>8,398</u>	<u>6,683</u>	<u>5,337</u>
(Reversal) / Provision for Sindh Workers' Welfare Fund (SWWF)	-	91	86	177	-	(165)	(135)	(300)
Net (loss) / income before taxation	<u>(35,655)</u>	<u>11,861</u>	<u>11,174</u>	<u>(12,620)</u>	<u>(9,744)</u>	<u>8,233</u>	<u>6,548</u>	<u>5,037</u>
Taxation	-	-	-	-	-	-	-	-
Net (loss) / income for the year	<u>(35,655)</u>	<u>11,861</u>	<u>11,174</u>	<u>(12,620)</u>	<u>(9,744)</u>	<u>8,233</u>	<u>6,548</u>	<u>5,037</u>
Other comprehensive income								
Items to be reclassified to income statement in subsequent years:								
Unrealised (loss) on re-measurement of investments - classified as available for sale	-	-	-	-	(4,228)	(140)	-	(4,368)
Reclassification adjustment relating to available for sale investments sold during the period	-	-	-	-	(9,882)	(235)	5	(10,112)
	-	-	-	-	(14,110)	(375)	5	(14,480)
Total comprehensive (loss) / income for the year	<u>(35,655)</u>	<u>11,861</u>	<u>11,174</u>	<u>(12,620)</u>	<u>(23,854)</u>	<u>7,858</u>	<u>6,553</u>	<u>(9,443)</u>

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

HBL PENSION FUND
Statement of Movement in Participants' Funds
For the year ended June 30, 2019

	2019				2018			
	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) -----			
Net assets at beginning of the year	252,448	180,305	144,682	577,435	229,202	185,117	160,032	574,351
Issuance of units	79,979	44,698	71,280	195,957	71,279	72,342	49,435	193,056
Redemption of units	(111,091)	(87,093)	(100,954)	(299,138)	(20,379)	(87,812)	(72,338)	(180,529)
Reallocation among funds	7,023	(5,051)	(1,972)	-	(3,800)	2,800	1,000	-
	(24,089)	(47,446)	(31,646)	(103,181)	47,100	(12,670)	(21,903)	12,527
Other comprehensive income								
Net (loss) / income for the year	(35,655)	11,861	11,174	(12,620)	(9,744)	8,233	6,548	5,037
Net unrealised (loss) / gain on remeasurement of investments - classified as available for sale	-	-	-	-	(14,110)	(375)	5	(14,480)
Total comprehensive (loss) / income for the year	(35,655)	11,861	11,174	(12,620)	(23,854)	7,858	6,553	(9,443)
Net assets at end of the year	192,704	144,720	124,210	461,634	252,448	180,305	144,682	577,435
Net assets value per unit at beginning of the year	366.3184	159.5394	147.2662		408.1194	153.4136	141.0836	
Net assets value per unit at end of the year	315.2585	171.9703	158.7278		366.3184	159.5394	147.2662	

The annexed notes 1 to 29 form an integral part of these financial statements.

For HBL Asset Management Limited
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

HBL PENSION FUND
Cash Flow Statement
For the year ended June 30, 2019

	2019				2018			
	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) -----			
CASH FLOW FROM OPERATING ACTIVITIES								
Net (loss) / income for the year	(35,655)	11,861	11,174	(12,620)	(9,744)	8,233	6,548	5,037
Adjustments								
Unrealized diminution / (appreciation) in the market value of investments classified as fair value through profit or loss	27,404	248	-	27,652	(3,467)	(31)	(2)	(3,500)
Impairment loss on investments classified as 'available for sale'	-	-	-	-	18,504	-	-	18,504
	(8,251)	12,109	11,174	15,032	5,293	8,202	6,546	20,041
(Increase) / decrease in assets								
Investments - net	24,255	15,149	41,842	81,246	(40,693)	66,261	8,122	33,690
Dividend and profit receivable	316	(621)	(688)	(993)	102	(137)	362	327
Advances, deposits, prepayments and other receivables	(1,026)	(106)	(76)	(1,208)	(5)	-	(102)	(107)
	23,545	14,422	41,078	79,045	(40,596)	66,124	8,382	33,910
Increase / (decrease) in liabilities								
Payable to HBL Asset Management Limited - Pension Fund Manager	(79)	(37)	-	(116)	10	2	(11)	1
Payable to Central Depository Company of Pakistan Limited - Trustee	(8)	(6)	(3)	(17)	1	(1)	(1)	(1)
Payable to Securities and Exchange Commission of Pakistan	2	(8)	(3)	(9)	12	3	-	15
Accrued expenses and other liabilities	(5,659)	(4)	17	(5,646)	3,276	234	153	3,663
	(5,744)	(55)	11	(5,788)	3,299	238	141	3,678
Net cash generated from / (used in) operating activities	9,550	26,476	52,263	88,289	(32,004)	74,564	15,069	57,629
CASH FLOW FROM FINANCING ACTIVITIES								
Amount received on issue of units	79,979	44,698	71,280	195,957	71,279	72,342	49,435	193,056
Amount paid on redemption of units	(111,091)	(87,093)	(100,954)	(299,138)	(20,379)	(87,812)	(72,338)	(180,529)
Reallocation among funds	7,023	(5,051)	(1,972)	-	(3,800)	2,800	1,000	-
Net cash (used in) / generated from financing activities	(24,089)	(47,446)	(31,646)	(103,181)	47,100	(12,670)	(21,903)	12,527
Net (decrease) / increase in cash and cash equivalents	(14,539)	(20,970)	20,617	(14,892)	15,096	61,894	(6,834)	70,156
Cash and cash equivalents at beginning of the year	30,584	80,285	89,795	200,664	15,488	18,391	96,629	130,508
Cash and cash equivalents at end of the year	16,045	59,315	110,412	185,772	30,584	80,285	89,795	200,664

The annexed notes 1 to 29 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

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

- The Equity Sub-Fund consists of a minimum 90% of net assets invested in listed equity securities. Investment in a single company is restricted to lower of 5% 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 25% of NAV or index weight, subject to a maximum of 30% of NAV. Remaining assets of the equity sub-fund shall be invested in any government security having less than one year time to maturity, or be deposited with scheduled commercial banks having at least 'A' rating. Composition of the remaining portion of the investments shall be as defined in the offering document.
- The Debt Sub-Fund consist of tradable debt securities with weighted average duration of the investment portfolio of the Sub-Fund not exceeding five years. At least twenty five percent (25%) of the assets in the Sub-Fund shall be invested in securities issued by the Federal Government. Upto twenty five percent (25%) may be deposited with banks having not less than 'AA+' rating with stable outlook. Exposure to securities issued by companies of a single sector shall not exceed twenty percent (20%) except for banking sector for which the exposure limit shall be up to forty percent (40%) of net assets of a debt sub-fund. 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 ninety days. There is no restriction on the amount of investment in securities issued by the Federal Government and deposits with commercial banks with 'A+' or higher rating. However, deposits with a single commercial bank having 'A+' or higher rating shall not exceed 20% of net assets of money market sub-fund. Investment in securities issued by provincial government, city government, government corporate entities with 'A' or higher rating or a corporate entity with 'A+' or higher rating or a government corporation with 'A+' or higher rating shall be in proportion as defined in the offering document.

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

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+ (positive)' (2018: '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 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

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

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 1, 2019:

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after January 1, 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Fund's financial statements.
- IFRS 16 'Leases' (effective for annual periods beginning on or after January 1, 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases - Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The application of the standard is not likely to have an impact on Fund's financial statements.

- Amendment to IFRS 9 'Financial Instruments' – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after January 1, 2019). For a debt instrument to be eligible for measurement at amortised cost or FVOCI, IFRS 9 requires its contractual cash flows to meet the SPPI criterion – i.e. the cash flows are 'solely payments of principal and interest'. Some prepayment options could result in the party that triggers the early termination receiving compensation from the other party (negative compensation). The amendment allows that financial assets containing prepayment features with negative compensation can be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. The application of amendment is not likely to have an impact on Fund's financial statements.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after January 1, 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after January 1, 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Fund's financial statements.
- Amendment to IFRS 3 'Business Combinations' – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual periods beginning on or after January 1, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 1, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, entities should review those policies and apply the new guidance retrospectively as of January 1, 2020, unless the new guidance contains specific scope outs.

- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following accounting and reporting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

2.3 Critical accounting estimates and judgments

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

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

- (a) classification of financial assets (Note 4.2.1 / 4.3)
- (b) impairment of financial assets (Note 4.2.5 / 4.3)
- (c) provisions (Note 4.6)

2.4 Basis of Measurement

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

2.5 Functional and presentation currency

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

3. Changes in accounting policies

Except as described below, the Fund has consistently applied the accounting policies as set out in Note 4 to all periods presented in these financial statements.

The Fund has adopted IFRS 9 'Financial instruments' from July 1, 2018. The Fund also adopted IFRS 15 'Revenue from contracts with customers' from July 1, 2018. A number of other new standards are effective from July 1, 2018 but they do not have a material effect on the Fund's financial statements.

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial statements', which requires separate presentation in the income statement and statement of comprehensive income, profit / mark-up calculated using the effective interest method.

Additionally, the Fund has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2019, but have not been applied to the comparative information.

The adoption of IFRS 15 did not impact the timing or amount of dividend, profit, mark-up and other investment income and related assets and liabilities recognised by the Fund. Accordingly, there is no impact on comparative information.

The key changes to the Fund's accounting policies resulting from its adoption of IFRS 9 are summarised below. The full impact of adopting the standard is set out in Note 5.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities therefore its adoption did not have a significant effect on the Fund's accounting policies related to financial liabilities.

For an explanation of how the Fund classifies financial assets under IFRS 9, see Notes 4.2.2.

ii. Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The Fund has classified its financial assets as measured at: FVTPL or amortised cost. IFRS 9 has scoped out impairment for financial assets measured at 'fair value through profit or loss' where as for debt securities measured at amortised cost there are impairment requirements. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated October 24, 2012.

iii. Transition

The changes in accounting policies resulting from adoption of IFRS 9 have been applied retrospectively except that comparative periods have not generally been restated. As the fund presents the movement in Participant's Funds on net assets basis, there is no impact of the changes on net assets of the funds. Accordingly, the information presented for 2018 does not reflect the requirements of IFRS 9 and therefore is not comparable to information presented for 2019 under IFRS 9.

For more information and details on the changes and implications resulting from the adoption of IFRS 9, see Note 5.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Cash and cash equivalents

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

4.2 Financial assets (Policies applicable before July 1, 2018)

4.2.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (i) loans and receivables, (ii) held to maturity investments or (iii) financial assets at fair value through profit or loss.

4.2.2 Regular way contracts

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

4.2.3 Initial recognition and measurement

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

4.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:

a) Basis of valuation of debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Basis of valuation of equity securities

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

c) Basis of valuation of Government securities

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

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

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

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

4.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

a) Debt securities and other exposures

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

b) Equity securities

In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale equity securities, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that security previously recognised in income statement is reclassified from other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

c) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the assets carrying value and present value of estimated future cash inflows, discounted at the original effective interest rate.

4.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and where the Fund has transferred substantially all risks and rewards of ownership.

4.2.7 Offsetting of financial assets and financial liabilities

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

4.3 Financial assets (Policies applicable after July 1, 2018)

i. Classification

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

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

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

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

ii. Subsequent measurement

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

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

The fair value of financial assets are determined as follows:

a) Debt securities (other than Government securities)

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Government securities

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

c) Equity securities

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

iii. Reclassifications

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

iv. Impairment of financial assets

Financial assets at amortised cost

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

4.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

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

4.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchange and other expenses. These costs are amortised over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and the VPS Rules.

4.6 Provisions

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

4.7 Revenue recognition

- Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

- Unrealised gains / (losses) arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

4.8 Taxation

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

4.9 Issue and redemption of units

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

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

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

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

4.10 Net Asset Value per unit

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

4.11 Earnings per unit (EPU)

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

5. Financial assets and financial liabilities

5.1 Classification of financial assets and financial liabilities on the date of initial application of IFRS 9

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets as at July 1, 2018.

	Note	Original classification under IAS 39	New classification under IFRS 9	Held by Equity sub Fund	
				Original carrying amount under IAS 39	New carrying amount under IFRS 9
----- (Rupees in '000) -----					
Financial assets					
Listed equity securities	(a)	Available-for-sale	Mandatorily at FVTPL	57,753	57,753
Listed equity securities	(b)	Held for trading	Mandatorily at FVTPL	172,181	172,181
Bank balances	(c)	Loans and receivables	Amortised cost	30,584	30,584
Dividend receivable and accrued mark-up	(c)	Loans and receivables	Amortised cost	525	525
Advances, deposits, prepayments and other receivables	(c)	Loans and receivables	Amortised cost	105	105
				<u>261,148</u>	<u>261,148</u>
----- (Rupees in '000) -----					
Held by Debt sub Fund					
	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
----- (Rupees in '000) -----					
Financial assets					
Government securities - Treasury bills	(b)	Held for trading	Mandatorily at FVTPL	51,434	51,434
Government securities - Pakistan investment bonds	(c)	Available-for-sale	Mandatorily at FVTPL	52	52
Term finance certificates and sukuk bonds	(c)	Available-for-sale	Mandatorily at FVTPL	10,575	10,575
Term finance certificates and sukuk bonds	(b)	Held for trading	Mandatorily at FVTPL	35,143	35,143
Commercial papers	(d)	Loans and receivables	Amortised cost	3,966	3,966
Bank balances	(d)	Loans and receivables	Amortised cost	80,285	80,285
Dividend receivable and accrued mark-up	(d)	Loans and receivables	Amortised cost	1,054	1,054
Advances, deposits, prepayments and other receivables	(d)	Loans and receivables	Amortised cost	100	100
				<u>182,609</u>	<u>182,609</u>
----- (Rupees in '000) -----					
Held by Money Market sub Fund					
	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
----- (Rupees in '000) -----					
Financial assets					
Government securities - Treasury bills	(b)	Held for trading	Mandatorily at FVTPL	56,676	56,676
Bank balances	(d)	Loans and receivables	Amortised cost	89,795	89,795
Dividend receivable and accrued mark-up	(d)	Loans and receivables	Amortised cost	302	302
Advances, deposits, prepayments and other receivables	(d)	Loans and receivables	Amortised cost	102	102
				<u>146,875</u>	<u>146,875</u>

The reclassifications set out in the table above are explained below.

- Listed equity securities classified as financial assets 'available-for-sale' have not been elected by the Fund to be classified to fair value through other comprehensive income.
- Listed equity securities and debt securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to be recognised in income statement.
- Debt securities classified as financial assets 'available-for-sale' have been reclassified as 'fair value through profit or loss' based on the business model whose objective is neither to collect the contractual cashflows nor both collecting contractual cashflows and selling of financial assets.
- The financial assets classified as 'loans and receivables' have been classified as 'at amortised cost'.

		2019				2018			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
6. BANK BALANCES		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Savings accounts	6.1	16,045	59,315	110,412	185,772	30,584	80,285	89,795	200,664
Term deposit receipts		-	-	-	-	-	-	-	-
		<u>16,045</u>	<u>59,315</u>	<u>110,412</u>	<u>185,772</u>	<u>30,584</u>	<u>80,285</u>	<u>89,795</u>	<u>200,664</u>

6.1 This represents bank accounts held with various banks. Profit rates on these accounts range between 8.75% to 13.5% per annum (2018: 3.75% - 7.5% per annum).

		2019				2018			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
7. INVESTMENTS		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
Investments by category		----- (Rupees in '000) -----				----- (Rupees in '000) -----			
At fair value through profit or loss Listed equity securities	7.1	178,275	-	-	178,275	172,181	-	-	172,181
Government securities									
- Treasury bills	7.2	-	37,477	-	37,477	-	51,434	56,676	108,110
- Pakistan investment bonds		-	50	-	50	-	-	-	-
Term finance certificates and sukuk bonds	7.3	-	44,264	-	44,264	-	35,143	-	35,143
Commercial Papers	7.10	-	-	-	-	-	-	-	-
Available for sale investments		178,275	81,791	-	260,066	172,181	86,577	56,676	315,434
Listed equity securities		-	-	-	-	57,753	-	-	57,753
Government securities									
- Treasury bills		-	-	-	-	-	-	-	-
- Pakistan investment bonds		-	-	-	-	-	52	-	52
Term finance certificates and sukuk bonds		-	-	-	-	-	10,575	-	10,575
		-	-	-	-	57,753	10,627	-	68,380
At amortised Cost (June 30, 2018: Loans and receivables)									
Commercial papers	7.4	-	3,982	14,834	18,816	-	3,966	-	3,966
Term deposits receipts		-	-	-	-	-	-	-	-
		<u>178,275</u>	<u>85,773</u>	<u>14,834</u>	<u>278,882</u>	<u>229,934</u>	<u>101,170</u>	<u>56,676</u>	<u>387,780</u>

7.1 Listed equity securities - at fair value through profit or loss

Held by Equity Sub-Fund

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

Name of the Investee Company	As at July 1, 2018	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2019	Cost of holdings as at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of total investments of sub-fund	Market value as a percentage of net assets of sub-fund	Par value as a percentage of issued capital of the investee company
	----- (Number of Shares) -----					----- (Rupees in '000) -----		----- (%) -----		
Automobile Assembler										
Millat Tractors Limited	3,060	-	-	3,060	-	-	-	-	-	-
Honda Atlas Cars Pakistan Limited	3,500	-	-	3,500	-	-	-	-	-	-
Indus Motor Company Limited	1,400	-	-	1,400	-	-	-	-	-	-
	<u>7,960</u>	<u>-</u>	<u>-</u>	<u>7,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Automobile Parts and Accessories										
Thal Limited (Rs. 5 each)	13,000	3,500	-	3,400	13,100	5,896	4,769	2.68	2.47	3.23
	<u>13,000</u>	<u>3,500</u>	<u>-</u>	<u>3,400</u>	<u>13,100</u>	<u>5,896</u>	<u>4,769</u>	<u>2.68</u>	<u>2.47</u>	<u>3.23</u>
Cement										
Lucky Cement Limited	14,800	9,100	-	11,050	12,850	6,345	4,889	2.74	2.54	0.40
Cherat Cement Company Limited	-	31,000	-	31,000	-	-	-	-	-	-
Kohat Cement Company Limited ***	-	25,700	3,510	15,210	14,000	1,244	735	0.41	0.38	0.70
Maple Leaf Cement Factory Limited	-	140,000	-	140,000	-	-	-	-	-	-
Pioneer Cement Limited	12,000	-	-	12,000	-	-	-	-	-	-
D.G. Khan Cement Company Limited	41,000	-	-	41,000	-	-	-	-	-	-
	<u>67,800</u>	<u>205,800</u>	<u>3,510</u>	<u>250,260</u>	<u>26,850</u>	<u>7,589</u>	<u>5,624</u>	<u>3.15</u>	<u>2.92</u>	<u>1.10</u>
Chemical										
Descon Oxychem Limited	63,000	-	-	63,000	-	-	-	-	-	-
Engro Polymer & Chemicals Limited	136,000	36,000	50,314	74,000	148,314	4,671	3,999	2.24	2.08	1.63
Engro Polymer & Chemicals Limited (Rights)	50,314	-	-	50,314	-	-	-	-	-	-
Sitara Chemical Industries Limited	-	7,700	-	-	7,700	2,475	2,355	1.32	1.22	3.59
Lotte Chemical Pakistan Limited	-	162,000	-	162,000	-	-	-	-	-	-
	<u>249,314</u>	<u>205,700</u>	<u>50,314</u>	<u>349,314</u>	<u>156,014</u>	<u>7,146</u>	<u>6,354</u>	<u>3.56</u>	<u>3.30</u>	<u>5.22</u>
Commercial Banks										
United Bank Limited	69,400	130,500	-	137,100	62,800	9,320	9,255	5.19	4.80	0.51
Askari Bank Limited	113,000	240,000	-	353,000	-	-	-	-	-	-
Allied Bank Limited	-	76,900	-	8,500	68,400	6,988	7,183	4.03	3.73	0.60
Bank of Punjab	435,000	410,000	-	448,000	397,000	4,777	3,633	2.04	1.89	1.50
Bank Alfalah Limited ***	224,500	228,500	20,800	193,615	280,185	12,975	12,213	6.85	6.34	1.58
Bank Al Habib Limited	136,000	69,500	-	120,500	85,000	6,633	6,662	3.74	3.46	0.76
Faysal Bank Limited ***	77,800	100,000	-	176,960	840	20	18	0.01	0.01	0.01
Meezan Bank Limited ***	107,000	-	13,270	98,000	22,270	1,504	1,941	1.09	1.01	0.17
National Bank of Pakistan	-	114,000	-	114,000	-	-	-	-	-	-
MCB Bank Limited	55,200	153,300	-	169,800	38,700	7,272	6,751	3.79	3.50	0.33
Habib Metropolitan Bank Limited	-	229,000	-	229,000	-	-	-	-	-	-
	<u>1,217,900</u>	<u>1,751,700</u>	<u>34,070</u>	<u>2,048,475</u>	<u>955,195</u>	<u>49,489</u>	<u>47,656</u>	<u>26.74</u>	<u>24.74</u>	<u>5.46</u>
Engineering										
Mughal Iron and Steel Industries Limited ***	42,000	675	-	42,000	675	36	17	0.01	0.01	0.03
Amreli Steels Limited	29,466	-	-	29,466	-	-	-	-	-	-
International Industries Limited	11,900	15,500	-	27,400	-	-	-	-	-	-
International Steels Limited	25,800	7,900	-	33,700	-	-	-	-	-	-
Crescent Steel and Allied Products Limited	-	22,000	-	22,000	-	-	-	-	-	-
	<u>109,166</u>	<u>46,075</u>	<u>-</u>	<u>154,566</u>	<u>675</u>	<u>36</u>	<u>17</u>	<u>0.01</u>	<u>0.01</u>	<u>0.03</u>
Fertilizer										
Engro Corporation Limited ***	42,000	38,900	4,460	42,000	43,360	12,282	11,516	6.46	5.98	0.75
Engro Fertilizers Limited	133,500	107,000	-	89,500	151,000	10,535	9,659	5.42	5.01	1.13
Fauji Fertilizer Bin Qasim Limited	-	82,000	-	82,000	-	-	-	-	-	-
Fauji Fertilizer Company Limited	51,490	98,500	-	106,500	43,490	4,368	3,792	2.13	1.97	0.34
	<u>226,990</u>	<u>326,400</u>	<u>4,460</u>	<u>320,000</u>	<u>237,850</u>	<u>27,185</u>	<u>24,967</u>	<u>14.01</u>	<u>12.96</u>	<u>2.22</u>
Oil and Gas Exploration Companies										
Oil and Gas Development Company Limited	68,800	121,600	-	82,300	108,100	15,832	14,214	7.97	7.38	0.25
Pakistan Petroleum Limited ***	64,100	67,400	9,615	67,400	73,715	12,889	10,650	5.97	5.53	0.33
Mari Petroleum Company Limited ***	7,760	5,000	648	2,580	10,828	14,265	10,929	6.13	5.67	0.89
Pakistan Oilfields Limited ***	14,550	8,500	3,610	7,300	19,360	10,088	7,858	4.41	4.08	0.68
	<u>155,210</u>	<u>202,500</u>	<u>13,873</u>	<u>159,580</u>	<u>212,003</u>	<u>53,074</u>	<u>43,651</u>	<u>24.48</u>	<u>22.66</u>	<u>2.15</u>
Oil and Gas Marketing Companies										
Pakistan State Oil Company Limited ***	26,540	35,600	5,708	24,700	43,148	10,565	7,319	4.11	3.80	1.10
Sui Northern Gas Pipelines Limited	49,700	42,000	-	36,000	55,700	4,681	3,871	2.17	2.01	0.88
Hascol Petroleum Limited ***	16,900	-	4,225	21,125	-	-	-	-	-	-
	<u>93,140</u>	<u>77,600</u>	<u>9,933</u>	<u>81,825</u>	<u>98,848</u>	<u>15,246</u>	<u>11,190</u>	<u>6.28</u>	<u>5.81</u>	<u>1.98</u>
Pharmaceuticals										
Searle Pakistan Limited ***	7,382	10,500	597	5,900	12,579	2,778	1,844	1.03	0.96	0.59
AGP Limited	19,375	13,000	-	16,000	16,375	1,436	1,122	0.63	0.58	0.58
Highnoon Laboratories Limited ***	6,160	6,900	756	5,500	8,316	2,447	2,105	1.18	1.09	2.64
	<u>32,917</u>	<u>30,400</u>	<u>1,353</u>	<u>27,400</u>	<u>37,270</u>	<u>6,661</u>	<u>5,071</u>	<u>2.84</u>	<u>2.63</u>	<u>3.81</u>
Power Generation and Distribution										
Hub Power Company Limited	104,400	40,000	13,840	19,000	139,240	11,989	10,965	6.15	5.69	1.20
Pakgen Power Limited	-	82,000	-	14,000	68,000	1,172	964	0.54	0.50	1.83
K-Electric Limited (Rs. 3.5 each)	750,500	405,000	-	713,500	442,000	2,426	1,940	1.09	1.01	0.46
	<u>854,900</u>	<u>527,000</u>	<u>13,840</u>	<u>746,500</u>	<u>649,240</u>	<u>15,587</u>	<u>13,869</u>	<u>7.78</u>	<u>7.20</u>	<u>3.49</u>

Name of the Investee Company	As at July 1, 2018	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2019	Cost of holdings as at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of total investments of sub-fund	Market value as a percentage of net assets of sub- fund	Par value as a percentage of issued capital of the investee company
	----- (Number of Shares) -----					----- (Rupees in '000) -----		----- (%) -----		
Textile Composite										
Kohinoor Textile Mills Limited	-	155,000	-	155,000	-	-	-	-	-	-
Nishat Chunian Limited	-	26,000	-	26,000	-	-	-	-	-	-
Nishat Mills Limited	49,800	50,000	-	58,300	41,500	5,125	3,874	2.17	2.01	1.18
Interloop Limited	-	85,488	-	17,500	67,988	3,072	3,010	1.69	1.56	0.78
	<u>49,800</u>	<u>316,488</u>	<u>-</u>	<u>256,800</u>	<u>109,488</u>	<u>8,197</u>	<u>6,884</u>	<u>3.86</u>	<u>3.57</u>	<u>1.96</u>
Glass and Ceramics										
Shabbir Tiles & Ceramics Limited	-	41,500	-	41,500	-	-	-	-	-	-
	-	<u>41,500</u>	-	<u>41,500</u>	-	-	-	-	-	-
Insurance										
Adamjee Insurance Company Limited	-	50,000	-	-	50,000	2,262	1,753	0.98	0.91	1.43
	-	<u>50,000</u>	-	-	<u>50,000</u>	<u>2,262</u>	<u>1,753</u>	<u>0.98</u>	<u>0.91</u>	<u>1.43</u>
Technology & Communication										
Pakistan Telecommunication Company Limited	-	150,500	-	150,500	-	-	-	-	-	-
Systems Limited	40,000	-	-	40,000	-	-	-	-	-	-
	<u>40,000</u>	<u>150,500</u>	<u>-</u>	<u>190,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Leather and Tanneries										
Bata (Pakistan) Limited	-	240	-	-	240	392	331	0.19	0.17	0.32
	-	<u>240</u>	-	<u>-</u>	<u>240</u>	<u>392</u>	<u>331</u>	<u>0.19</u>	<u>0.17</u>	<u>0.32</u>
Paper and Board										
Security Papers Limited	-	24,000	-	-	24,000	2,305	2,227	1.25	1.16	4.05
Century Paper and Board Mills Limited	-	39,000	-	-	39,000	1,951	1,215	0.68	0.63	2.65
	-	<u>63,000</u>	-	<u>-</u>	<u>63,000</u>	<u>4,256</u>	<u>3,442</u>	<u>1.93</u>	<u>1.79</u>	<u>6.70</u>
Transport										
Pakistan National Shipping Corporation	-	40,000	-	-	40,000	2,516	2,554	1.43	1.33	3.03
	-	<u>40,000</u>	-	<u>-</u>	<u>40,000</u>	<u>2,516</u>	<u>2,554</u>	<u>1.43</u>	<u>1.33</u>	<u>3.03</u>
Sugar and Allied										
Shahmurad Sugar Mills Limited	-	1,900	-	-	1,900	147	143	0.08	0.07	0.90
	-	<u>1,900</u>	-	<u>-</u>	<u>1,900</u>	<u>147</u>	<u>143</u>	<u>0.08</u>	<u>0.07</u>	<u>0.90</u>
	<u>3,118,097</u>	<u>4,040,303</u>	<u>131,353</u>	<u>4,638,080</u>	<u>2,651,673</u>	<u>205,679</u>	<u>178,275</u>	<u>100.00</u>	<u>92.54</u>	<u>43.03</u>

*** These include gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Pension Fund Manager of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, have filed a petition in Honourable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 57(3)(viii) of Part I of the Second Schedule of the Income Tax Ordinance, 2001. The Honourable Sindh High Court has granted stay order till the final outcome of the case. However, the investee companies have withheld the share equivalent to 5% of bonus announcement amounting Rs. 0.118 million (2018: Rs. 0.206 million) and not yet deposited with Government Treasury. Pension Fund Manager is of the view that the decision will be in its favour and accordingly has recorded the bonus shares on gross basis.

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

7.2.1 Held by Debt Sub-Fund

Issue date	Tenor	Face value			Amortised Cost as at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of	
		As at July 1, 2018	Purchases during the year	Sales / matured during the year			As at June 30, 2019	Total investments of sub-fund
(Rupees in '000)							(%)	
Market Treasury Bills								
April 26, 2018	3 months	-	14,000	14,000	-	-	-	-
June 7, 2018	3 months	52,000	8,500	60,500	-	-	-	-
April 26, 2018	3 months	-	45,700	45,700	-	-	-	-
July 19, 2018	3 months	-	705,000	705,000	-	-	-	-
October 11, 2018	3 months	-	234,000	234,000	-	-	-	-
December 6, 2018	3 months	-	313,000	313,000	-	-	-	-
January 17, 2019	3 months	-	116,000	116,000	-	-	-	-
February 14, 2019	3 months	-	264,000	264,000	-	-	-	-
April 25, 2019	3 months	-	45,000	45,000	-	-	-	-
May 9, 2019	3 months	-	62,500	50,000	12,500	12,384	14.42	8.55
May 23, 2019	3 months	-	127,000	101,500	25,500	25,109	29.27	17.35
		52,000	1,934,700	1,948,700	38,000	37,496	43.69	25.90
Pakistan investment bonds								
July 17, 2014	5 years	50	-	-	50	50	0.06	0.03
August 9, 2018	10 years	-	200,000	200,000	-	-	-	-
July 12, 2018	3 years	-	138,000	138,000	-	-	-	-
July 12, 2018	5 years	-	50,000	50,000	-	-	-	-
July 12, 2018	10 years	-	25,000	25,000	-	-	-	-
		50	413,000	413,000	50	50	0.06	0.03

7.2.2 Held by Money Market Sub-Fund

Issue date	Tenor	Face value			Amortised Cost as at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of	
		As at July 1, 2018	Purchases during the year	Sales / matured during the year			As at June 30, 2019	Total investments of sub-fund
(Rupees in '000)							(%)	
Market Treasury Bills								
April 26, 2018	3 months	-	79,300	79,300	-	-	-	-
June 7, 2018	3 months	57,300	-	57,300	-	-	-	-
July 19, 2018	3 months	-	980,000	980,000	-	-	-	-
August 2, 2018	3 months	-	100,000	100,000	-	-	-	-
October 11, 2018	3 months	-	390,000	390,000	-	-	-	-
December 6, 2018	3 months	-	373,000	373,000	-	-	-	-
January 17, 2019	3 months	-	87,000	87,000	-	-	-	-
February 14, 2019	3 months	-	211,700	211,700	-	-	-	-
January 31, 2019	3 months	-	3,000	3,000	-	-	-	-
April 25, 2019	3 months	-	62,500	62,500	-	-	-	-
May 9, 2019	3 months	-	11,700	11,700	-	-	-	-
May 23, 2019	3 months	-	167,500	167,500	-	-	-	-
		57,300	2,465,700	2,523,000	-	-	-	-

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

Held by Debt Sub-Fund

Name of the Investee Company	As at July 1, 2018	Purchases during the year	Sales / Matured during the year	As at June 30, 2019	Amortised Cost as at June 30, 2019	Market value as at June 30, 2019	Market value as a percentage of		
							Total investments of sub-fund	Net assets of sub-fund	
(Number of Certificates)							(Rupees in '000)		%
Commercial Banks									
Bank of Punjab	85	-	25	60	6,008	5,936	6.92	4.10	
Bank Alfalah Limited	2,550	-	1,550	1,000	5,021	4,988	5.82	3.45	
JS Bank Limited	850	-	850.00	-	-	-	-	-	
MCB Bank Limited	-	50	50	-	-	-	-	-	
	3,485	50	2,475	1,060	11,029	10,924	12.74	7.55	
Multitiilities									
Water and Power Development Authority	798	-	-	798	1,425	1,481	1.73	1.02	
K-Electric Limited	-	1,200	-	1,200	3,600	3,624	4.23	2.50	
Hub Power Company Limited	-	1,800	-	1,800	9,000	9,000	10.49	6.22	
	798	3,000	-	3,798	14,025	14,105	16.45	9.74	
Fertilizers									
*Dawood Hercules Corporation Limited Sukuk	40	20	-	60	5,394	5,382	6.27	3.72	
	40	20	-	60	5,394	5,382	6.27	3.72	
Miscellaneous									
International Brands Limited Sukuk	40	-	-	40	4,000	3,918	4.57	2.71	
Jahangir Siddiqui and Company Limited	2,000	-	-	2,000	10,000	9,935	11.58	6.86	
	2,040	-	-	2,040	14,000	13,853	16.15	9.57	
Total	6,363	3,070	2,475	6,958	44,448	44,264	51.61	30.58	

*Related party due to common directorship

7.3.1 Significant terms and conditions of Term finance certificates and sukuk bonds outstanding as at June 30, 2019 are as follows:

Name of security	Remaining principal (Rupees per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
Bank of Punjab	99,900	6 months KIBOR+1%	23-Dec-16	23-Dec-26
Bank Alfalah Limited	4,988	6 months KIBOR + 1.25%	20-Feb-13	20-Feb-21
Water and Power Development Authority	1,786	6 months KIBOR+1%	14-Oct-13	14-Oct-21
K-Electric Limited	3,000	3 months KIBOR + 1%	17-Jun-15	17-Jun-22
Hub Power Company Limited	5,000	3 months KIBOR + 1.3%	27-Feb-19	27-Nov-19
Dawood Hercules Corporation Limited Sukuk	90,000	3 months KIBOR + 1%	16-Nov-17	16-Nov-22
International Brands Limited Sukuk	100,000	12 months KIBOR + 0.5%	15-Nov-17	15-Nov-21
Jahangir Siddiqui and Company Limited	5,000	6 months KIBOR + 1.4%	6-Mar-18	6-Mar-23

7.4 Commercial papers - at amortised cost

7.4.1 Held by Debt Sub-Fund

	Note	Maturity Date	Placement made during the year	Income Accrued	Matured during the year	As at June 30, 2019	Percentage of total value of investments	Percentage of Net Assets
----- (Rupees in '000) -----								
Crescent Steel & Allied Products Limited	August 15, 2018	3,966	-	34	4,000	-	-	-
Hascol Petroleum Limited	January 4, 2019	-	4,223	177	4,400	-	-	-
K-Electric Limited	March 1, 2019	-	7,655	345	8,000	-	-	-
Hascol Petroleum Limited	July 15, 2019	-	3,771	211	-	3,982	4.64	2.75
		<u>3,966</u>	<u>15,649</u>	<u>767</u>	<u>16,400</u>	<u>3,982</u>	<u>4.64</u>	<u>2.75</u>

7.4.1.1 This commercial paper has been placed at discount at a rate of 12.16% per annum and is being amortised over a period of 181 days.

7.4.2 Held by Money Market Sub-Fund

	Note	Maturity Date	Placement made during the year	Income Accrued	Matured during the year	As at June 30, 2019	Percentage of total value of investments	Percentage of Net Assets
----- (Rupees in '000) -----								
Hascol Petroleum Limited	January 4, 2019	-	6,719	281	7,000	-	-	-
K-Electric Limited	March 1, 2019	-	6,219	281	6,500	-	-	-
Hascol Petroleum Limited	July 15, 2019	-	7,542	425	-	7,967	53.71	6.41
K-Electric Limited	September 1, 2019	-	6,607	260	-	6,867	46.29	5.53
		<u>-</u>	<u>27,087</u>	<u>1,247</u>	<u>13,500</u>	<u>14,834</u>	<u>100.00</u>	<u>11.94</u>

7.4.2.1 This commercial paper has been placed at discount at a rate of 12.16% per annum and is being amortised over a period of 181 days.

7.4.2.2 This commercial paper has been placed at discount at a rate of 11.91% per annum and is being amortised over a period of 184 days.

8. DIVIDEND AND PROFIT RECEIVABLE

	2019				2018			
	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) -----			
Dividend receivable	96	-	-	96	437	-	-	437
Profit receivable on bank deposits	113	507	990	1,610	88	174	302	564
Profit accrued on Term Finance Certificates				-				-
Profit accrued on Term finance certificates and sukuk bonds	-	1,166	-	1,166	-	878	-	878
Profit accrued on government securities	-	2	-	2	-	2	-	2
	209	1,675	990	2,874	525	1,054	302	1,881

9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security Deposit with Central Depository Company of Pakistan Limited	100	100	100	300	100	100	100	300
Receivable against sale of investments	1,011	-	-	1,011				
Other Receivables	20	106	78	204	5	-	2	7
	1,131	206	178	1,515	105	100	102	307

10. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - PENSION FUND MANAGER

Management fee	10.1	243	169	146	558	314	220	179	713
Sindh Sales Tax	10.2	32	22	19	73	41	29	23	93
Sales load payable		1	21	37	59	-	-	-	-
		276	212	202	690	355	249	202	806

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

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

11. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

	2019				2018				
	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) -----				
Trustee remuneration	11.1	24	17	15	56	31	22	18	71
Sindh Sales Tax on Trustee remuneration	11.2	3	2	2	7	4	3	2	9
		27	19	17	63	35	25	20	80

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2019 is as follows:

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

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

12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	2019				2018			
	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	117	64	53	234	78	78	78	234
Payable against purchase of shares	-	-	-	-	5,714	-	-	5,714
Payable against redemption of units	47	322	584	953	30	215	456	701
Federal Excise Duty	763	878	836	2,477	763	878	836	2,477
Provision for Workers' Welfare Fund	-	-	-	-	-	-	-	-
Provision for Sindh Workers' Welfare Fund	1,643	694	462	2,799	1,643	785	548	2,976
Other payables	3	7	2	12	4	13	2	19
	2,573	1,965	1,937	6,475	8,232	1,969	1,920	12,121

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

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

Sindh Revenue Board and Federal Board of Revenue have filed appeals before Honorable Supreme Court against the Sindh High Court's decision dated June 2, 2016. Therefore, as a matter of abundant caution, without prejudice to the above, the Pension Fund Manager has made a provision with effect from June 13, 2013, aggregating to Rs. 0.763 million, 0.878 million and 0.836 million (2018: Rs. 0.763 million, Rs. 0.878 million and Rs. 0.836 million), for Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively. Had the provision not been made, the Net Assets Value per unit of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund as at June 30, 2019 would have been higher by Rs. 1.25 Rs. 1.04 and Rs. 1.07 (2018: Rs. 1.11, Rs. 0.78 and Rs. 0.85) per unit respectively. However after the exclusion of the mutual funds from federal statute on FED from July 01, 2016, the Fund has discontinued making the provision in this regard.

14. CONTRIBUTION TABLE

Contributions received during the year are as follows:

	2019							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)	Units	(Rupees in '000)
From:								
Individuals	224,446	79,979	272,996	44,698	469,659	71,280	967,101	195,957
	<u>224,446</u>	<u>79,979</u>	<u>272,996</u>	<u>44,698</u>	<u>469,659</u>	<u>71,280</u>	<u>967,101</u>	<u>195,957</u>
	2018							
	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	187,868	71,279	462,372	72,342	342,197	49,435	992,437	193,056
	<u>187,868</u>	<u>71,279</u>	<u>462,372</u>	<u>72,342</u>	<u>342,197</u>	<u>49,435</u>	<u>992,437</u>	<u>193,056</u>

15. NUMBER OF UNITS IN ISSUE

	2019				2018			
	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) -----				Note ----- (Rupees in '000) -----			
Opening units in issue	689,150	1,130,160	982,454	2,801,764	561,606	1,206,656	1,134,303	2,902,565
Units issued during the year	224,446	272,996	469,659	967,101	187,868	462,372	342,197	992,437
Units redeemed during the year	(322,743)	(530,040)	(656,229)	(1,509,012)	(50,903)	(557,108)	(501,124)	(1,109,135)
Reallocation during the year	20,403	(31,574)	(13,345)	(24,516)	(9,421)	18,240	7,078	15,897
Total units in issue at the end of the year	<u>611,256</u>	<u>841,542</u>	<u>782,539</u>	<u>2,235,337</u>	<u>689,150</u>	<u>1,130,160</u>	<u>982,454</u>	<u>2,801,764</u>

16. PROFIT ON BANK DEPOSITS

Profit on bank deposits	<u>1,823</u>	<u>2,182</u>	<u>6,617</u>	<u>10,622</u>	1344	1164	3,051	5,559
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17. MARK-UP / RETURN ON INVESTMENTS

Mark-up / return on:								
Government securities								
- Treasury bills	-	6,593	6,073	12,666	-	3,620	3,697	7,317
- Pakistan investment bonds	-	850	-	850	-	1,140	-	1,140
Term finance certificates and sukuk bonds	-	4,432	-	4,432	-	3,292	-	3,292
Term deposits receipts	-	-	-	-	-	2,440	2,786	5,226
Commercial papers	-	767	1,239	2,006	-	388	251	639
	<u>-</u>	<u>12,642</u>	<u>7,312</u>	<u>19,954</u>	<u>-</u>	<u>10,880</u>	<u>6,734</u>	<u>17,614</u>

18. AUDITORS' REMUNERATION

	2019				2018			
	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) -----			
Statutory audit fee	89	59	53	201	67	67	67	201
Half yearly review fee	44	29	26	99	33	33	33	99
Out of pocket expenses	26	17	16	59	10	10	10	30
	159	105	95	359	110	110	110	330

19. TAXATION

No provision for taxation for the year ended June 30, 2019 has been made in view of the exemption available under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

20. PROVISION FOR WORKERS' WELFARE FUND

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

Further more, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

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

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

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 01, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. The reversal of provision for WWF amounted to Rs. 1.12 million, Rs. 0.53 million and Rs. 0.47 million of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively and a provision for SWWF of Rs. 1.643 million, Rs. 0.707 million and Rs. 0.483 million of Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively upto January 12, 2017 was made. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund would have been higher by Rs. 2.69, Rs. 0.82 and Rs. 0.59 (2018: Rs. 2.38, Rs. 0.69 and Rs. 0.56) per unit respectively.

21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

21.1 Transactions during the year

	Note	2019				2018			
		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		4,075	2,704	2,423	9,202	3,988	3,085	2,613	9,686
Habib Bank Limited - Sponsor									
Bank charges paid		19	23	22	64	13	25	20	58
Profit on bank deposits earned		1,040	426	377	1,843	677	475	611	1,763
Profit received on bank deposits		308	174	246	728	308	174	246	728
Units redeemed	Number	(96,923)	(300,000)	(300,000)	(696,923)	-	-	-	-
Amount of units redeemed		(31,700)	(49,756)	(46,255)	(127,711)	-	-	-	-
Directors and their relatives									
Reallocation of units	Number	1,448	(2,457)	(723)	(1,732)	(1,126)	2,389	619	1,882
Amount of units reallocated		499	(392)	(107)	-	(454)	367	87	-
Executives and their relatives									
Issuance of units	Number	736	1,659	398	2,793	10,076	7,796	1,019	18,891
Amount of units issued		270	270	60	600	3,613	1,226	148	4,987
Units redeemed	Number	(382)	(206)	(22,055)	(22,643)	-	-	-	-
Amount of units redeemed		(124)	(33)	(3,368)	(3,525)	-	-	-	-
Reallocation of units	Number	(307)	1,905	(1,416)	182	(14)	36	-	22
Amount of units reallocated		(103)	323	(220)	-	(6)	6	-	-
Directors and Executives of the Habib Bank Limited (Sponsor) and their relatives									
Executives and their relatives									
Issuance of units	Number	904	6,362	2,295	9,561	540	3,809	1,376	5,725
Amount of units issued		340	1,020	340	1,700	200	600	200	1,000
Reallocation of units	Number	1,747	(2,752)	(1,102)	(2,107)	(1,058)	2,111	728	1,781
Amount of units reallocated		602	(440)	(162)	-	(427)	324	103	-
Central Depository Company of Pakistan Limited - Trustee									
Remuneration		407	270	242	919	400	309	262	971
Central Depository System charges		27	8	7	42	26	11	3	40
Directors of Connected Persons									
Units issued	Number	867	27,862	-	28,729	-	75,495	81,763	157,258
Amount of units issued		3,000	4,760	-	7,760	-	11,847	11,847	23,694
Units redeemed	Number	(428)	(10,212)	(22,055)	(32,695)	(130)	(21,418)	(23,689)	(45,237)
Amount of units redeemed		(152)	(1,685)	(3,368)	(5,205)	(354)	(136,217)	(163,209)	(299,780)
Units reallocated	Number	456	(138)	(916)	(598)	(306)	404	435	533
Amount of units reallocated		157	(22)	(135)	-	(123)	62	61	-

	2019				2018			
	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) -----

21.2 Balances outstanding as at year end

HBL Asset Management Limited

- Pension Fund Manager

Management fee payable	243	169	146	558	314	220	179	713
Sindh Sales Tax payable	32	22	19	73	41	29	23	93
Sales load payable	1	21	37	59	-	-	-	-
Federal Excise Duty payable	763	878	836	2,477	763	878	836	2,477

Habib Bank Limited - Sponsor

Units held	Number	203,077	-	-	203,077	300,000	300,000	300,000	900,000
Amount of units held		64,022	-	-	64,022	109,896	47,862	44,180	201,938
Profit receivable on bank deposits		39	138	126	303	103	16	10	129
Bank balances		10,230	30,666	25,889	66,785	8,445	8,680	9,856	26,981

Directors and Executives of the Pension Fund Manager and their relatives

Directors and their relatives

Units held	Number	10,270	53,170	14,392	77,832	8,822	55,627	15,116	79,565
Amount of units held		3,238	9,144	2,284	14,666	3,231	8,875	2,226	14,332

Executives and their relatives

Units held	Number	11,009	11,418	-	22,427	10,963	8,059	1,019	20,041
Amount of units held		3,471	1,963	-	5,434	4,016	1,286	150	5,452

Directors and Executives of the HBL Bank Limited - (Sponsor) and their relatives

Executives and their relatives

Units held	Number	-	-	-	-	10,286	80,629	29,209	120,124
Amount of units held		-	-	-	-	3,768	12,864	4,301	20,933

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	27	19	17	63	35	25	20	80
Security Deposit receivable	100	100	100	300	100	100	100.00	300

Directors of Connected Persons

Units held	Number	3,613	105,999	140,939	250,551	2,165	88,487	163,911	254,563
Amount of units held		1,139	18,229	22,371	41,739	793	14,117	24,139	39,049

23.1.1 Currency risk

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

23.1.2 Interest rate risk

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

a) Sensitivity analysis for fixed rate instruments

As at June 30, 2019, the Debt Sub-Fund and Money Market Sub-Fund hold Pakistan Investment Bonds and Treasury bills which are classified as 'fair value through profit or loss', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in mark-up rates on June 30, 2019, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

	Total Exposure					
	2019			2018		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----					
Pakistan Investment Bonds	50	-	50	52	-	52
Treasury Bills	37,477	-	37,477	51,434	56,676	108,110
	<u>37,527</u>	<u>-</u>	<u>37,527</u>	<u>51,486</u>	<u>56,676</u>	<u>108,162</u>
	----- (Rupees in '000) -----					
	2019			2018		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----					
Change in basis points						
100	(41)	-	(41)	(86)	(94)	(180)
(100)	41	-	41	82	90	172
	<u>41</u>	<u>-</u>	<u>41</u>	<u>82</u>	<u>90</u>	<u>172</u>

b) Sensitivity analysis for variable rate instruments

As at June 30, 2019, the Debt Sub-Fund hold Term finance certificates which are classified as 'fair value through profit or loss', exposing the Fund to cash flow and fair value interest rate risk. In case of 100 basis points increase / decrease in mark-up rates on June 30, 2019, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

	Total Exposure					
	2019			2018		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----					
Term finance certificates and sukuk bonds	44,264	-	44,264	45,718	-	45,718
	<u>44,264</u>	<u>-</u>	<u>44,264</u>	<u>45,718</u>	<u>-</u>	<u>45,718</u>
	----- (Rupees in '000) -----					
	2019			2018		
	Debt Sub-Fund	Money Market Sub-Fund	Total	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in '000) -----					
Change in basis points-Fair value interest rate						
100	15	-	15	115	-	115
(100)	(15)	-	(15)	(115)	-	(115)
	<u>15</u>	<u>-</u>	<u>15</u>	<u>115</u>	<u>-</u>	<u>115</u>

Sector wise portfolio	June 30, 2019		June 30, 2018	
	Equity Sub-Fund		Equity Sub-Fund	
	Funds equity portfolio (%)	KSE-100 benchmark portfolio (%)	Funds equity portfolio (%)	KSE-100 benchmark portfolio (%)
Commercial Banks	26.73%	27.76%	2.58%	2.07%
Oil and Gas Exploration Companies	24.48%	18.41%	12.30%	4.71%
Fertilizers	14.01%	9.52%	4.37%	5.08%
Power Generation and Distribution	7.78%	4.70%	2.93%	1.55%
Oil and Gas Marketing Companies	6.28%	18.99%	19.98%	17.39%
Textile Composite	3.86%	4.68%	6.04%	28.43%
Chemical	3.56%	1.40%	5.56%	3.00%
Cement	3.15%	8.38%	2.70%	0.11%
Pharmaceuticals	2.84%	3.45%	8.15%	5.22%
Automobile Parts and Accessories	2.68%	1.85%	2.93%	0.70%
Paper and Board	1.93%	0.02%	1.76%	0.29%
Transport	1.43%	0.21%	3.04%	0.93%
Engineering	0.01%	0.37%	27.66%	30.52%
Others	1.26%	0.26%	0.00%	0.00%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

In case of 5% increase / decrease in KSE-100 index on June 30, 2019, with all other variables held constant, other components of equity and the net assets of the Fund would increase / decrease by Rs. 9.48 million as a result of gains / losses on equity securities.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2019 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

23.2 Credit risk

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

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

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

The maximum exposure to credit risk is as follows:

	Rating Agency	Rating	2019			
			Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Bank balances by rating category			----- (Rupees in '000) -----			
Habib Bank Limited	JCR-VIS	AAA	10,230	30,666	25,889	66,785
Zarai Taraqati Bank Limited	JCR-VIS	AAA	-	134	11,296	11,430
Allied Bank Limited	PACRA	AAA	-	28,514	24,293	52,807
MCB Bank Limited	PACRA	AAA	-	-	10	10
Askari Bank Limited	PACRA	AA+	-	-	11	11
Soneri Bank Limited	PACRA	AA-	-	-	24,449	24,449
JS Bank Limited	PACRA	AA-	5,588	-	24,404	29,992
Faysal Bank Limited	PACRA	AA	227	1	37	265
Sindh Bank Limited	JCR-VIS	AA	-	-	23	23
			<u>16,045</u>	<u>59,315</u>	<u>110,412</u>	<u>185,772</u>
Government Securities						
Treasury bills			-	37,477	-	37,477
Pakistan investment bonds			-	50	-	50
			<u>-</u>	<u>37,527</u>	<u>-</u>	<u>37,527</u>
Term finance certificates and sukuk bonds by rating category						
AAA			-	1,481	-	1,481
AA+			-	13,559	-	13,559
AA-			-	5,936	-	5,936
AA			-	14,288	-	14,288
A+			-	-	-	-
Non rated			-	9,000	-	9,000
			<u>-</u>	<u>44,264</u>	<u>-</u>	<u>44,264</u>
Investment in commercial paper						
A-1			-	3,982	14,834	18,816
			<u>-</u>	<u>3,982</u>	<u>14,834</u>	<u>18,816</u>
Dividend and profit receivable			209	1,675	990	2,874
			<u>209</u>	<u>1,675</u>	<u>990</u>	<u>2,874</u>
Advances, deposits, prepayments and other receivables			1,131	206	178	1,515
			<u>1,131</u>	<u>206</u>	<u>178</u>	<u>1,515</u>

	Rating Agency	Rating	2018			
			Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
----- (Rupees in '000) -----						
Bank balances by rating category						
Habib Bank Limited	JCR-VIS	AAA	8,445	8,719	9,856	27,020
Zarai Taraqiati Bank Limited	JCR-VIS	AAA	-	35,579	27,924	63,503
Allied Bank Limited	PACRA	AAA	-	35,986	23,424	59,410
MCB Bank Limited	PACRA	AAA	-	-	9	9
Askari Bank Limited	PACRA	AA+	-	-	11	11
Soneri Bank Limited	PACRA	AA-	-	-	9	9
JS Bank Limited	PACRA	AA-	21,928	-	28,449	50,377
Sindh Bank Limited	JCR-VIS	AA	-	-	100	100
Faysal Bank Limited	JCR-VIS	AA	211	1	13	225
			<u>30,584</u>	<u>80,285</u>	<u>89,795</u>	<u>200,664</u>
Government Securities						
Treasury bills			-	51,434	56,676	108,110
Pakistan investment bonds			-	52	-	52
			<u>-</u>	<u>51,486</u>	<u>56,676</u>	<u>108,162</u>
Term finance certificates and sukuk bonds by rating category						
AAA			-	2,084	-	2,084
AA+			-	10,096	-	10,096
AA-			-	8,491	-	8,491
AA			-	20,804	-	20,804
A+			-	4,243	-	4,243
			<u>-</u>	<u>45,718</u>	<u>-</u>	<u>45,718</u>
Investment in commercial paper						
A-2			-	3,966	-	3,966
			<u>-</u>	<u>3,966</u>	<u>-</u>	<u>3,966</u>
Dividend and profit receivable			525	1,054	302	1,881
			<u>525</u>	<u>1,054</u>	<u>302</u>	<u>1,881</u>
Advances, deposits, prepayments and other receivables			105	100	102	307
			<u>105</u>	<u>100</u>	<u>102</u>	<u>307</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2019 is the carrying amount of the financial assets.

Concentration of credit risk

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

23.3 Liquidity risk

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

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

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

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

	2019												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
	(Rupees in '000)												
Financial Liabilities													
Payable to the Pension Fund Manager	276	-	-	276	212	-	-	212	202	-	-	202	690
Payable to the Trustee	27	-	-	27	19	-	-	19	17	-	-	17	63
Accrued expenses and other liabilities	167	-	-	167	393	-	-	393	639	-	-	639	1,199
	470	-	-	470	624	-	-	624	858	-	-	858	1,952
	2018												
	Equity Sub-Fund				Debt Sub-Fund				Money Market Sub-Fund				Total
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
	(Rupees in '000)												
Financial Liabilities													
Payable to the Pension Fund Manager	355	-	-	355	249	-	-	249	202	-	-	202	806
Payable to the Trustee	35	-	-	35	25	-	-	25	20	-	-	20	80
Accrued expenses and other liabilities	5,826	-	-	5,826	306	-	-	306	536	-	-	536	6,668
	6,216	-	-	6,216	580	-	-	580	758	-	-	758	7,554

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

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

24. PARTICIPANTS' FUNDS RISK MANAGEMENT (CAPITAL RISK)

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

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

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

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

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

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

‘Fair value’ is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund access at that date. The fair value of a liability reflects its non-performance risk.

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

According to IFRS 7, Financial Instruments: Disclosure - an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

		Held by Equity sub-fund								
		2019					Fair Value			
Note	Mandatorily at fair value through profit or loss	Carrying Amount			Amortised cost	Total	Level 1	Level 2	Level 3	Total
		Designated as at fair value through profit or loss	Fair value through other comprehensive income							
(Rupees in '000)										
On-balance sheet financial instruments										
Financial assets measured at fair value										
	- Listed equity securities	178,275	-	-	-	178,275	178,275	-	-	178,275
		178,275	-	-	-	178,275				
Financial assets not measured at fair value										
25.1	- Bank balances	-	-	-	16,045	16,045				
	- Dividend receivable and accrued mark-up	-	-	-	209	209				
	- Advances, deposits, prepayments and other receivables	-	-	-	1,131	1,131				
		-	-	-	17,385	17,385				
		178,275	-	-	17,385	195,660				
Financial liabilities not measured at fair value										
25.1	- Payable to the Pension Fund Manager	-	-	-	276	276				
	- Payable to the Trustee	-	-	-	27	27				
	- Accrued expenses and other liabilities	-	-	-	167	167				
		-	-	-	470	470				
(Rupees in '000)										
		Held by Equity sub-fund					Fair Value			
		2018					Fair Value			
Note	Held for trading	Available for Sale	Loan and Receivables	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total	
										Carrying Amount
(Rupees in '000)										
On-balance sheet financial instruments										
Financial assets measured at fair value										
	- Listed equity securities	172,181	57,753	-	-	229,934	229,934	-	-	229,934
		172,181	57,753	-	-	229,934				
Financial assets not measured at fair value										
25.1	- Bank balances	-	-	30,584	-	30,584				
	- Dividend receivable and accrued mark-up	-	-	525	-	525				
	- Advances, deposits, prepayments and other receivables	-	-	105	-	105				
		-	-	31,214	-	31,214				
		172,181	57,753	31,214	-	261,148				
Financial liabilities not measured at fair value										
25.1	- Payable to the Pension Fund Manager	-	-	-	355	355				
	- Payable to the Trustee	-	-	-	35	35				
	- Accrued expenses and other liabilities	-	-	-	5,826	5,826				
		-	-	-	6,216	6,216				

HBL PENSION FUND

Notes to the Financial Statements

For the year ended June 30, 2019

		Held by Debt sub-fund								
		2019				Fair Value				
On-balance sheet financial instruments	Note	Carrying Amount				Fair Value				
		Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
- Government securities										
		37,477	-	-	-	37,477	-	37,477	-	37,477
		50	-	-	-	50	-	50	-	50
		44,264	-	-	-	44,264	-	44,264	-	44,264
		81,791	-	-	-	81,791	-	-	-	-
Financial assets not measured at fair value										
	25.1	-	-	-	59,315	59,315	-	-	-	-
		-	-	-	1,675	1,675	-	-	-	-
		-	-	-	206	206	-	-	-	-
		-	-	-	3,982	3,982	-	-	-	-
		-	-	-	65,178	65,178	-	-	-	-
		81,791	-	-	65,178	146,969	-	-	-	-
Financial liabilities not measured at fair value										
	25.1	-	-	-	212	212	-	-	-	-
		-	-	-	19	19	-	-	-	-
		-	-	-	393	393	-	-	-	-
		-	-	-	624	624	-	-	-	-

		Held by Debt sub-fund								
		2018				Fair Value				
On-balance sheet financial instruments	Note	Carrying Amount				Fair Value				
		Held for trading	Available for Sale	Loan and Receivables	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
- Government securities										
		51,434	-	-	-	51,434	-	51,434	-	51,434
		-	52	-	-	52	-	52	-	52
		35,143	10,575	-	-	45,718	-	10,575	-	10,575
		86,577	10,627	-	-	97,204	-	-	-	-
Financial assets not measured at fair value										
	25.1	-	-	80,285	-	80,285	-	-	-	-
		-	-	1,054	-	1,054	-	-	-	-
		-	-	100	-	100	-	-	-	-
		-	-	3,966	-	3,966	-	-	-	-
		-	-	85,405	-	85,405	-	-	-	-
		86,577	10,627	85,405	-	182,609	-	-	-	-
Financial liabilities not measured at fair value										
	25.1	-	-	-	249	249	-	-	-	-
		-	-	-	25	25	-	-	-	-
		-	-	-	306	306	-	-	-	-
		-	-	-	580	580	-	-	-	-

		Held by Money Market sub-fund								
		2019				Fair Value				
On-balance sheet financial instruments	Note	Carrying Amount				Fair Value				
		Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets not measured at fair value										
	25.1	-	-	-	110,412	110,412	-	-	-	-
		-	-	-	990	990	-	-	-	-
		-	-	-	178	178	-	-	-	-
		-	-	-	14,834	14,834	-	-	-	-
		-	-	-	126,414	126,414	-	-	-	-
Financial liabilities not measured at fair value										
	25.1	-	-	-	202	202	-	-	-	-
		-	-	-	17	17	-	-	-	-
		-	-	-	639	639	-	-	-	-
		-	-	-	858	858	-	-	-	-

		Held by Money Market sub-fund								
		2018				Fair Value				
On-balance sheet financial instruments	Note	Carrying Amount				Fair Value				
		Held for trading	Available for Sale	Loan and Receivables	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)										
Financial assets measured at fair value										
- Government securities										
		56,676	-	-	-	56,676	-	56,676	-	56,676
		56,676	-	-	-	56,676	-	-	-	-
Financial assets not measured at fair value										
	25.1	-	-	89,795	-	89,795	-	-	-	-
		-	-	302	-	302	-	-	-	-
		-	-	102	-	102	-	-	-	-
		-	-	90,199	-	90,199	-	-	-	-
		56,676	-	90,199	-	146,875	-	-	-	-
Financial liabilities not measured at fair value										
	25.1	-	-	-	202	202	-	-	-	-
		-	-	-	20	20	-	-	-	-
		-	-	-	536	536	-	-	-	-
		-	-	-	758	758	-	-	-	-

27. NON COMPLIANT INVESTMENTS DISCLOSURE

27.1 Held by Debt Sub-Fund

Instruments / Banker	Type of investment / exposure	Rating of the issuer	Rating of the instrument	Value of investment / exposure	Provision held	Value of investment after provision	Limit	Market value as a percentage of net assets of
				----- (Rupees in '000) -----				----- (%) -----
Hascol Petroleum Limited	Commercial Paper	AA-	A-1	3,982	-	3,982	2.50	2.75
International Brands Limited	Sukuk	A	AA	3,918	-	3,918	2.50	2.71
Habib Bank Limited	Bank Balance			30,666	-	30,666	20.00	21.19

27.2 Held by Money Market Sub-Fund

Instruments / Banker	Type of investment / exposure	Rating of the issuer	Rating of the instrument	Value of investment / exposure	Provision held	Value of investment after provision	Limit	Market value as a percentage of net assets of
				----- (Rupees in '000) -----				----- (%) -----
K-Electric Limited	Commercial Paper	AA	A-1	6,867	-	6,867	5.00	5.53
Hascol Petroleum Limited	Commercial Paper	AA-	A-1	7,967	-	7,967	5.00	6.41
Habib Bank Limited	Bank Balance			25,889	-	25,889	20.00	20.84

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

28. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Pension Fund Manager on **August 29, 2019**.

29. GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

Chief Financial Officer

Chief Executive Officer

Director



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