

**HBL**

**ASSET MANAGEMENT LTD.**

**ایسبٹ مینجمنٹ لمیٹڈ**

AMC Rating : AM2+ by JCR-VIS



# Annual Report 2017-18

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 practices, 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.

## 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.

## 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.

## CUSTOMER FOCUS

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

## INTEGRITY

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

### Management Company

HBL Asset Management Limited

### Board of Directors

Chairman	Mr. Agha Sher Shah	(Independent Director)
Directors	Mr. Farid Ahmed Khan	(Executive Director / CEO)
	Mr. Shabbir Hussain Hashmi	(Independent Director)
	Ms. Ava Ardeshir Cowasjee	(Independent Director)
	Mr. Shahid Ghaffar	(Independent Director)
	Mr. Rizwan Haider	(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)
	Mr. Rizwan Haider	(Non-Executive Director)

### Human Resource Committee

Chairman	Mr. Agha Sher Shah	(Independent Director)
Members	Mr. Farid Ahmed Khan	(Executive Director / CEO)
	Mr. Shabbir Hussain Hashmi	(Independent Director)
	Mr. Rayomond H. Kotwal	(Non-Executive Director)

### Risk Management Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Farid Ahmed Khan	(Executive Director / CEO)
	Mr. Shahid Ghaffar	(Independent Director)

### Company Secretary & Chief Financial Officer

Mr. Noman Qurban

### AMC Rating

AM2+ (Stable Outlook)

### Legal Advisors

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

### Website

[www.hblasset.com](http://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 together with Financial Statements of HBL Income Fund, HBL Government Securities Fund, HBL Money Market Fund, HBL Cash Fund, HBL Stock Fund, HBL Equity Fund, HBL Energy Fund, HBL Multi Asset Fund and HBL Financial Planning Fund (the Funds) for the year ended June 30, 2018.

### **Economic Review**

Pakistan's economy sustained its growth trajectory in FY18 with substantial increase in aggregate demand leading to higher external account risks. The challenges faced by the economy largely remained un-mitigated in midst of higher international oil prices which aggravated current account deficit recently (mainly in 4QFY18). More recent policy steps (PKR depreciation, interest rate increase and imposition of duty on import products) would likely yield some results while we foresee continuation of stringent policy measures in FY19 as well.

GDP growth remained impressive at 5.8% in FY18 compared to 5.4% in the year before and the growth rate was the highest in the past 13 years. Key factors behind the higher GDP growth rate was a turnaround in the agricultural sector, which posted 3.8% growth vs. just 2.1% growth in the previous year; meanwhile, industrial growth came in at 5.8% and services sector posted growth of 6.4%. Large-scale manufacturing (LSM) posted 6b.0% YoY growth during 11MFY18 mainly led by Electronics (+36.0%), Iron & Steel Products (+22.0%), Automobiles (+18.0%) and Non-metallic Mineral Products (+11.9%). Average Inflation during FY18 was muted at 3.92%. However, inflation picked up at the end of year as head line inflation and core inflation was recorded at 5.2% and 7.1% respectively for the month of Jun-18. This uptick in inflation was due to higher international oil prices and three rounds of rupee depreciation. PKR depreciated by 5.0% against US dollar during Jun-18, taking cumulative FY18 PKR depreciation to 16.0%.

The fiscal deficit exhibited a deterioration in 9MFY18 where the fiscal deficit-to-GDP ratio rose to 4.3% from 3.9%. During the year, faster economic growth caused imbalances on the external front with FY18 current account deficit soaring to USD 18.0bn (5.7% of GDP) compared to USD 12.6bn (4.1% of GDP) in FY17. In FY18, import of goods and services surged by 14.7% YoY to USD 66.2bn while exports grew by 12.6% to USD 30.0bn resulting in a trade deficit of USD 36.2bn vs USD 31bn during FY17. Remittances showed a nominal increase of 1.4% to USD 19.6bn due to decline in remittances from the Middle East countries. As a result, SBP forex reserves decreased by USD 6.4bn since Jun-17 to reach USD 9.8bn at the end of FY18.

Going forward, continuation of stringent policy measures is expected with focus towards monetary and fiscal tightening and import curtailment as external account risks remain high.

### **Money Market Review**

During the year the Interest rate cycle started its reversal as central bank focus diverted towards containing rising twin deficits rising inflation due to lack of fiscal discipline in election times. During the year, secondary market yields of 3, 5 and 10-year PIBs increased by 180, 171 and 86 bps respectively while yields of 3, 6 and 12 month T-Bills increased by 79, 90 and 116 bps respectively. Government of Pakistan raised only PKR 96bn through the PIB auction against a target of PKR 900bn as eight PIB auctions were scrapped in the year due to lack of interest. The last cut-off yields stood at 7.5000%, 8.4795% and 8.6999% p.a. for 3, 5 and 10-year PIBs respectively. Overall trading in longer tenors remained lackluster due to market participants' consensus of increase in interest rates.

During FY18, Government retired PKR 77bn from scheduled banks against borrowing of PKR 179bn during same period last year due to multiple scrapped PIB Auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,439bn during the period against PKR 908bn during same period last year. Government largely managed its borrowing requirements through domestic sources and raised PKR 16,894bn via T-bills (excluding NCB) compared to the cumulative target of PKR 16,925bn and maturities of PKR 15,971bn.

SBP increased the policy rate by 25bps in January and a further 50bps in May to 6.50% to control aggregate demand and the current account deficit. Since then the SBP has further increased policy rate by 100bps in Jul-18 MPS. Going forward, we foresee another interest rate hike of 50bps in the calendar year on the back of increasing inflation expectation and sustainability of current account risks.

### **Stock Market Review**

Pakistan Equities witnessed a topsy-turvy ride during FY18 underlined by disappointing foreign flows (after MSCI upgrade), political uncertainty following the ouster of ex-PM, macroeconomic challenges and speculations relating to recently concluded general elections.

KSE100 Index shed 4,654 points during the fiscal year to close at 41,911 points, reflecting a decline of 10%. Despite market expectation of strong foreign inflows following Pakistan's inclusion in the MSCI Emerging Markets, foreign investors continued to remain net sellers and sold stocks worth USD289mn. Within local investors, insurance companies and corporates bought

equities of USD204mn and USD100mn respectively while Mutual funds divested equities of USD35mn during the year. On the political front, Ex-Prime Minister Nawaz Sharif was disqualified by Supreme Court in Jul-17 which further marred investor sentiment. Moreover, economic concerns increased due to rising twin deficits followed by stringent policy measures by the government (16% PKR depreciation and 75bps increase in interest rates).

The Cement and Banking sector led the rout in the benchmark index, causing attrition of 2,288 points and 1,083 points respectively. The decline in cements was caused by the fears of a price war in the sector as upcoming expansions could lead to an oversupply situation particularly in the Southern region. Investor sentiment was reflected in poor price performance of DGKC and LUCK which fell 44% and 37% YoY respectively. In the banking sector, large banks caused underperformance where HBL, UBL and NBP fell 37%, 23% and 20% owing to regulatory concerns, pension provisions and other legal issues. Meanwhile mid-tier banks outperformed the index buoyed by rising interest rate environment which is expected to lead to margin expansion.

Oil & Gas Exploration and Production sector defied overall trend during FY18 and posted strong gains. The sector contributed 1,628 points to the market owing to 66% increase in International Oil Prices and 16% PKR depreciation. The outperformance was led by POL and PPL posting returns of 58% and 53% against SPLY.

Going forward, Pakistan equities are expected to rebound with restoration of political stability (after General Elections), gradual improvement in macroeconomic trends and potential revival of foreign investor interest after steep PKR depreciation.

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

### **HBL Income Fund**

The total income and net income of the Fund was Rs. 265.31 million and Rs. 186.50 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) per unit of the Fund was Rs. 106.0146 per unit as on June 30, 2017 which increased to Rs. 111.2890 per unit as on June 30, 2018 thereby giving an annualized return of 4.98%. During the year the benchmark (6 Month KIBOR) return was 6.35%. The size of Fund was Rs. 2.46 billion as on June 30, 2018 as compared to Rs. 4.49 billion at the start of the year.

The Board of Directors approved final cash distribution of Rs. 5.50 per unit to the unit holders for the year ended June 30, 2018.

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

### **HBL Government Securities Fund**

The total income and net income of the Fund was Rs. 45.25 million and Rs. 30.66 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) per unit of the Fund was Rs. 105.4266 per unit as on June 30, 2017 which increased to Rs. 110.4244 per unit as on June 30, 2018, thereby giving an annualized return of 4.74%. During the same year the benchmark (6 Month PKRV Rates) return was 6.20%. The size of Fund was Rs. 314 million as on June 30, 2018 as compared to Rs. 1.37 billion at the start of the year.

The Board of Directors approved final cash distribution of Rs 4.75 per unit to the unit holders for the year ended June 30, 2018.

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

### **HBL Money Market Fund**

The total income and net income of the Fund was Rs. 358.99 million and Rs. 282.70 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) per unit of the Fund was Rs. 101.7683 per unit as on June 30, 2017 which increased to Rs. 107.1869 per unit as on June 30, 2018, thereby giving an annualized return of 5.32%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 5.35%. The size of Fund was Rs. 7.25 billion as on June 30, 2018 as compared to Rs. 3.94 billion at the start of the year.

The Board of Directors approved final cash distribution of Rs. 5.15 per unit to the unit holders for the year ended June 30, 2018.

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

### **HBL Cash Fund**

The total income and net income of the Fund was Rs. 668.63 million and Rs. 566.77 million respectively during the year ended June 30, 2018. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 100.4888 per unit as on June 30, 2017. The NAV of the Fund was Rs 106.0021 per unit as on June 30, 2018, thereby giving an annualized return of 5.49%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 5.35%. The size of Fund was Rs 12.04 billion as on June 30, 2018 as compared to Rs. 5.95 billion at the start of the year.

The Board of Directors approved final cash distribution of Rs 5.25 per unit to the unit holders for the year ended June 30, 2018.

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

### **HBL Stock Fund**

The Fund earned and incurred a total income and net loss of Rs. 202.32 million and Rs. 282.03 million respectively during the year ended June 30, 2018. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 121.4498 per unit as on June 30, 2017. The NAV of the Fund was Rs 107.0620 per unit as on June 30, 2018, thereby giving a negative return of 11.85%. During the same year the benchmark KSE 30 index yielded a negative return of 10.03%. The size of Fund was Rs 5.96 billion as on June 30, 2018 as compared to Rs. 6.35 billion at the start of the year.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

### **HBL Equity Fund**

The Fund incurred a total and net loss of Rs. 35.13 million and Rs. 47.93 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) per unit of the Fund was Rs. 124.6444 per unit as on June 30, 2017. The NAV of the Fund was Rs. 110.4602 per unit as on June 30, 2018, thereby giving a negative return of 11.38%. During the year the benchmark KSE 100 index yielded a negative return of 10.00%. The size of Fund was Rs. 0.29 billion as on June 30, 2018 as compared to Rs. 0.47 billion at the start of the year.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

### **HBL Energy Fund**

The Fund earned and incurred a total income and net loss of Rs. 24.63 million and Rs. 9.15 million respectively during the year ended June 30, 2018. The Net Asset Value (NAV) per unit of the Fund was Rs. 15.0359 per unit as on June 30, 2017. The NAV of the Fund was Rs. 14.6857 per unit as on June 30, 2018, thereby giving a negative return of 2.33%. During the same year the benchmark KSE 30 index yielded a negative return of 10.03%. The size of Fund was Rs. 1.06 billion as on June 30, 2018 as compared to Rs. 0.79 billion at the start of the year.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

### **HBL Multi Asset Fund**

The Fund incurred a total and net loss of Rs. 15.97 million and Rs. 41.66 million respectively during the year ended June 30, 2018. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 112.0924 per unit as on June 30, 2017. The NAV of the Fund was Rs 105.0519 per unit as on June 30, 2018, thereby giving a negative return of 6.28%. During the same year the benchmark index (Weighted average daily return KSE 100 and 6 Month PKRV rates) yielded a negative return of 4.08%. The size of Fund was Rs 0.32 billion as on June 30, 2018 as compared to Rs. 0.97 billion at the start of the year.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

### **HBL Financial Planning Fund**

HBL Financial Planning Fund commenced its operations from October 11, 2017. The Fund comprises of three sub funds (plans) namely Active allocation plan, Conservative allocation plan and Strategic allocation plan.

The Fund as a whole earned total and net income of Rs. 19.98 million and Rs. 16.72 million respectively during the period under review. The fund size of the fund stood at Rs. 0.67 billion as on June 30, 2018.

**Performance review for plans is given below:**

#### **Active Allocation Plan**

During the period under review, the Active allocation plan earned total and net income of Rs. 6.60 million and Rs 5.42 million respectively. The net assets of the Active allocation plan stood at Rs. 0.33 billion representing Net Asset Value (NAV) of Rs. 102.6500 per unit as at June 30, 2018. The plan earned a return of 2.65% for the period under review. The plan is invested to the extent of 59% in equity funds & 39% in fixed income funds.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

#### **Conservative Allocation Plan**

During the period under review, the Conservative allocation plan earned total and net income of Rs. 6.98 million and Rs 6.16 million respectively. The net assets of the Conservative allocation plan stood at Rs. 0.13 billion representing Net Asset Value (NAV) of Rs. 103.7607 per unit as at June 30, 2018. The plan earned a return of 3.76% for the period under review. The plan is invested to the extent of 20% in equity funds & 79% in fixed income funds.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

#### **Strategic Allocation Plan**

During the period under review, the Strategic allocation plan earned total and net income of Rs. 6.40 million and Rs 5.13 million respectively. The net assets of the Strategic allocation plan stood at Rs. 0.21 billion representing Net Asset Value (NAV) of Rs. 102.5230 per unit as at June 30, 2018. The plan earned a return of 2.52% for the period under review. The plan is invested to the extent of 49% in equity funds & 50% in fixed income funds.

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

#### **MANAGEMENT COMPANY RATING**

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

#### **AUDITORS**

M/s Deloitte Yousuf Adil, Chartered Accountants existing auditors of HBL Income Fund, HBL Government Securities Fund, HBL Money Market Fund, HBL Cash Fund, HBL Stock Fund, HBL Equity Fund, HBL Energy Fund, HBL Multi Asset Fund and HBL Financial Planning Fund retired and being eligible, offered themselves for re-appointment. The Board of Directors would consider the matter of the appointment of auditors in due course of time.

#### **PATTERN OF UNIT HOLDING**

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

#### **Acknowledgement**

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

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

On behalf of the Board of  
**HBL Asset Management Limited**

**Chief Executive Officer**

**Director**



اکاؤنٹ کے خطرات پر دستور بخند رہیں۔ ہمیں توقع ہے کہ پاکستان کی ناجائز مالیاتی ضروریات بھی زائد رہیں گی اور مالیاتی سال 2019 پالیسی سازوں کے لئے ایک چیلنجنگ سال ثابت ہوگا۔

### بازار زر کا جائزہ

سال کے دوران شرح سود کے دائرے نے الٹ سڑکا آغاڑ کیا کیونکہ مرکزی بینک نے اچھالت کے دوران مالیاتی تعلیم و ضبط کے فقدان کے باعث بڑھتے ہوئے دہرے شمارے، دہرے افراترور کی جانب توجہ مبذول کر لی تھی۔ سال کے دوران 5.3 اور 10 سالہ پی آئی بی (PIBs) کی کلومی مارکیٹ کی آمدن بالترتیب 171،180 اور 86 بی پی ایس (bps) تک بڑھ گئیں جبکہ 6.3 اور 12 ماہ کے ریٹری بلز کی آمدن بالترتیب 90،79 اور 116 بی پی ایس (bps) تک بڑھ گئیں۔ حکومت پاکستان نے 900 ارب پاک روپے کے ہدف کے برخلاف پی آئی بی نیلام کے ذریعے صرف 96 ارب پاک روپے حاصل کیے کیونکہ آٹھ بی پی آئی بی نیلام عدم دلچسپی کے باعث آکر پھٹے ہوئے تھے۔ 5.3 اور 10 سالہ پی آئی بی کے لئے آفٹری کٹ - آف (cut-off) کی آمدنی بالترتیب 7.5000% اور 8.4795% اور 8.6999% سالانہ پر برقرار تھی۔ طویل مدتوں میں مجموعی تھارٹ شرح سود میں اضافے کے لئے مارکیٹ کے شرکاء کٹ کاروں کے اتفاق کے باعث مایوس کن رہی۔

مالی سال 2018 کے دوران حکومت نے 179 ارب پاک روپے کے قرضوں کے مقابلے میں شینڈول ٹیکوں سے 177 ارب پاک روپے رائج کر کے جو گزشتہ سال کی اسی مدت کے دوران پی آئی بی کے نیلام ختم کرنے کے باعث لئے گئے تھے۔ دریں اثناء نیٹ بینک آف پاکستان سے حکومت کے قرضے اس مدت کے دوران 1،439 ارب پاک روپے تک بڑھ گئے جو گزشتہ سال کی اس مدت کے دوران 908 ارب پاک روپے تھے۔ حکومت نے وسیع بنیادوں پر اپنے قرضوں کی ضروریات کا بہتر دست مقامی وسائل کے ذریعے کیا اور 16،925 ارب روپے کے مجموعی بوف اور 15،971 ارب روپے کی بیچہ بیچہ کے مقابلے پی بلز (ماسوائے این سی بی) کے ذریعے 16،894 ارب پاک روپے حاصل کیے۔

اسٹیٹ بینک آف پاکستان نے جنوری میں پالیسی ریٹ bps 25 تک بڑھا یا اور مئی میں مزید bps 50 بڑھا کر 6.50% کیا تاکہ مجموعی طلب اور کرنٹ اکاؤنٹ خسارے کو کم کیا جاسکے۔ اس وقت اسٹےٹ ایس بی پی جولائی 2018 ایم پی ایس میں پالیسی ریٹ bps 100 تک اضافہ کر چکا ہے۔ مستقبل میں ہم آئندہ سال کے دوران بڑھتے ہوئے افراترور کے امکانات اور کرنٹ اکاؤنٹ کے خطرات پر برقرار رہنے کے باعث شرح سود میں مزید bps 50 کا اضافہ دیکھ رہے ہیں۔

### بازار حصص کا جائزہ

پاکستان انکویسٹری کو مایوس کن غیر ملکی زر مبادلہ کے بہاؤ (اعداد MSCI اپ گریڈ) ، سابق وزیر اعظم کے جانے کے بعد سیاسی بے یقینی، بیکرواٹکناک چیلنجز اور عام اچھالت کے بارے میں مختلف قیاس آرائیوں کے باعث الٹ چلنے والا کاسا سامنا رہا۔

کے ایس ای 100 انڈیکس 4،654 پوائنٹس تک گر کر 41،911 پوائنٹس پر بند ہوا جو 10 فیصد کی کمی کو ظاہر کرتا ہے۔ ایم ایس سی آئی انڈیکس میں پاکستان کی شمولیت کے بعد مستحکم غیر ملکی زر مبادلہ کی مارکیٹ توقعات کے مطابق رہنے کے باوجود غیر ملکی سرمایہ کاروں کا ناقص فروخت کنندگان ہی رہے اور 289 ملین امریکی ڈالر کے اضافے کے باوجود سرمایہ کاروں کے اندر بے یقینیوں اور کارپوریشن نے بالترتیب 204 ملین امریکی ڈالر اور 100 ملین امریکی ڈالر کی انکویسٹری خریدا تھا جبکہ یہ سال گذرنے سے سال کے دوران 35 ملین امریکی ڈالر کی انکویسٹری فروخت گئیں۔ سیاسی محاذ پر سابق وزیر اعظم میاں نواز شریف کو پیریم کورٹ نے جولائی 2017 میں ثالث قرار دے دیا تھا جس سے سرمایہ کاری کا رجحان مزید متاثر ہوا۔ مزید برآں پالیسی سازوں کی جانب سے کڑے پالیسی اقدامات (پاک روپے کی قدر میں 16 فیصد کمی اور شرح سود میں 75bps اضافے) کے بعد دہرے شمارے کے باعث اقتصادی صورتحال مزید سختی ہو گئی۔

سینٹ اور بینکاری کے شعبے بیچ مارک انڈیکس میں سب سے آگے رہے جس کی وجہ سے بالترتیب 2،288 پوائنٹس اور 1،083 پوائنٹس کی فروادگی تھا۔ سینٹ میں کمی کی وجہ سے اس شعبے میں ترنوں کی جگہ کا خوف تھا جیسا کہ آئندہ توسیع سے زائد سپالی کی صورتحال سامنے آسکتی تھی بالخصوص جنوبی خطے میں کیونکہ ایسا ڈی جی کے ہی

(DGKC) اور ایل بی سی کے (LUCK) کے زفوں کی خراب کارکردگی سے سمجھا جا رہا تھا جو با ترتیب %144 YoY اور %37 گر گئے تھے۔ بینکاری کے شعبے میں بڑے بینکوں نے بہتر کارکردگی کا مظاہرہ نہیں کیا اور ایچ بی ایل، بیو بی ایل اور این بی پی کی آمدن انکولیڈری خدمات میں بہتر اور دیگر قانونی معاملات کی وجہ سے %37، %23 اور %20 فیصد تک کم ہو گئی۔ ورین انٹارمیانے درجے نے فیکوں نے بڑھتے ہوئے شرح %13 کے ماحول سے فائدہ اٹھایا جس کا نتیجہ مارچ میں توجیح کی صورت میں ظاہر ہوا۔

مالی سال 2018 کے دوران آئل و گیس ایکٹیویٹیشن اور پروڈکشن سیکٹر نے مجموعی رجحان کا دفاع کیا اور محکم منافع ظاہر کیا اور مارکیٹ میں 1,628 پوائنٹس کی شراکت کی جس کی بدلتل کے بین الاقوامی زفوں میں 66 فیصد اضافہ اور پاک روپے کی قدر میں 16 فیصد کمی تھی۔ پی او ایل اور پی بی ایل کی کارکردگی غیر معمولی رہی جس کے منافع جات گزشتہ سال کی اسی مدت کے مقابلے میں 58 فیصد اور 53 فیصد بڑھ گئے۔

آگے بڑھتے ہوئے ہمیں توقع ہے کہ پاکستان کی ایکٹیویٹیشن (عام انتخابات کے بعد) کی ہماری کے ساتھ بہتر ہو جائے گی، ٹیکرو اکنامک رجحان میں بتدریج بہتری، پاک روپے کی قدر میں کمی کے بعد غیر ملکی سرمایہ کاروں کے منافع جات میں نمکد ماحول سے صورتحال تبدیل ہوگی۔

## فنانسنگ کی کارکردگی اور اوائلیکیاں:

### ایچ بی ایل انکم فنڈ:

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن علی الترتیب 265.31 ملین روپے اور 186.50 ملین روپے رہی۔ برطانیہ 30 جون 2017 فنڈ کے خالص مالیت (NAV) فی یونٹ 106.0146 روپے تھی جو 30 جون 2018 کے مقابلے میں بڑھ کر 111.2890 روپے فی یونٹ ہو گئی۔ جس کے ذریعے %4.98 کا سالانہ منافع دیا گیا۔ اسی سال کے دوران شیج مارک منافع (8 ماہ کا پی بورڈ) %6.35 تھا۔ فنڈ کی جسامت برطانیہ 30 جون 2018 2.46 ارب روپے تھی جو اس کے مقابلے میں سال کے آغاز پر 14.49 ارب روپے تھی۔

بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 5.35 روپے فی یونٹ کے حتمی تقسیم کی منظوری دی ہے۔

جی ای آر سی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کو (ایف) فنڈ انٹیلی ریٹنگ کی توثیق کی ہے۔

### ایچ بی ایل گورنمنٹ سکیورٹیز فنڈ

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن علی الترتیب 45.25 ملین روپے اور 30.66 ملین روپے رہی۔ فنڈ کی خالص مالیت برطانیہ 30 جون 2017 105.4266 روپے فی یونٹ تھی جو 30 جون 2018 کے مقابلے میں بڑھ کر 110.4244 روپے فی یونٹ ہو گئی جس کے ذریعے %4.74 کا سالانہ منافع دیا گیا۔ اسی سال کے دوران شیج مارک منافع (6 ماہ پی کے آر وی ٹرین من) %6.20 تھا۔ فنڈ کی جسامت برطانیہ 30 جون 2018 314.37 ملین روپے تھی جو سال کے آغاز پر 1.37 ارب روپے تھی۔

بورڈ آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو 4.75 روپے فی یونٹ کے حتمی تقسیم کی منظوری دی ہے۔

جی ای آر سی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کے لئے ایس (ایف) فنڈ انٹیلی ریٹنگ کی توثیق کی ہے۔

### ایچ بی ایل منی مارکیٹ فنڈ:

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن علی الترتیب 358.99 ملین روپے اور 282.70 ملین روپے رہی۔ فنڈ کی خالص مالیت برطانیہ 30 جون 2017 کے مقابلے میں 101.7683 روپے فی یونٹ تھی جو 30 جون 2018 کے مقابلے میں بڑھ کر 107.1869 روپے فی یونٹ ہو گئی۔

جس کے ذریعے 5.32% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران شیڈ مارک منافع 5.35% (70% ٹمن ماہ پی کے آر وی اور 30% ٹمن ماہ ڈپازٹ ٹرمس) تھا۔ فنڈ کی جسامت برطانیہ 30 جون 2018، 7.25 ارب روپے تھی جو سال کے آغاز پر اس کے مقابلے میں 3.94 ارب روپے تھی۔ بورڈ آف انڈیکسٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے پونٹ ہولڈرز کو 5.15 روپے فی پونٹ حتمی نقد تقسیم کی منظوری دی ہے۔ بے پی آر وی آئی ایس کریٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کے لئے اسے (ایف) ایف آئی ایف کی توثیق کی ہے۔

### ایچ بی ایل کیش فنڈ

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدن اور خالص آمدن ملی اتر تیب 668.63 ملین روپے اور 566.77 ملین روپے رہی۔ فنڈ کی فی پونٹ سہاقتہ منافع منقسمہ خالص مالیت 30 جون 2017 کے مطابق 100.4888 روپے فی پونٹ تھی۔ فنڈ کی خالص مالیت 30 جون 2018، 106.0021 روپے فی پونٹ تھی جس کے ذریعے 5.49% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران شیڈ مارک منافع 5.35% (70% ٹمن ماہ پی کے آر وی اور 30% ٹمن ماہ ڈپازٹ ٹرمس) تھا۔ فنڈ کی جسامت برطانیہ 30 جون 2018، 12.04 ارب روپے تھی جو سال کے آغاز میں اس کے مقابلے میں 5.95 ارب روپے تھی۔

بورڈ آف انڈیکسٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے پونٹ ہولڈرز کو 5.25 روپے فی پونٹ حتمی نقد تقسیم کی منظوری دی ہے۔ بے پی آر وی آئی ایس کریٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کے لئے اسے (ایف) ایف آئی ایف کی توثیق کی ہے۔

### ایچ بی ایل اسٹاک فنڈ

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کی مجموعی اور حاصل کردہ آمدن اور خالص خسارہ ملی اتر تیب 202.32 ملین روپے اور 282.03 ملین روپے رہا۔ فنڈ کی فی پونٹ سہاقتہ منافع منقسمہ خالص مالیت 30 جون 2017 کے مطابق 121.4498 روپے فی پونٹ تھی۔ فنڈ کی خالص مالیت 30 جون 2018، 107.0620 روپے فی پونٹ رہی۔ جس کے ذریعے 11.85% کا حتمی منافع دیا گیا۔ اسی سال کے دوران شیڈ مارک کے ٹمن ای 30 انڈیکس کا حتمی منافع 10.03% تھا۔ فنڈ کی جسامت برطانیہ 30 جون 2018، 5.96 ارب روپے تھی جو سال کے آغاز پر اس کے مقابلے میں 6.35 ارب روپے تھی۔

بورڈ آف انڈیکسٹرز نے 30 جون 2017 کو ختم ہونے والے سال کے لئے پونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

### ایچ بی ایل ایکویٹی فنڈ

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کا مجموعی اور خالص خسارہ ملی اتر تیب 35.13 ملین روپے اور 47.93 ملین روپے رہا۔ فنڈ کی فی پونٹ خالص مالیت 30 جون 2017 کے مطابق 124.6444 روپے فی پونٹ تھی۔ فنڈ کی فی پونٹ مالیت 30 جون 2018، 110.4602 فی پونٹ رہی۔ جس کے ذریعے 11.38% کا حتمی منافع دیا گیا۔ اسی سال کے دوران شیڈ مارک کے ٹمن ای 100 انڈیکس حتمی منافع 10.00% تھا۔ فنڈ کی جسامت برطانیہ 30 جون 2018، 0.29 ملین روپے تھی جو سال کے آغاز پر اس کے مقابلے میں 0.47 ملین روپے تھی۔

بورڈ آف انڈیکسٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے پونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

### ایچ بی ایل انرجی فنڈ

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کی مجموعی اور حاصل کردہ آمدن اور خالص خسارہ ملی اتر تیب 24.63 ملین روپے اور 9.15 ملین روپے

رہا۔ فنڈ کی فی یونٹ خالص مالیت 30 جون 2017 کے مطابق 15.0359 روپے فی یونٹ تھی۔ فنڈ کی خالص مالیت اثاثہ جات فی یونٹ برعکاس 30 جون 2018، 14.6857 روپے فی یونٹ رہی۔ جس کے ذریعے 2.33% کا منفی منافع دیا گیا۔ اسی سال کے دوران شیج مارک کے ایس ای 30 انڈیکس کا منفی منافع 10.03% تھا۔ فنڈ کی جسامت برعکاس 30 جون 2018، 1.06 ارب روپے تھی جو سال کے آغاز پر اس کے مقابلے میں 0.79 ارب روپے تھی۔

پورا آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

### ایچ بی ایل مٹنی اریسیٹ فنڈ

30 جون 2018 کو ختم ہونے والے سال کے دوران فنڈ کا کل اور خالص خسارہ علی الترتیب 15.97 ملین روپے اور 41.66 ملین روپے رہا۔ فنڈ کی فی یونٹ سابقہ منافع حسہ خالص مالیت 30 جون 2017، 112.0924 روپے فی یونٹ تھی۔ فنڈ کی خالص مالیت 30 جون 2018، 105.0519 روپے فی یونٹ تھی۔ جس کے ذریعے 6.28% کا منفی منافع دیا جا رہا ہے۔ اسی سال کے دوران شیج مارک انڈیکس منافع (بھاری اوسط روزانہ کے ایس ای 100 منافع اور 6 ماہ کی پی کے آر وی شرحیں) منفی 4.08 تھا۔ فنڈ کی جسامت برعکاس 30 جون 2018، 0.32 ارب روپے تھی جو سال کے آغاز پر 0.97 ارب روپے تھی۔

پورا آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

### ایچ بی ایل مٹنل پلاننگ فنڈ

ایچ بی ایل مٹنل پلاننگ فنڈ نے اپنے آپریشن کا آغاز 11 اکتوبر 2017 کو کیا۔ فنڈ تین ڈی جی فنڈز (چائز) کا مہیا کیٹوریٹیشن چان، کنزرویٹو ایلیٹیشن چان اور اسٹریٹجک ایلیٹیشن چان پر مشتمل ہے۔

فنڈ نے مجموعی طور پر زیر جائزہ عرصے کے دوران کل اور خالص آمدنی الترتیب 19.98 ملین روپے اور 16.72 ملین روپے حاصل کی۔ 30 جون 2018 کے مطابق فنڈ کا کل حجم 0.87 ارب روپے رہا۔

چان کے لئے کارکردگی کا جائزہ درج ذیل ہے:

### ایکٹیو ایلیٹیشن چان:

زیر جائزہ عرصے کے دوران ایکٹیو ایلیٹیشن چان نے علی الترتیب 6.60 ملین روپے اور 5.42 ملین روپے کی کل اور خالص آمدنی حاصل کی۔ ایکٹیو ایلیٹیشن چان کے خالص اثاثہ جات (NAV) 0.33 ملین روپے پر ہے جو برعکاس 30 جون 2018، 102.6500 روپے فی یونٹ خالص مالیت اثاثہ کو ظاہر کرتا ہے۔ زیر جائزہ عرصے کے لئے چان نے 2.65% کا منافع حاصل کیا۔ چان نے 59% کی حد تک ایجوٹی فنڈز اور 39% کی حد تک گلسڈ انکم فنڈز میں سرمایہ کاری کی۔

پورا آف ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

### کنزرویٹو ایلیٹیشن چان:

زیر جائزہ سال کے دوران کنزرویٹو ایلیٹیشن چان نے علی الترتیب 6.98 ملین روپے اور 8.16 ملین روپے کی کل اور خالص آمدنی حاصل کی۔ کنزرویٹو ایلیٹیشن چان کے خالص اثاثہ جات 0.13 ملین روپے پر ختم رہے جو برعکاس 30 جون 2018، 103.7607 روپے فی یونٹ کی خالص مالیت اثاثہ جات (NAV) کو ظاہر کرتا ہے۔ زیر جائزہ عرصے کے لئے چان نے 3.76% کا منافع کیا۔ چان نے 20% کی حد تک ایجوٹی فنڈز اور 79% کی حد تک گلسڈ انکم فنڈز میں سرمایہ کاری کی۔

بورڈ آف انٹریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

### اسٹریٹجک ایلیگیشن پلان:

زیر جائزہ عرصے کے دوران اسٹریٹجک ایلیگیشن پلان نے ملٹی انٹریٹیو 6.40 بلین روپے 5.13 بلین روپے کی گھل اور خالص آمدن حاصل کی۔ اس پلان کے خالص اثاثہ جات 0.21 ارب روپے پر قائم رہے جو برطانیہ 30 جون 2018 102 5230 روپے فی یونٹ کی خالص مارٹ اثاثہ جات کو ظاہر کرتی ہے۔ زیر جائزہ عرصے کے لئے پلان نے 2.52% کا منافع حاصل کیا۔ پلان نے 49% کی حد تک ایکویٹی ہولڈرز اور 50% کی حد تک گلسڈ انٹرمیڈیٹ میں سرمایہ کاری کی۔

بورڈ آف انٹریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لئے یونٹ ہولڈرز کو کسی تقسیم کی منظوری نہیں دی۔

### مینیجمنٹ کمپنی ریٹنگ (وریج بنڈی):

جے سی آر سوی آئی ایس کرڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے مینیجمنٹ کمپنی کے لئے اسے ایم 2 پر ریٹوڈ آؤٹ لگ یعنی مثبت توقع کی مینیجمنٹ کو ایٹی ریٹنگ (وریج بنڈی) کو اپ گریڈ کیا ہے اور آؤٹ لگ "اسٹھلم" تفویض کیا ہے۔

### آڈیٹرز:

میسرز ڈی ایسٹ پیسٹ عادل، پارٹنرز، اکیوٹیکس، ایچ بی ایل انٹرنیشنل، ایچ بی ایل گورنمنٹ سٹیجیو ریٹرنڈ، ایچ بی ایل ملی مارکیٹنڈ، ایچ بی ایل کیش انڈیا، ایچ بی ایل انٹرنیشنل، ایچ بی ایل انٹرنیشنل، ایچ بی ایل ایسٹ انڈیا اور ایچ بی ایل انٹرنیشنل جوائنٹ فنڈ کے موجودہ آڈیٹرز کے عہدے سے سبکدوش ہو گئے اور وینڈی اور پارٹنرز کی پبلس کے لئے اہل ہیں۔ بورڈ آف انٹریکٹرز بعد ازاں آڈیٹرز کی تقرری کے معاملے پر غور و خوض کریں گے۔

### یونٹ ہولڈنگ کا طریقہ کار:

یونٹ ہولڈنگ کے طریقہ کار (بہترین) کے بارے میں تفصیلات فنڈ کے متعلقہ مالیاتی دستاویزات میں فراہم کر دی گئی ہیں۔ یونٹ ہولڈنگ کا بریک اپ بڑے پیمانے پر متعلقہ فنڈ کی فنڈ فیئر رپورٹ کے متعلقہ سیکشن میں فراہم کیا گیا ہے۔

### اعتراف:

بورڈ اس موقع سے قادم و العائد ہونے اپنے تمام یونٹ ہولڈرز کا ان کے اعتماد اور سرپرستی کے لئے دل کی گواہیوں سے شکر یہ ادا کرتا ہے۔ بورڈ سٹیجیو ریٹرنڈ انڈیا کی مینیجمنٹ کمپنی آف پاکستان سینٹرل پارٹنرز کی مینیجمنٹ آف پاکستان انٹرنیشنل پاکستان اسٹاک ایکسچینج لمیٹڈ اور بینک دولت پاکستان کی جانب سے فراہم کردہ اعانت اور راہنمائی کے لئے ان کی کاوشوں کی قدر کرتا ہے اور معترف بھی ہے۔ بورڈ معاملے کی جانب سے انتھک محنت اور لگن کو بھی سراہتا ہے۔

منیجمنٹ بورڈ

ایچ بی ایل ایسٹ مینیجمنٹ لمیٹڈ

13 انٹریکٹرز

حقیقہ نگار سید آصف

بنیادی: کراچی



# **HBL Money Market Fund**

HBL AML annual report 2017-18

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Money Market Fund</b>
<b>NAME OF AUDITOR</b>	<b>Deloitte Yousuf Adil Chartered Accountants</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied Bank Limited Meezan Bank Limited Askari Bank Limited Samba Bank Limited Zarai Taraqati Bank Limited United Bank Limited Sindh Bank Limited JS Bank Limited</b>
<b>FUND RATING</b>	<b>AA(f) (JCR-VIS)</b>

**Type and Category of Fund**

Open end Money Market Fund

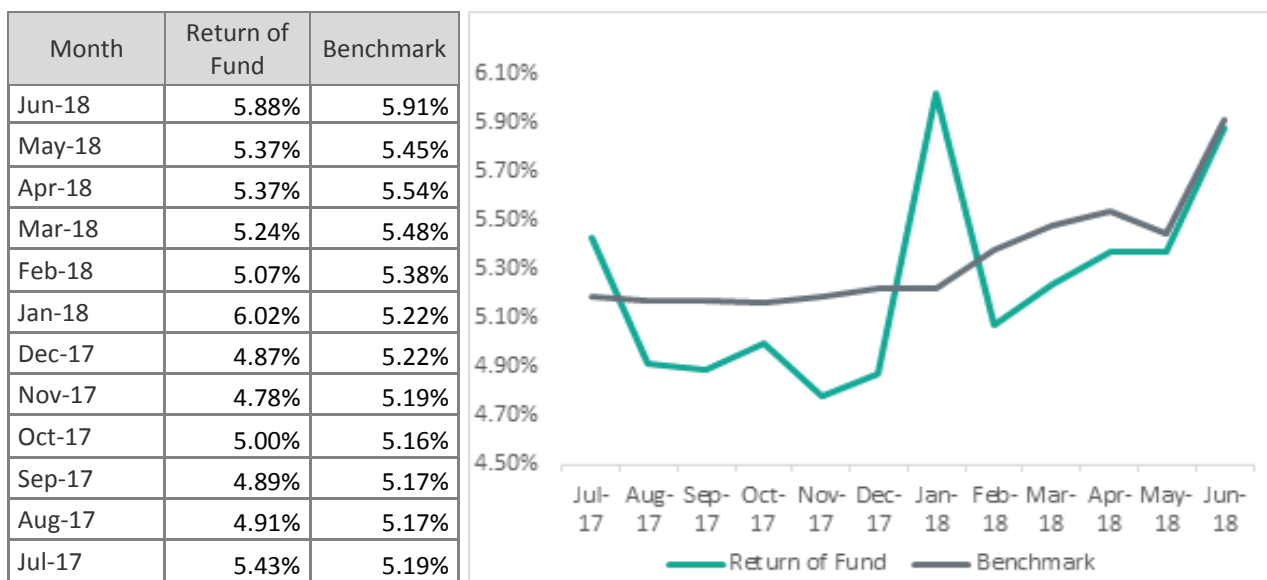
**Investment Objective and Accomplishment of Objective**

The investment objective of the Fund is to seek high liquidity and competitive return for investors by investing in low risk securities of shorter duration and maturity. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is 70% 3 – Month PKRV + 30% 3 – Month Deposit Rate of 3 AA and above rated Banks as per MUFAP.

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



**Strategies and Policies employed during the Period**

In line with the investment policy of the Fund, the Fund continued to hold major investments in the form of short maturity T-Bills and placements with Commercial Banks and DFIs in Daily Product Accounts, TDRs and LOPs. However on quarter and year end, better opportunities were offered in Placements which were utilized to optimize Fund returns.

**Asset Allocation**



**Significant Changes in Asset Allocation during the Year**

During every quarter end, the fund aggressively offload T-Bill inventory and took exposure in bank deposits owing to highly attractive rates on account of quarter/year ends. At the end of the period, 92.91% assets were deployed in Cash at bank and remaining 6.83% were deployed as placement with banks as they were offering 60 to 70 bps above T-Bill yield.

## Fund Performance

The total income and net income of the Fund was Rs. 358.99 million and Rs. 282.70 million respectively during the year ended June 30, 2018. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs. 101.7683 per unit as on June 30, 2017. The NAV of the Fund was Rs. 107.1869 per unit as on June 30, 2018, thereby giving an annualized return of 5.32%. During the same year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 5.35%. The size of Fund was Rs. 7.25 billion as on June 30, 2018.

## Market Review

Interest rate cycle reversed in FY18 as central bank focus diverted towards containing rising twin deficits and in anticipation of increase in inflation due to lack of fiscal discipline in election times. During the year, secondary market yields of 3, 5 and 10-year PIBs increased by 180, 171 and 86 bps respectively while yields of 3, 6 and 12 month T-Bills increased by 79, 90 and 116 bps respectively. Government of Pakistan raised only PKR 96bn through the PIB auction against a target of PKR 900bn as eight PIB auctions were scrapped in the year due to lack of interest. The last cut-off yields stood at 7.5000%, 8.4795% and 8.6999% p.a. for 3, 5 and 10-year PIBs respectively. Overall trading in longer tenures remained lackluster due to market participants' consensus of increase in interest rates.

During FY18, Government retired PKR 77bn from scheduled banks against borrowing of PKR 179bn during same period last year due to multiple scrapped PIB Auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,439bn during the period against PKR 908bn during same period last year. Government largely managed its borrowing requirements through domestic sources, and raised PKR 16,894bn via T-bills (excluding NCB) compared to the cumulative target of PKR 16,925bn and maturities of PKR 15,971bn. In the last T-Bill Auction held in Jun-18 no amount was accepted in the 6 and 12 month T-Bills. The cutoff yield was 6.7596% for the 3 month T-Bills. SBP increased the policy rate by 25bps in January and a further 50bps in May to 6.50% to control aggregate demand and the current account deficit. Since then the SBP has further increased policy rate by 100bps in Jul-18 MPS. Going forward, we foresee another interest rate hike of 50bps in the calendar year on the back of increasing inflation expectation and sustainability of current account risks.

## Distribution

Subsequent to the year end, the Fund has distributed cash dividend upto Rs. 5.15 per unit for the year ended June 30, 2018, which reduced the cum-NAV of the Fund as of June 30, 2018 by amount of distribution to Rs. 102.0369 per unit.

## Significant Changes in the State of Affairs

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

## Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	1,006	17,160
101 – 500	119	25,971
501 – 1,000	39	29,368
1,001 – 10,000	345	1,837,664
10,001 – 100,000	448	16,035,482
100,001 – 500,000	54	11,161,704
500,001 – 1,000,000	5	3,753,383
1,000,001 – 5,000,000	7	21,088,417
5,000001 and more	2	13,685,049
<b>Total</b>	<b>2,025</b>	<b>67,634,199</b>

### **Unit Splits**

There were no unit splits during the year.

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

Investments are subject to market risk.

### **Soft Commission**

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

**PERFORMANCE TABLE –  
HBL MONEY MARKET FUND**  
As at June 30, 2018

	For the period ended June 30, 2018	For the period ended June 30, 2017	For the period ended June 30, 2016	For the period ended June 30, 2015	For the period ended June 30, 2014	For the period ended June 30, 2013
<b>NET ASSETS AND PRICES</b>						
<b>Net assets at the period end(Rs'000)</b>	7,249,502	3,942,010	3,522,715	5,081,207	9,777,546	10,381,264
Net asset value per unit at the period end/period end(Rs)	107.1869	101.7683	101.5468	101.1823	100.4122	101.2604
Selling price/repurchasing price	107.1869	101.7683	101.5468	101.1823	100.4122	101.2604
Earning per unit(Rs) (note 3.10 )						
Highest selling price per unit(Rs)	107.1869	107.6259	106.2966	108.2936	101.0903	102.8147
Lowest selling price per unit(Rs)	101.8380	101.5871	101.1538	100.5311	100.2636	100.3569
Highest repurchase price per unit(Rs)	107.1869	107.6259	106.2966	108.2936	101.0903	102.8147
Lowest repurchasing price per unit(Rs)	101.8380	101.5871	101.1538	100.5311	100.2636	100.3569
<b>RETURN ( % )</b>						
Total return	5.32%	6.45%	5.13%	8.79%	8.08%	9.28%
Income distribution	5.15%	6.30%	5.15%	7.97%	7.59%	8.89%
Capital growth	0.17%	0.15%	-0.02%	0.82%	0.49%	0.39%
<b>DISTRIBUTION</b>						
First Interin dividend distribution	-	-	-	-	0.54	2.4
Second Interin dividend distribution	-	-	-	-	0.54	0.76
Third Interin dividend distribution	-	-	-	-	0.54	0.72
Fourth Interin dividend distribution	-	-	-	-	0.57	0.78
Fifth Interin dividend distribution	-	-	-	-	0.61	0.68
Sixth Interin dividend distribution	-	-	-	-	0.73	0.59
Seventh Interin dividend distribution	-	-	-	-	0.73	0.64
Eighth Interin dividend distribution	-	-	-	-	0.65	0.61
Ninth Interin dividend distribution	-	-	-	-	0.77	0.62
Tenth Interin dividend distribution	-	-	-	-	0.67	-
Eleven Interin dividend distribution	-	-	-	-	0.64	-
Twelve Interin dividend distribution	-	-	-	-	0.60	-
Final dividend distribution	5.15	6.30	4.80	8.00	-	1.1
Total dividend distribution for the year/ period	5.15	6.30	4.80	8.00	7.59	8.9
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	5.32%	6.45%	5.13%	8.79%	8.08%	9.28%
Average annual return 2 year	5.89%	5.79%	6.96%	8.44%	8.08%	10.41%
Average annual return 3 year	5.64%	6.79%	7.33%	8.44%	8.08%	10.89%
Weighted average portfolio during (No. of days)	3	19	13	16	66	12.10%
<b>Portfolio Composition- (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	92.91%	87.65%				
Placement with banks & DFIs	6.83%	9.40%				
Government Securities	0.00%	0.00%				
Commercial Paper	0.00%	2.41%				
Others including Receivables	0.26%	0.54%				

**Disclaimer:**

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

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Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL MONEY MARKET FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Money Market Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

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

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

Karachi, September 27, 2018



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL MONEY MARKET FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Money Market Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matter

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

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</b></p> <p>As disclosed in note 4.7, to the financial statements, on August 03, 2017, SECP issued SRD no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> </ul>

2/1/18

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>• Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>• Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

#### Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

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

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

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

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## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare

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circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

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

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

  
Chartered Accountants

Place: Karachi

Date: September 19, 2018

**HBL Money Market Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2018*

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	<b>7,298,928</b>	3,542,143
Investments	6	-	477,309
Accrued mark-up	7	<b>18,703</b>	21,546
Deposits and prepayments	8	<b>104</b>	100
<b>Total assets</b>		<u><b>7,317,735</b></u>	<u>4,041,098</u>
<b>Liabilities</b>			
Payable to Management Company	9	<b>5,327</b>	4,625
Payable to the Trustee	10	<b>532</b>	388
Payable to Securities and Exchange Commission of Pakistan	11	<b>4,064</b>	3,125
Accrued expenses and other liabilities	12	<b>58,310</b>	90,950
<b>Total liabilities</b>		<u><b>68,233</b></u>	<u>99,088</u>
<b>Net assets</b>		<u><b>7,249,502</b></u>	<u>3,942,010</u>
<b>Unit holders' fund (as per statement attached)</b>		<u><b>7,249,502</b></u>	<u>3,942,010</u>
<b>Contingencies and commitments</b>	13	----- Number of units -----	
<b>Number of units in issue</b>	14	<u><b>67,634,199</b></u>	<u>38,735,140</u>
		.....(Rupees).....	
<b>Net assets value per unit</b>	4.8	<u><b>107.1869</b></u>	<u>101.7683</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

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

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

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

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

**HBL Money Market Fund**  
**Income Statement**  
For the year ended June 30, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Mark-up / return on investments	15	138,886	79,392
Mark-up on deposits with banks	16	222,126	188,322
Loss on sale of investments - net		(2,020)	(75)
		<u>358,992</u>	<u>267,639</u>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	54,057	47,034
Remuneration of the Trustee	10.1	5,446	4,375
Annual fee of Securities and Exchange Commission of Pakistan	11.1	4,064	3,125
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	5,426	4,162
Securities transaction costs		7	14
Settlement and bank charges		426	360
Auditors' remuneration	17	611	632
Annual listing fee		28	67
Printing fee		171	259
Annual rating fee		245	239
Legal fee		49	25
		<u>70,530</u>	<u>60,292</u>
		<u>288,462</u>	<u>207,347</u>
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	4.7	-	(81,428)
Reversal of Provision for Workers' Welfare Fund	12.1	-	64,738
Provision for Sindh Workers' Welfare Fund	12.1	(5,769)	(6,602)
		<u>(5,769)</u>	<u>58,136</u>
<b>Net income for the year before taxation</b>		<u>282,693</u>	<u>184,055</u>
Taxation	18	-	-
<b>Net income for the year after taxation</b>		<u>282,693</u>	<u>184,055</u>
<b>Allocation of income for the Year</b>			
Income already paid on redemption of units		106,990	
<b>Accounting income available for distribution:</b>			
- Relating to capital gain		-	
- Excluding capital gain		175,703	
		<u>175,703</u>	
		<u>282,693</u>	
<b>Earnings per unit</b>	19		

The annexed notes 1 to 33 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

	2018	2017
	----- (Rupees in '000) -----	
Net income for the year after taxation	282,693	184,055
<b>Other comprehensive income for the year</b>	-	-
<b>Item that may be reclassified subsequently to Income Statement</b>		
Unrealised loss on re-measurement of investments classified as available-for-sale	(2,020)	(243)
Net reclassification adjustments relating to available-for-sale	2,020	75
	-	(168)
<b>Total comprehensive income for the year</b>	282,693	183,887

The annexed notes 1 to 33 form an integral part of these financial statements.

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

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

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

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



**HBL Money Market Fund**  
**Cash Flow Statement**  
For the year ended June 30, 2018

	2018	2017
Note	------(Rupees in '000)-----	
<b>Cash flow from operating activities</b>		
Net income for the year before taxation	282,693	184,055
<b>Adjustments</b>		
Profit from bank deposits	(222,126)	(188,322)
Return from investments	(138,886)	(79,392)
Capital loss	2,020	75
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	81,428
	<u>(76,299)</u>	<u>(2,156)</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	475,289	1,016,870
Deposits and prepayments	(4)	(100)
	<u>475,285</u>	<u>1,016,770</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to Management Company	702	180
Payable to the Trustee	144	17
Payable to Securities and Exchange Commission of Pakistan	939	(319)
Accrued expenses and other liabilities	(32,640)	(246,406)
	<u>(30,855)</u>	<u>(246,528)</u>
<b>Net cash generated from operations</b>		
	<u>368,131</u>	<u>768,086</u>
Profit received from bank deposits	224,969	168,364
Markup received on investments	138,886	79,392
	<u>363,855</u>	<u>247,756</u>
<b>Net cash generated from operating activities</b>		
	<u>731,986</u>	<u>1,015,842</u>
<b>Cash flow from financing activities</b>		
Amount received on issue of units	13,890,010	18,190,734
Payment made against redemption of units	(10,865,211)	(17,859,307)
Cash dividend paid	-	(176,765)
<b>Net cash generated from financing activities</b>		
	<u>3,024,799</u>	<u>154,662</u>
<b>Net increase in cash and cash equivalents</b>		
	<u>3,756,785</u>	<u>1,170,504</u>
Cash and cash equivalents at beginning of the year	<u>3,542,143</u>	<u>2,371,639</u>
<b>Cash and cash equivalents at end of the year</b>	<u>5</u> <u>7,298,928</u>	<u>3,542,143</u>

The annexed notes 1 to 33 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 Money Market Fund (the Fund) was established under a Trust Deed, dated March 18, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund has been authorised by the Securities and Exchange Commission of Pakistan (the SECP) as a unit trust scheme on April 9, 2010.

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

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription 'at par from July 12, 2010 to July 14, 2010.

The principal activity of the Fund is to seek high liquidity and comparative return for investors by investing in low risk securities of shorter duration and maturity.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+' to the Management Company and the fund stability rating of AA(f) to the Fund.

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

## **2. BASIS OF PREPARATION**

### **2.1 Statements of compliance**

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

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

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

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention.

### **2.3 Functional and presentation currency**

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

### **2.4 Critical accounting estimates and judgments**

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

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

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

**3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS, THAT ARE EFFECTIVE FOR THE YEAR ENDED JUNE 30, 2018**

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018**

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

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

Amendments to IAS 7 'Statement of Cash Flows'  
- Amendments as a result of the disclosure initiative January 01, 2017

Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses January 01, 2017

Certain annual improvements have also been made to a number of IFRSs which are also not relevant to the Fund.

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

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments (except IFRS 9 'Financial Instruments') are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

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

IFRS 15 'Revenue from contracts with customers'  
- This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date. July 01, 2018

IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date. January 01, 2019

Amendments to IFRS 2 'Share-based Payment'  
- Clarification on the classification and measurement of share-based payment transactions January 01, 2018

IFRS 9 'Financial Instruments' July 01, 2018

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture

Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

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

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

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

### **3.2.2 IFRS 9 'Financial Instruments' Impact Assessment**

**3.2.2.1** IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

**Key requirements of IFRS 9 are as follows;**

**Classification and measurement of financial assets**

- All recognized financial asset that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at FVTOCI.
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

**Classification and measurement of financial liabilities**

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

#### **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.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact Assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 on the basis of facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Market treasury bills classified as financial assets at fair value through profit or loss - held for trading will continue to be measured at fair value through profit or loss upon application of IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principle outstanding. These financial assets will qualify to be measured initially at fair value and subsequently measured at amortized cost upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **3.3 Change in policy in relation to preparation of income statement and statement of comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

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

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Cash and cash equivalents**

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

##### **4.2 Financial instruments**

###### **4.2.1 Financial assets**

###### **4.2.1.1 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 purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired.

**The financial assets of the Fund are currently categorized as follows:**

###### **a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading. Currently there are no investment of the Fund classified as at fair value through profit or loss - held for trading.

###### **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**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently there are no investment of the fund classified as Available for sale.

###### **4.2.1.2 Regular way contracts**

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

###### **4.2.1.3 Initial recognition and measurement**

All financial assets are initially recognized at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held-for-trading", in which case the transaction costs are charged to 'income statement'.

###### **4.2.1.4 Subsequent measurement**

###### **a) Financial assets 'at fair value through profit or loss held for trading' and 'available for sale'**

Subsequent to initial measurement, financial assets 'at fair value through profit or loss held for trading' and 'available for sale' are valued as follows:

###### **Basis of valuation of government securities**

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012.

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

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the Statement of comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

#### **b) Loans and receivables**

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

Gains or losses are also recognised in the 'income statement' and statement of comprehensive income when financial assets carried at amortised cost are derecognised or impaired.

#### **4.2.1.5 Impairment**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

#### **4.2.1.6 Derecognition**

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

#### **4.2.2 Financial liabilities**

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

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

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 Provisions**

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

#### **4.4 Taxation**

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

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

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

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed**

The Fund has followed the requirements of SRO 756 (I) 2017 dated August 3, 2017 read with NBFC regulations, 2008 in the preparation of these financial statements as follows:

- element of income has been determined as the difference between net assets value on the issuance or redemption date, as the case maybe, of units and the net asset value at the beginning of the accounting period;
- presented distributable income in statement of movement In unitholders' fund ; and
- presented allocation of net income available for distribution relating to capital gains and excluding capital gains in statement of movement In unitholders' fund.

#### **Amendment in the NBFC Regulations subsequent to the year end**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs 83.890 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

#### 4.8 Net assets value per unit

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

#### 4.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement and other comprehensive income' on the date at which the transaction takes place.
- Mark-up / return on Government securities, bank profits and investment in debt securities are recognized at a time apportionate basis using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'available for sale' are included in 'other comprehensive income' in 'income statement and statement of comprehensive income' in the period in which they arise.

#### 4.10 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised in the 'income statement' on a time apportionment basis using the effective interest method.

	Note	2018 ------(Rupees in '000)-----	2017
<b>5. BANK BALANCES</b>			
Balances with bank in:			
- Saving account	5.1	<b>6,798,928</b>	3,542,143
Term deposit receipts	5.2	<b>500,000</b>	-
		<b><u>7,298,928</u></b>	<b><u>3,542,143</u></b>

5.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 4.00% - 7.45% per annum (2017: 4.00% - 6.70% per annum).

5.2 Term deposit receipts carries mark-up at the rate of 7.40% per annum and will mature on July 27, 2018.

	Note	2018 ------(Rupees in '000)-----	2017
<b>6. INVESTMENTS</b>			
<b>Available for sale</b>			
- Government Securities	6.1	-	-
<b>Held for trading</b>			
- Government Securities	6.2	-	-
<b>Loans and receivables</b>			
- Certificate of investment		-	-
- Term deposit receipts	6.3	-	380,000
- Clean placement		-	97,309
		<b><u>-</u></b>	<b><u>477,309</u></b>

**6.1 Investment in Government Securities - Available-for-sale**

Issue Date	Tenure	Face value				Market Value as at June 30, 2018	Market value as a percentage of	
		As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets
----- (Rupees in '000) -----								
<b>Treasury bills</b>								
July 21, 2016	12 month	-	900,000	900,000	-	-	-	-
January 19, 2017	6 month	-	825,000	825,000	-	-	-	-
February 2, 2017	6 month	-	300,000	300,000	-	-	-	-
February 16, 2017	6 month	-	95,000	95,000	-	-	-	-
May 11, 2017	3 month	-	225,000	225,000	-	-	-	-
<b>Total - As at June 30, 2018</b>		<b>-</b>	<b>2,345,000</b>	<b>2,345,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total - As at June 30, 2017</b>		<b>1,400,000</b>	<b>18,733,000</b>	<b>20,133,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**6.2 Investment in Government Securities - Held-for-trading**

Issue Date	Tenure	Face value				Market Value as at June 30, 2018	Market value as a percentage of	
		As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets
----- (Rupees in '000) -----								
<b>Treasury bills</b>								
May 25, 2017	3 month	-	915,000	915,000	-	-	-	-
June 8, 2017	12 month	-	150,000	150,000	-	-	-	-
July 20, 2017	3 month	-	2,570,000	2,570,000	-	-	-	-
August 3, 2017	3 month	-	1,600,000	1,600,000	-	-	-	-
August 17, 2017	3 month	-	550,000	550,000	-	-	-	-
August 31, 2017	3 month	-	1,550,000	1,550,000	-	-	-	-
September 14, 2017	3 month	-	450,000	450,000	-	-	-	-
September 28, 2017	3 month	-	1,000,000	1,000,000	-	-	-	-
October 12, 2017	3 month	-	1,299,000	1,299,000	-	-	-	-
October 26, 2017	3 month	-	1,500,000	1,500,000	-	-	-	-
November 9, 2017	3 month	-	4,000,000	4,000,000	-	-	-	-
November 23, 2017	6 month	-	331,000	331,000	-	-	-	-
November 23, 2017	3 month	-	4,325,000	4,325,000	-	-	-	-
December 7, 2017	6 month	-	350,000	350,000	-	-	-	-
January 4, 2018	3 month	-	500,000	500,000	-	-	-	-
January 18, 2018	3 month	-	4,385,000	4,385,000	-	-	-	-
February 1, 2018	3 month	-	2,470,000	2,470,000	-	-	-	-
February 15, 2018	3 month	-	2,860,000	2,860,000	-	-	-	-
March 15, 2018	3 month	-	75,000	75,000	-	-	-	-
April 12, 2018	3 month	-	11,345,000	11,345,000	-	-	-	-
April 26, 2018	3 month	-	150,000	150,000	-	-	-	-
May 10, 2018	3 month	-	4,000,000	4,000,000	-	-	-	-
June 7, 2018	3 month	-	850,000	850,000	-	-	-	-
<b>Total - As at June 30, 2018</b>		<b>-</b>	<b>47,225,000</b>	<b>47,225,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total - As at June 30, 2017</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

6.3	Name of Company	As at July 1, 2017	Placement made during the year	Matured during the year	As at June 30, 2018	Percentage of total value of investments	Percentage of Net Assets	
		----- (Rupees in '000) -----						
	Bank Alfalah Limited	-	1,375,000	(1,375,000)	-	0.00%	0.00%	
	Zarai Taraqiyati Bank Limited	380,000	460,000	(840,000)	-	0.00%	0.00%	
	<b>Total - As at June 30, 2018</b>	<b>380,000</b>	<b>1,835,000</b>	<b>(2,215,000)</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>	
	<b>Total - As at June 30, 2017</b>	<b>400,000</b>	<b>2,645,000</b>	<b>(2,665,000)</b>	<b>380,000</b>	<b>79.61%</b>	<b>9.64%</b>	

		2018	2017
	Note	----- (Rupees in '000) -----	
<b>7. ACCRUED MARK-UP</b>			
Mark-up accrued on:			
- deposits with banks		18,298	19,448
- term deposit receipts		405	2,098
		<u>18,703</u>	<u>21,546</u>

<b>8. DEPOSITS AND PREPAYMENTS</b>			
Deposits		100	100
Prepayments		4	-
		<u>104</u>	<u>100</u>

<b>9. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee	9.1	4,231	3,760
Sindh Sales Tax	9.2	550	489
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	546	376
		<u>5,327</u>	<u>4,625</u>

**9.1** As per the offering document of the Fund, the Management Company charge a fee at the rate of 1% of the average annual net assets on daily basis of the scheme subject to the guidelines as may be issued by the Commission from time to time. Effective from January 15, 2018 the rate of fee is revised through amendment in the offering documents of the scheme as 10% of the gross earnings of the scheme, calculated on a daily basis subject to a cap of 1.00% and a floor of 0.75% of the average daily net assets of the scheme. The fee is payable monthly in arrears.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (2017: 13 percent) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

**9.3** As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

		2018	2017
	Note	----- (Rupees in '000) -----	
<b>10. PAYABLE TO THE TRUSTEE</b>			
Trustee's remuneration	10.1	<u>532</u>	<u>388</u>

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

**The tariff structure applicable to the Fund is as follows:**

<b>Amount of Funds Under Management [Average Net Assets Value (NAV)]</b>	<b>Tariff per annum</b>
Upto Rs 1000 million.	Rs.0.7 million or 0.15% p.a of net asset whichever is higher.
On amount exceeding Rs.1,000 million and upto Rs.10,000 million.	Rs.1.5 million plus 0.075% p.a of the net assets on amount exceeding Rs.1000 million upto 10,000 million.
Over Rs 10,000 million.	Rs.8.25 million plus 0.06% of NAV,exceeding Rs.10,000 million

		<b>2018</b>	<b>2017</b>
	Note	------(Rupees in '000)-----	
<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	<u><b>4,064</b></u>	<u>3,125</u>

- 11.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorized as a money market scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

		<b>2018</b>	<b>2017</b>
	Note	------(Rupees in '000)-----	
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			

Auditors' remuneration		<b>542</b>	530
Withholding tax payable		-	26,101
Provision for Sindh Workers' Welfare Fund	12.1	<b>12,371</b>	6,602
Federal Excise Duty	12.2	<b>41,211</b>	41,211
Capital gain tax payable		<b>1,388</b>	8,152
Advance against units to be issued		<b>2,500</b>	2,500
Other payable		<b>298</b>	5,854
		<u><b>58,310</b></u>	<u>90,950</u>

- 12.1** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which were

issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has been adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

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

Considering the above developments, the Management Company assessed the position of the Fund with regard to reversal of provision of WWF and recognition of provision of SWWF, and decided in the prior year that:

- the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and, Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 64.738 million and started recognising provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 12.373 million (2017: Rs. 6.602 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.183 (June 30, 2017: Rs. 0.170) per unit.

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

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

The Finance Act, 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2018.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 41.211 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.609 (June 30, 2017: Rs. 1.064) per unit.

**13. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

**14. NUMBER OF UNITS IN ISSUE**

	2018	2017
	------(Number of Units)-----	
Total units in issue at the beginning of the year	<b>38,735,140</b>	34,690,544
Units issued	<b>132,688,961</b>	172,636,657
Units redeemed	<b>(103,789,902)</b>	(168,592,061)
Total units in issue at the end of the year	<u><b>67,634,199</b></u>	<u>38,735,140</u>

**15. MARK-UP / RETURN ON INVESTMENTS**

Mark-up on:		
- Government securities	<b>122,679</b>	77,084
- Placements	<b>16,207</b>	2,308
	<u><b>138,886</b></u>	<u>79,392</u>

	2018	2017
	------(Rupees in '000)-----	

**16. MARK-UP ON DEPOSITS WITH BANKS**

Mark-up on:		
- Savings accounts	<b>186,154</b>	148,590
- Term deposit receipts	<b>35,972</b>	39,732
	<u><b>222,126</b></u>	<u>188,322</u>

**17. AUDITORS' REMUNERATION**

Annual audit fee	<b>460</b>	455
Fee for half yearly review	<b>55</b>	55
Review of compliance with the requirements of the Code of Corporate Governance	<b>-</b>	5
Other certifications and out of pocket expenses	<b>96</b>	117
	<u><b>611</b></u>	<u>632</u>

**18. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Subsequent to year end on July 4, 2018, Management Company has distributed cash dividend of at least 90 percent of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

**19. EARNINGS PER UNIT**

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

**20. FINANCIAL INSTRUMENTS BY CATEGORY**

----- As on June 30, 2018 -----			
	Loans and receivables	Available for sale	Total
----- Rupees in '000 -----			
<b>Assets</b>			
Bank balances	7,298,928	-	7,298,928
Accrued mark-up	18,703	-	18,703
Deposits	100	-	100
	<u>7,317,731</u>	<u>-</u>	<u>7,317,731</u>
----- As on June 30, 2018 -----			
	At fair value through profit or loss	Other financial liabilities	Total
----- Rupees in '000 -----			
<b>Liabilities</b>			
Payable to the Management Company	-	5,327	5,327
Payable to the Trustee	-	532	532
Accrued expenses and other liabilities	-	840	840
Unit holders' fund	-	7,249,502	7,249,502
	<u>-</u>	<u>7,256,202</u>	<u>7,256,202</u>
----- As on June 30, 2017 -----			
	Loans and receivables	Available for sale	Total
----- Rupees in '000 -----			
<b>Assets</b>			
Bank balances	3,542,143	-	3,542,143
Investments	477,309	-	477,309
Accrued mark-up	21,546	-	21,546
Deposits	100	-	100
	<u>4,041,098</u>	<u>-</u>	<u>4,041,098</u>
----- As on June 30, 2017 -----			
	At fair value through profit or loss	Other financial liabilities	Total
----- Rupees in '000 -----			
<b>Liabilities</b>			
Payable to the Management Company	-	4,625	4,625
Payable to the Trustee	-	388	388
Accrued expenses and other liabilities	-	6,384	6,384
Unit holders' fund	-	3,942,010	3,942,010
	<u>-</u>	<u>3,953,407</u>	<u>3,953,407</u>

**21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

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

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

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

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

	2018	2017
	------(Rupees in '000)-----	
<b>21.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	<u>54,057</u>	<u>47,034</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>5,426</u>	<u>4,162</u>
Issue of 1,106,289 units (2017: 2,673,815 units)	<u>114,079</u>	<u>285,829</u>
Redemption of 115,578 units (2017: 7,986,217 units)	<u>12,000</u>	<u>833,686</u>
<b>Habib Bank Limited - Sponsor</b>		
Issue of Units 6,535,940 units (2017: 104,325 Units)	<u>700,000</u>	<u>10,568</u>
Dividend Paid	<u>-</u>	<u>10,568</u>
Bank charges paid	<u>265</u>	<u>210</u>
Mark-up earned during the year	<u>39,520</u>	<u>32,563</u>
Mark-up received during the year	<u>40,692</u>	<u>30,178</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<u>5,446</u>	<u>4,375</u>
<b>Directors, Executives and Key Management personnel</b>		
Issue of units 340 units (2017: 131,753 units)	<u>36</u>	<u>40,214</u>
Redemption of units 137,374 (2017: 123,243 units)	<u>14,099</u>	<u>26,916</u>
<b>21.2 Amounts outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee	<u>4,231</u>	<u>3,760</u>
Sindh Sales Tax	<u>550</u>	<u>489</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>546</u>	<u>376</u>
Investment held in the Fund : 990,713 units (June 30, 2017: Nil units)	<u>106,191</u>	<u>-</u>
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund : 8,317,697 units (2017: 1,781,757 units)	<u>891,548</u>	<u>181,326</u>
Bank balances	<u>479,807</u>	<u>899,493</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	<u>471</u>	<u>695</u>
Sindh Sales tax	<u>61</u>	<u>85</u>



	2017			
	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
----- Rupees in '000 -----				
Individuals	1,070	19,074,870	1,941,217	49.24%
Associated companies	1	1,781,758	181,327	4.60%
Directors	1	128,835	13,111	0.33%
Banks and DFIs	-	-	-	0.00%
Insurance companies	3	539,966	54,951	1.39%
Retirement funds	5	226,633	23,064	0.59%
Trust	4	923,576	93,991	2.38%
Others	20	16,059,503	1,634,349	41.46%
	<u>1,104</u>	<u>38,735,140</u>	<u>3,942,010</u>	<u>100.00%</u>

## 25. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Agha Sher Shah 1	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23,2017 & April 23,2018
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27,2017
6	Mr. Shabbir Hussain Hashmi 2	1	1	-	-
7	Mr. Shahid Ghaffar 3	2	1	1	February 26,2018
8	Mr. Nadeem Abdullah 4	4	4	-	-
9	Mr.Towfiq Habib Chinoy 5	3	3	-	-
10	Mr.Salahuddin Manzoor 6	3	3	-	-

- 1 Appointed on November 23, 2017.
- 2 Appointed on February 26, 2018.
- 3 Appointed on December 04, 2017.
- 4 Resigned on February 26, 2018.
- 5 Resigned on November 23, 2017.
- 6 Resigned on November 30, 2017.

## 26. FINANCIAL RISK MANAGEMENT

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

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

The Fund primarily invests in a portfolio of money market investments, government securities and in other money market instruments. These activities are exposed to a variety of financial risks, market risks, credit risks and liquidity risks.

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

### 26.1.1 Market risk

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

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

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

### 26.1.2 Currency risk

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

### 26.1.3 Interest rate risk

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

#### a) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts, Term deposit receipts and clean placements. The net income for the year would have increased / (decreased) by Rs. 67,989 million (2017: Rs. 1.906 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

#### b) Fair value interest rate risk

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in interest rates at the reporting date would not affect profit and loss account of the Fund.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

	2018				
	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk
----- Rupees in '000 -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	7,298,928	7,298,928	-	-	-
Accrued mark-up	18,703	-	-	-	18,703
Deposits	100	-	-	-	100
	<b>7,317,731</b>	<b>7,298,928</b>	<b>-</b>	<b>-</b>	<b>18,803</b>
<b>Financial liabilities</b>					
Payable to Management Company	5,327	-	-	-	5,327
Payable to the Trustee	532	-	-	-	532
Accrued expenses and other liabilities	840	-	-	-	840
Unit holders' fund	7,249,502	-	-	-	7,249,502
	<b>7,256,201</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,256,201</b>
<b>On-balance sheet gap</b>	<b>61,530</b>	<b>7,298,928</b>	<b>-</b>	<b>-</b>	<b>(7,237,398)</b>
<b>Off-balance sheet financial instruments</b>					
	-	-	-	-	-
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2017				Not exposed to Yield / Interest rate risk
	Exposed to Yield / Interest rate risk				
Total	Upto three months	More than three months and upto one year	More than one year		
----- Rupees in '000 -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	3,542,143	3,542,143	-	-	-
Investments	477,309	-	-	-	477,309
Accrued mark-up	21,546	-	-	-	21,546
Deposits	100	-	-	-	100
	4,041,098	3,542,143	-	-	498,955
<b>Financial liabilities</b>					
Payable to Management Company	4,625	-	-	-	4,625
Payable to the Trustee	388	-	-	-	388
Accrued expenses and other liabilities	6,384	-	-	-	6,384
Unit holders' fund	3,942,010	-	-	-	3,942,010
	3,953,407	-	-	-	3,953,407
On-balance sheet gap	87,691	3,542,143	-	-	(3,454,452)
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

#### 26.1.4 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk.

#### 26.2 Credit risk

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

The Fund's most significant financial assets are term deposit receipts, placements, balances held with banks, and mark-up accrued on term deposit receipts and bank balances. The credit risk in respect of these balances is limited because counter parties are banks with high credit worthiness.

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2018:

	2018	2017
----- (Rupees in '000) -----		
<b>Bank balances by rating category</b>		
A-1+ (JCR-VIS)	6,434,129	2,335,720
A1+ (PACRA)	864,762	1,206,387
A-1 (JCR-VIS)	37	36
	<u>7,298,928</u>	<u>3,542,143</u>

	2018	2017
	----- (Rupees in '000) -----	
<b>Investments in Government Securities</b>	-	-
<b>Certificate of investments</b>	-	-
<b>Term deposit receipts</b>		
A-1 (JCR-VIS)	-	380,000
<b>Clean Placement</b>		
A1+ (PACRA)	-	97,309
<b>Accrued mark-up</b>	<b>18,703</b>	21,546
<b>Deposits</b>	<b>100</b>	100

The maximum exposure to credit risk before considering any related collateral as at June 30, 2018 is the carrying amount of the financial assets. None of these are 'impaired' nor 'past due but not impaired'.

#### Concentration of credit risk

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

### 26.3 Liquidity risk

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

The Fund is mainly exposed to the daily cash redemption requests on a regular basis. Units are redeemable at the holders' 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 the 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. The Fund's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily realised.

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

	2018			
	Number of unit holders	Upto three months	Over three months and upto one year	
	----- Rupees in '000 -----			
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to Management Company	5,327	5,327	-	-
Payable to the Trustee	532	532	-	-
Accrued expenses and other liabilities	840	840	-	-
	<b>6,699</b>	<b>6,699</b>	-	-
Unit holders' fund	<b>7,249,502</b>	<b>7,249,502</b>	-	-

	2017			
	Number of unit holders	Upto three months	Over three months and upto one year	Over one year
	----- Rupees in '000 -----			
<b>Financial liabilities</b>				
<b>(excluding unit holders' fund)</b>				
Payable to Management Company	4,625	4,625	-	-
Payable to the Trustee	388	388	-	-
Accrued expenses and other liabilities	6,384	6,384	-	-
	<u>11,397</u>	<u>11,397</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>3,942,010</u>	<u>3,942,010</u>	<u>-</u>	<u>-</u>

## 27. UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

## 28. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

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

As at June 30, 2018 the fund does not have any financial assets and financial liabilities carried at fair value.

The table below provides information on financial assets or liabilities under different categories, by valuation methods.

		June 30, 2018				Fair Value		
		Carrying amount		Total	Level 1	Level 2	Level 3	Total
Available -for-sale	Loans and receivables	Other financial assets/ liabilities						
(Rupees in '000)								
<b>On-balance sheet financial instruments</b>								
<b>Financial assets not measured at fair value</b>								
Bank balances	28.1	-	7,298,928	-	7,298,928			
Investments								
- Term deposit receipts	6.3	-	-	-	-			
- Clean placements								
Accrued mark-up		-	18,703	-	18,703			
Deposits		-	100	-	100			
		-	7,317,731	-	7,317,731			
<b>Financial liabilities not measured at fair value</b>								
Payable to Management Company	28.1	-	-	5,327	5,327			
Payable to the Trustee		-	-	532	532			
Accrued expenses and other liabilities		-	-	840	840			
		-	-	6,699	6,699			
		June 30, 2017				Fair Value		
		Carrying amount		Total	Level 1	Level 2	Level 3	Total
Available -for-sale	Loans and receivables	Other financial assets/ liabilities						
(Rupees in '000)								
<b>On-balance sheet financial instruments</b>								
<b>Financial assets not measured at fair value</b>								
Bank balances	28.1	-	3,542,143	-	3,542,143			
Investments								
- Term deposit receipts	6.3	-	380,000	-	380,000			
- Clean placements			97,309	-	97,309			
Accrued mark-up		-	21,546	-	21,546			
Deposits		-	100	-	100			
		-	4,041,098	-	4,041,098			
<b>Financial liabilities not measured at fair value</b>								
Payable to Management Company	28.1	-	-	4,625	4,625			
Payable to the Trustee		-	-	388	388			
Accrued expenses and other liabilities		-	-	6,384	6,384			
		-	-	11,397	11,397			

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

**29. TOTAL EXPENSE RATIO**

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 1.41% (2017; 1.45%) which includes 0.31% (2017;0.27%) representing Government Levy and SECP fee.

**30. NON ADJUSTING EVENT AFTER REPORTING DATE**

The Board of Directors of the Management Company in its meeting held on July 4, 2018 has proposed a variable final cash distribution of upto Rs. 5.15 per unit amounting to PKR 166.578 million as cash dividend and Rs. 181.738 million as refund of capital. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

**31. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on August 31, 2018.

**32. CORRESPONDING FIGURES**

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

**33. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



## **HBL** Income Fund

HBL AML annual report 2017-18

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Income Fund</b>
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited
<b>NAME OF AUDITOR</b>	Deloitte Yousuf Adil, Chartered Accountants.
<b>NAME OF BANKERS</b>	Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied Bank Limited JS Bank Limited Samba Bank Limited Zarai Taraqati Bank Limited Askari Bank Limited MCB Bank Limited Soneri Bank Limited Telenor Bank Microfinance U Microfinance Bank Limited The First Microfinance Bank Limited NRSP Microfinance Bank Limited
<b>Fund Rating</b>	<b>A(f) (JCR-VIS)</b>

**Type and Category of Fund**

Open end Income Fund

**Investment Objective and Accomplishment of Objective**

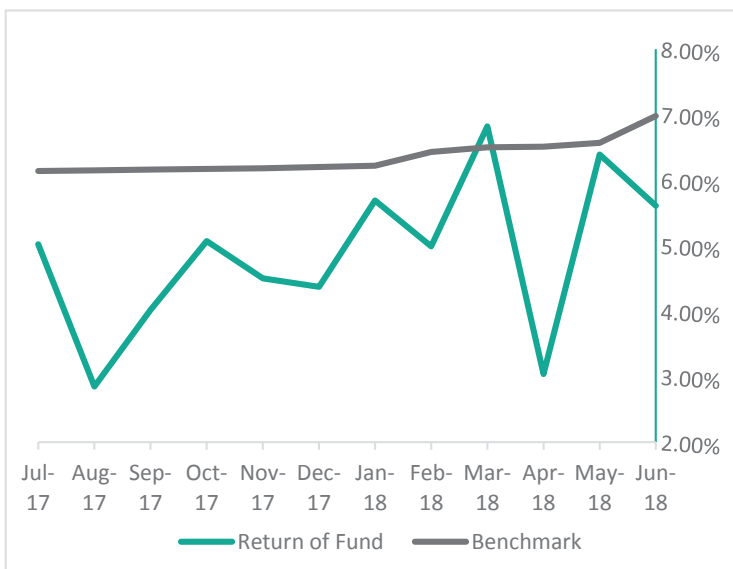
The objective of the Fund is to provide a stable stream of income with moderate level of risk by investing in fixed income securities. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is average six month KIBOR Offer rate.

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

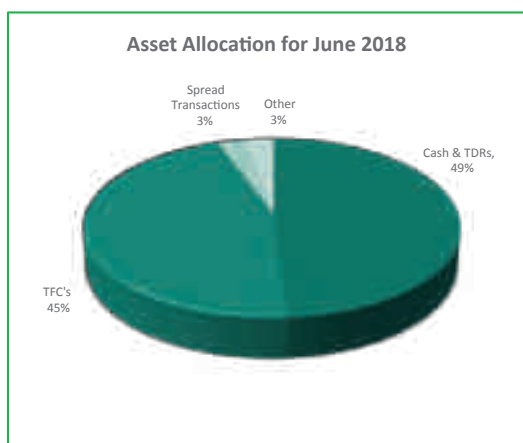
Month	Return of Fund	Benchmark
Jun-18	5.61%	6.98%
May-18	6.39%	6.57%
Apr-18	3.04%	6.51%
Mar-18	6.82%	6.50%
Feb-18	4.99%	6.43%
Jan-18	5.69%	6.22%
Dec-17	4.37%	6.20%
Nov-17	4.50%	6.18%
Oct-17	5.07%	6.17%
Sep-17	4.02%	6.16%
Aug-17	2.85%	6.15%
Jul-17	5.02%	6.14%



**Strategies and Policies employed during the Year**

During the year under review, fund size of HBL Income Fund was reduced to PKR 2,456 million compared to PKR 4,490 million in June, 2017. During the year, the Fund continued its policy of increasing quality TFCs in its portfolio. Exposure against TFCs (including Government guaranteed instrument) was increased from 32.20% to 45.4% as on June 30, 2018. The Fund was further invested in cash at bank and placements which cumulatively accounted for 54.50% of the portfolio on average. During the year, funds were also invested in TDR placements with Microfinance institutions, commercial papers and Spread transactions in order to support portfolio accruals.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

During the year under review some changes in asset allocation were witnessed. The Fund's exposure in bank placements were reduced to 8.29% in June 2018 compared to 19.48% in June 2017 and the same were moved to higher yielding TFCs and Spread Transactions. The cumulative exposure in Cash and TDRs increased to 49.03% from 45.77% due to changing market conditions near year-end. Overall weighted average maturity increased from 850 days to 928 days due to increase exposure in long term debt securities.

## Fund Performance

The total income and net income of the Fund was Rs. 265.31 million and Rs. 186.50 million respectively during the year ended June 30, 2018. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs. 106.0146 per unit as on June 30, 2017. The NAV of the Fund was Rs. 111.2890 per unit as on June 30, 2018 thereby giving an annualized return of 4.98%. During the same year the benchmark (6 Month KIBOR) return was 6.35%. The size of Fund was Rs. 2.46 billion as on June 30, 2018.

## Money Market Review

Interest rate cycle reversed in FY18 as central bank focus diverted towards containing rising twin deficits and in anticipation of increase in inflation due to lack of fiscal discipline in election times. During the year, secondary market yields of 3, 5 and 10-year PIBs increased by 180, 171 and 86 bps respectively while yields of 3, 6 and 12 month T-Bills increased by 79, 90 and 116 bps respectively. Government of Pakistan raised only PKR 96bn through the PIB auction against a target of PKR 900bn as eight PIB auctions were scrapped in the year due to lack of interest. The last cut-off yields stood at 7.5000%, 8.4795% and 8.6999% p.a. for 3, 5 and 10-year PIBs respectively. Overall trading in longer tenures remained lackluster due to market participants' consensus of increase in interest rates.

During FY18, Government retired PKR 77bn from scheduled banks against borrowing of PKR 179bn during same period last year due to multiple scrapped PIB Auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,439bn during the period against PKR 908bn during same period last year. Government largely managed its borrowing requirements through domestic sources, and raised PKR 16,894bn via T-bills (excluding NCB) compared to the cumulative target of PKR 16,925bn and maturities of PKR 15,971bn. In the last T-Bill Auction held in Jun-18 no amount was accepted in the 6 and 12 month T-Bills. The cutoff yield was 6.7596% for the 3 month T-Bills. SBP increased the policy rate by 25bps in January and a further 50bps in May to 6.50% to control aggregate demand and the current account deficit. Since then the SBP has further increased policy rate by 100bps in Jul-18 MPS. Going forward, we foresee another interest rate hike of 50bps in the calendar year on the back of increasing inflation expectation and sustainability of current account risks.

## Distribution

Subsequent to the year end, the Fund has distributed cash dividend upto Rs. 5.50 per unit for the year ended June 30, 2018, which reduced the cum-NAV of the Fund as of June 30, 2018 by amount of distribution to Rs. 105.7890 per unit.

## Significant Changes in the State of Affairs

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

## Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	267	10,449
101 – 500	129	26,643
501 – 1,000	43	32,539
1,001 – 10,000	224	1,111,318
10,001 – 100,000	194	6,432,781
100,001 – 500,000	15	3,234,131
500,001 – 1,000,000	1	3,234,131
1,000,001 – 5,000,000	1	578,925
5,000,001 and above	1	9,489,919
<b>Total</b>	<b>875</b>	<b>22,072,806</b>

### **Unit Splits**

There were no unit splits during the year.

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

Investments are subject to market risk.

### **Soft Commission**

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

**PERFORMANCE TABLE –  
HBL INCOME FUND**  
As at June 30, 2018

	2018	2017	2016	2015	2014	2013
Net assets at the period end(Rs'000)	2,456,460	4,490,296	6,726,060	3,376,281	2,768,352	1,947,464
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	111.2890	106.0146	106.0938	13-Apr-00	101.3388	102.6114
Offer	113.1753	107.8115	108.1983	13-Apr-00	101.3388	102.6114
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	113.1531	112.7930	113.4354	113.5884	104.8113	103.3155
Lowest offer price per unit	107.8570	107.7564	104.9645	101.4359	100.6154	99.1319
Highest redemption price per unit	111.2890	110.9130	111.2291	113.5884	104.8113	103.3155
Lowest redemption price per unit	106.0593	105.9604	104.9645	101.4359	100.6154	99.1319
<b>RETURN ( % )</b>						
Total return	4.98%	4.64%	6.12%	12.44%	9.91%	7.70%
Income distribution	5.50%	5.00%	5.25%	9.00%	9.00%	7.00%
Capital growth	-0.52%	-0.36%	0.87%	3.44%	0.91%	0.70%
<b>DISTRIBUTION</b>						
First Interim dividend distribution (Rs)	-	-	-	-	1.75	1.75
Date of Income Distribution						
Second Interim dividend distribution (Rs)	-	-	-	-	1.75	1.50
Date of Income Distribution						
Third Interim dividend distribution (Rs)	-	-	-	-	2.00	1.75
Date of Income Distribution						
Final dividend distribution (Rs)	5.50	5.00	5.25	9.00	3.50	2.00
	4-Jul-17	20-Jun-17	22-Jun-16	26-Jun-15	Various dates- (As mentioned in Financial Statements of respective year)	Various dates- (As mentioned in Financial Statements of respective year)
Total dividend distribution for the year/ period (Rs)	5.50	5.00	5.25	9.00	9.00	7.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	4.98%	4.64%	6.12%	12.44%	9.91%	7.70%
Average annual return 2 year	4.81%	5.39%	9.28%	11.18%	8.81%	10.01%
Average annual return 3 year	5.25%	7.69%	9.49%	10.02%	9.98%	10.01%
Weighted average portfolio during (No. of days)	928	850	372	485	621	475
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	40.74%	26.29%	48.00%	29.00%	24.00%	19.00%
TFCs	39.92%	32.20%	10.00%	8.00%	13.00%	27.00%
Government Securities	5.48%	-	34.00%	62.00%	54.00%	53.00%
Placement with Banks and DFIs	8.29%	19.48%	4.00%	0.00%	7.00%	0.00%
Spread Transaction	2.83%	4.87%	0.00%	0.00%	0.00%	0.00%
Commercial Paper	0.00%	2.96%	0.00%	0.00%	0.00%	0.00%
Others Including receivables	2.75%	14%	4.00%	1.00%	2.00%	1.00%

**Note:**

The Launch date of the Fund is March 15, 2007

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

Summary of Actual Proxy voted by CIS

HBL Income Fund	Meetings	Resolutions	For	Against
Number	-	-	-	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Amreli Steels Limited	25-10-2017	N-A
Attock Refinery Limited	19-10-2017	N-A
D G Khan Cement Co.Ltd.	28-10-2017	N-A
Engro Polymer & Chemicals Ltd	29-3-2018	N-A
Fauji Fertilizer Company Ltd	13-3-2018	N-A
Habib Metropolitan Bank Ltd	29-3-2018	N-A
International Steels Limited	26-9-2017	N-A
Nishat Chunian Ltd	23-10-2017	N-A
Oil & Gas Development Co Ltd	24-10-2017	N-A
Pak Elektron Ltd	25-4-2018	N-A
Pakistan Petroleum Ltd	27-10-2017	N-A

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S. Main Shahr-e-Faisal,  
Karachi - 74400, Pakistan  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020-23  
URL: [www.cdc-pakistan.com](http://www.cdc-pakistan.com)  
Email: [info@cdc-pak.com](mailto:info@cdc-pak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL INCOME FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Income Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2007, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 18, 2018



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL INCOME FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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

S. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 1,221 billion as at June 30, 2018.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in 'Term Finance certificates' and their valuation and existence is a significant area during our audit. There is a risk that appropriate</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>independent testing of valuations by using the rates determined by the Mutual Fund Association of Pakistan and ensuring the existence of number of certificates by comparing the internal records with Central</li> </ul>

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>quoted prices may not be used to determine fair value.</p> <p>Further, the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<p>Depository Company (CDC) account records;</p> <ul style="list-style-type: none"> <li>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of certificates during the year; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
2	<p><b>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</b></p> <p>As disclosed in note 4.7, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in Income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> <li>Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

*PKA*

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

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

#### **Responsibilities of Management Company and Those Charged with Governance for the Financial Statements**

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

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

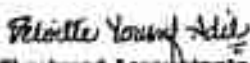
We also provide Those Charged with Governance of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where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

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

#### Report on Other Legal and Regulatory Requirements

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

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

  
Chartered Accountants

Place: Karachi  
Date: September 19, 2018

**HBL Income Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2018*

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	1,242,036	881,829
Investments	6	1,221,606	2,718,877
Accrued mark-up	7	21,696	43,405
Advances, deposits, prepayments and other receivables	8	47,841	188,054
Receivable against sale of investment	9	24,984	733,524
<b>Total assets</b>		<b>2,558,163</b>	4,565,689
<b>Liabilities</b>			
Payable to Management Company	10	4,399	8,335
Payable to the Trustee	11	349	498
Payable to Securities and Exchange Commission of Pakistan	12	2,742	4,291
Accrued expenses and other liabilities	13	50,424	62,269
Payable against purchase of investment		43,789	-
<b>Total liabilities</b>		<b>101,703</b>	75,393
<b>Net assets</b>		<b>2,456,460</b>	4,490,296
<b>Unit holders' fund (as per statement attached)</b>		<b>2,456,460</b>	4,490,296
<b>Contingencies and commitments</b>	14	-----Number of units-----	
<b>Number of units in issue</b>	15	<b>22,072,806</b>	42,355,455
		-----Rupees-----	
<b>Net assets value per unit</b>	4.8	<b>111.2890</b>	106.0146

The annexed notes 1 to 35 form an integral part of these financial statements.

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

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

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

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

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Mark-up / return on investments	16	104,489	152,964
Capital gain on sale of investments - net		241	9,611
Mark-up on deposits with banks	17	141,583	187,309
Dividend Income		16,647	20,783
Unrealised gain / (loss) on revaluation of investments carried at fair value through profit or loss - held-for-trading - net		2,352	(12)
<b>Total Income</b>		<b>265,312</b>	<b>370,655</b>
<b>Expenses</b>			
Remuneration of the Management Company	10.1	58,367	96,972
Remuneration of the Trustee	11.1	4,472	6,050
Annual fee of Securities and Exchange Commission of Pakistan	12.1	2,742	4,291
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	3,656	5,719
Settlement and bank charges		4,780	2,633
Auditors' remuneration	18	396	340
Fee and subscription		397	310
Printing charges		194	345
<b>Total Expenses</b>		<b>75,004</b>	<b>116,660</b>
		<b>190,308</b>	<b>253,995</b>
Element of loss and capital losses included in prices of units issued less those in units redeemed		-	(63,654)
Reversal of provision for Workers' Welfare Fund	13.2	-	28,170
Provision for Sindh Workers' Welfare Fund	13.2	(3,806)	(17,449)
		<b>(3,806)</b>	<b>10,721</b>
<b>Net income for the year before taxation</b>		<b>186,502</b>	<b>201,062</b>
Taxation	19	-	-
<b>Net income for the year after taxation</b>		<b>186,502</b>	<b>201,062</b>
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		77,201	
Accounting income available for distribution:			
- Relating to capital gains		2,063	
- Excluding capital gains		107,238	
		<b>109,301</b>	
		<b>186,502</b>	
<b>Earnings per unit</b>	20		

The annexed notes 1 to 35 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

	2018	2017
	----- (Rupees in '000) -----	
<b>Net income for the year after taxation</b>	<b>186,502</b>	201,062
Items that may be reclassified subsequently to Income Statement		
Unrealised loss on re-measurement of investments classified as available-for-sale	(12,406)	(29,754)
Reclassification adjustments relating to available for sale financial assets disposed of during the year	1,021	23,546
<b>Total other comprehensive income for the year</b>	<b>(11,385)</b>	(6,208)
<b>Total comprehensive income for the year</b>	<b>175,117</b>	194,854

The annexed notes 1 to 35 form an integral part of these financial statements.

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

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

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

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

**HBL Income Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2018

	2018				2017			
	Capital value	Undistributed income	Unrealised (loss) / income of investment	Total	Capital value	Undistributed income	Unrealised (loss) / income of investment	Total
	-----Rupees in '000'-----							
<b>Net assets at beginning of the year</b>	4,362,025	117,658	10,613	4,490,296	-	-	-	6,726,060
<b>Issuance of 8,770,467 units (2017: 58,376,138 units)</b>								
- Capital Value (at net asset value per units at the beginning of the year	929,798	-	-	929,798	-	-	-	6,207,980
- Element of income	20,890	-	-	20,890	-	-	-	-
	950,688	-	-	950,688	-	-	-	6,207,980
<b>Redemption of 29,053,116 units (2017: 79,417,982 units)</b>								
- Capital Value (at net asset value per units at the beginning of the year"	(3,080,081)	-	-	(3,080,081)	-	-	-	(8,506,659)
- Amount paid out of element of income relating to net income for the year after taxation	(2,359)	(77,201)	-	(79,560)	-	-	-	-
	(3,082,440)	(77,201)	-	(3,159,641)	-	-	-	(8,506,659)
Element of income and capital gains included in prices of units issued less those in units redeemed	-	-	-	-	-	-	-	63,654
Distribution during the year	-	-	-	-	-	-	-	(195,593)
Net income for the year after taxation	-	186,502	-	186,502	-	-	-	201,062
Other comprehensive income for the year	-	-	(11,385)	(11,385)	-	-	-	(6,208)
<b>Total comprehensive income for the period</b>	-	186,502	(11,385)	175,117	-	-	-	194,854
<b>Net assets at end of the year</b>	<b>2,230,273</b>	<b>226,959</b>	<b>(772)</b>	<b>2,456,460</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,490,296</b>
<b>Undistributed income brought forward</b>								
- Realised		117,670				240,413		
- Unrealised		(12)				-		
		117,658				240,413		
<b>Accounting income available for distribution</b>								
- Relating to capital gains		2,063				-		
- Excluding capital gains		107,238				-		
		109,301				201,062		
Element of loss and capital losses included in prices of units issued less those in units redeemed		-				(128,224)		
Distribution during the year		-				(195,593)		
Undistributed income carried forward		<u>226,959</u>				<u>117,658</u>		
<b>Undistributed income carried forward</b>								
- Realised		224,607				117,670		
- Unrealised		2,352				(12)		
		<u>226,959</u>				<u>117,658</u>		
<b>Net assets value per unit at beginning of the year</b>				<u>106.0146</u>				<u>106.0938</u>
<b>Net assets value per unit at end of the year</b>				<u>111.2890</u>				<u>106.0146</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

**HBL Income Fund**  
**Cash Flow Statement**  
For the year ended June 30, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Cash flows from operating activities</b>			
Net income for the year		186,502	201,062
<b>Adjustments:</b>			
Return / mark-up on:			
- Bank profits		(141,583)	(187,309)
- Investments		(104,489)	(152,964)
- Gain on sale of investments - net		(241)	(9,611)
- Dividend income		(16,647)	(20,783)
Unrealised (gain) / loss		(2,352)	12
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		-	63,654
Reversal of provision for Workers' Welfare Fund		-	(28,170)
Provision for Sindh Workers' Welfare Fund		3,806	17,449
		<u>(75,004)</u>	<u>(116,660)</u>
<b>Decrease / (increase) in assets</b>			
Investments - net		2,240,808	(166,983)
Advances, deposits, prepayments and other receivables		136,747	76,755
		<u>2,377,555</u>	<u>(90,228)</u>
<b>Decrease in liabilities</b>			
Payable to Management Company		(3,936)	(7,053)
Payable to the Trustee		(149)	(120)
Payable to Securities and Exchange Commission of Pakistan		(1,549)	(553)
Accrued expenses and other liabilities		(15,651)	(19,722)
		<u>(21,285)</u>	<u>(27,448)</u>
Bank profit received		144,556	176,124
Markup on investments received		123,225	157,154
Dividend Income received		20,113	17,317
<b>Net cash generated from operating activities</b>		<u>2,569,160</u>	<u>116,259</u>
<b>Cash flows from financing activities</b>			
Amount received on issue of units		950,688	6,207,980
Payment against redemption of units		(3,159,641)	(8,506,659)
Cash dividend paid		-	(195,593)
<b>Net cash used in financing activities</b>		<u>(2,208,953)</u>	<u>(2,494,272)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>360,207</u>	<u>(2,378,013)</u>
Cash and cash equivalents at beginning of the year		881,829	3,259,842
<b>Cash and cash equivalents at end of the year</b>	5	<u>1,242,036</u>	<u>881,829</u>

The annexed notes 1 to 35 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 Income Fund (the Fund) was established under a Trust Deed, dated September 06, 2006, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on July 25, 2006.

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

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par from March 15, 2007 to March 17, 2007.

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

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

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

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

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

### **2.2 Basis of measurement**

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

### **2.3 Functional and presentation currency**

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

### **2.4 Use of judgments and estimates**

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are

recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

### **3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS**

#### **3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018**

The following amendments are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017
Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.	

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

##### **3.2.1** The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments (except IFRS 9 'Financial Instruments') are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 9 'Financial Instruments'	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019

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

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture

Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

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

Amendments to IAS 28 'Investments in Associates and Joint Ventures'

- Amendments regarding long-term interests in associates and joint ventures January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement

January 01, 2019

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

January 01, 2018

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency

January 01, 2018

IFRIC 23 'Uncertainty over Income Tax Treatments':

Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'

January 01, 2019

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

**3.2.2 IFRS 9 'Financial Instruments' Impact Assessment**

**3.2.2.1** IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

**Key requirements of IFRS 9 are as follows;**

**Classification and measurement of financial assets**

- All recognized financial assets that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

#### **Classification and measurement of financial liabilities**

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

#### **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.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Term finance certificates and equity securities (ready buy future sale transactions) classified as financial assets at fair value through profit or loss - held for trading qualify for designation as measured at fair value through profit or loss upon application of IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principle outstanding. These financial assets will qualify for designation as measured at amortised cost and will continue to be subsequently measured at amortised cost upon application of IFRS 9.

Term finance certificates classified as financial assets at 'available-for-sale' are to be measured at fair value through profit or loss upon application of IFRS 9 with value changes to be recognised in profit or loss instead of other comprehensive income. The change in fair value attributed to these financial assets amounting to Rs. 11.385 million during the current year would be recognised in income statement under IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

### **3.3 Change in policy in relation to preparation of income statement and statement of comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

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

## **4. SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 Cash and cash equivalents**

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

### **4.2 Financial instruments**

#### **4.2.1 Financial assets**

##### **4.2.1.1 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 purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

#### **a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading.

#### **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**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

##### **4.2.1.2 Regular way contracts**

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

##### **4.2.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss", in which case the transaction costs are charged to 'income statement'.

#### **4.2.1.4 Subsequent measurement**

##### **a) Financial assets classified as 'fair value through profit or loss - held-for-trading'**

Subsequent to initial measurement, financial assets classified as 'fair value through profit or loss - held-for-trading' are valued as follows:

**Basis of valuation of equity securities (ready buy future sale transactions)**

The investment of the Fund in equity securities is valued using quoted market prices obtained from Pakistan Stock Exchange Limited at each reporting date.

Net gains and losses arising from changes in fair value of 'fair value through profit or loss - held-for-trading' financial assets are recognised under operating income in the 'Income statement'.

**Basis of valuation of term finance certificates**

The investment of the funds in term finance certificates are valued on the basis of market prices published by MUFAP in accordance with circular no. 33 of 2012 issued by Securities & Exchange Commission of Pakistan.

Net gains and losses arising from changes in fair value of 'fair value through profit or loss - held-for-trading' financial assets are recognised under operating income in the 'Income statement'.

##### **b) Loans and receivables**

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

Gains or losses are also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

##### **c) Available for sale**

Subsequent to initial measurement, financial assets classified as 'available for sale' are valued as follows:

###### **Basis of valuation of government securities**

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012 issued by Securities & Exchange Commission of Pakistan, whereas those in term finance certificates are valued on the basis of market prices published by MUFAP in accordance with circular no. 33 of 2012 issued by Securities & Exchange Commission of Pakistan.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the Statement of Comprehensive Income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

###### **Basis of valuation of term finance certificates**

The investment of the funds in term finance certificates are valued on the basis of market prices published by MUFAP in accordance with circular no. 33 of 2012 issued by Securities & Exchange Commission of Pakistan.

#### **4.2.1.5 Impairment**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

#### **4.2.1.6 Derecognition**

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

#### **4.2.2 Financial liabilities**

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

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

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 Provisions**

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

#### **4.4 Taxation**

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

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

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

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed**

The Fund has followed the requirements of SRO 756 (I) 2017 dated August 3, 2017 read with NBFC regulations, 2008 in the preparation of these financial statements as follows:

- element of income has been determined as the difference between net assets value on the issuance or redemption date, as the case maybe, of units and the net asset value at the beginning of the accounting period;

- presented distributable income in statement of movement In unitholders' fund ; and
- presented allocation of net income available for distribution relating to capital gains and excluding capital gains in statement of movement In unitholders' fund

#### **Amendment in the NBFC Regulations in the current year**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs 58.67 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

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

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

#### **4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included operating income in the 'income statement' on the date at which the transaction takes place.
- Mark-up / return on Government securities, bank profits and investment in debt securities are recognized on a time apportionment basis using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement. Unrealised gains / (losses) arising on re-measurement of investments classified as available-for-sale (AFS) are included in the Statement of comprehensive income in the year in which they arise.

- Dividend income from equity securities is recognised when right to receive dividend is established.

#### 4.10 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised as expenses in the 'income statement and other comprehensive income' on a time apportionment basis using the effective interest method.

#### 4.11 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement and other comprehensive income. Derivatives with positive fair values (unrealised gains) are included in other assets and derivatives with negative fair values (unrealised losses) are included in other liabilities in the statement of assets and liabilities.

	Note	2018 ------(Rupees in '000)-----	2017 ------(Rupees in '000)-----
<b>5. BANK BALANCES</b>			
Balances with bank in:			
- Saving accounts	5.1	<b>1,032,036</b>	881,829
Term deposit receipt (TDR)	5.2	<b>210,000</b>	-
		<b><u>1,242,036</u></b>	<b><u>881,829</u></b>

5.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 4.10% - 7.50% per annum.

5.2 This represents term deposit receipt which will mature on September 27, 2018 and carries profit at 8.60% (June 30, 2017: 6.8% to 8.00%) per annum.

	Note	2018 ------(Rupees in '000)-----	2017 ------(Rupees in '000)-----
<b>6. INVESTMENTS</b>			
Available for sale			
- Term finance certificates - listed	6.1.1	-	301,041
- Term finance certificates and sukuk bonds - unlisted	6.1.2	<b>336,779</b>	1,170,083
Fair value through profit or loss - held-for-trading			
- Term finance certificates - listed	6.2.1	<b>391,551</b>	-
- Term finance certificates and sukuk bonds - unlisted	6.2.2	<b>421,570</b>	-
- Government securities	6.3	-	-
- Investment in ready / future - spread transaction	6.4	<b>71,706</b>	222,649
Loans and receivables			
- Term deposit receipt (TDR)		-	890,000
- Commercial paper	6.5	-	135,104
		<b><u>1,221,606</u></b>	<b><u>2,718,877</u></b>

**6.1 Available for sale investments**

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

**6.1.1 Term Finance Certificates - Listed**

Name of the Investee Company	Number of certificates				Market value / Carrying value* as at June 30, 2018	Market value as a percentage of		
	As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets	
----- (Rupees in '000) -----								
<b>Financial Services</b>								
Saudi Pak Leasing Company Limited - note 6.1.3 *	2,000	-	-	2,000	-	-	-	
	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Technology and Communication</b>								
Worldcall Telecom Limited - note 6.1.4 *	23,750	-	-	23,750	-	-	-	
	<u>23,750</u>	<u>-</u>	<u>-</u>	<u>23,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Commercial Banks</b>								
MCB Bank Limited (Formerly NIB Bank Limited)	43,200	-	43,200	-	-	-	-	
	<u>43,200</u>	<u>-</u>	<u>43,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Fertilizer</b>								
Fatima Fertilizer Company Limited	17,517	-	17,517	-	-	-	-	
	<u>17,517</u>	<u>-</u>	<u>17,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>Total</b>	<b><u>86,467</u></b>	<b><u>-</u></b>	<b><u>60,717</u></b>	<b><u>25,750</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	
As at June 30, 2017	<u>25,750</u>	<u>67,717</u>	<u>7,000</u>	<u>86,467</u>	<u>301,041</u>	<u>11.07%</u>	<u>6.70%</u>	
<b>Cost of investments as at June 30, 2018</b>						<b><u>53,317</u></b>		
Cost of investments as at June 30, 2017						<u>297,365</u>		

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

**6.1.2 Term Finance Certificates and Sukuk bonds - Unlisted**

Name of the Investee Company	Number of certificates				Market value / Carrying value* as at June 30, 2018	Market value as a percentage of	
	As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets
----- (Rupees in '000) -----							
<b>Commercial Banks</b>							
JS Bank Limited (note 6.2.3)	46,000	-	37,550	8,450	42,181	3.45%	1.72%
Habib Bank Limited	2,710	-	2,710	-	-	-	-
Bank of Punjab **	2,400	-	1,000	1,400	139,846	11.45%	5.69%
Bank Al Habib Limited	22,280	-	22,280	-	-	-	-
	<u>73,390</u>	<u>-</u>	<u>63,540</u>	<u>9,850</u>	<u>182,027</u>	<u>14.90%</u>	<u>7.41%</u>

Name of the Investee Company	Number of certificates				Market value / Carrying value* as at June 30, 2018	Market value as a percentage of	
	As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets
----- (Rupees in '000) -----							
<b>Chemicals</b>							
Ghani Gases Limited **	1,200	-	1,000	200	15,992	1.31%	0.65%
Agritech Limited - note 6.1.7 *	2,000	-	-	2,000	-	-	-
	<u>3,200</u>	<u>-</u>	<u>1,000</u>	<u>2,200</u>	<u>15,992</u>	<u>1.31%</u>	<u>0.65%</u>
<b>Multiutilities</b>							
WAPDA TFC	60,200	-	5,040	55,160	138,760	11.36%	5.65%
	<u>60,200</u>	<u>-</u>	<u>5,040</u>	<u>55,160</u>	<u>138,760</u>	<u>11.36%</u>	<u>5.65%</u>
<b>Others</b>							
<b>New Allied Electronic Industries (Private) Limited note 6.1.5*</b>	9,000	-	-	9,000	-	-	-
<b>New Allied Electronic Industries (Private) Limited - Sukuk note 6.1.5*</b>	9,000	-	-	9,000	-	-	-
	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><b>154,790</b></u>	<u><b>-</b></u>	<u><b>69,580</b></u>	<u><b>85,210</b></u>	<u><b>336,779</b></u>	<u><b>27.57%</b></u>	<u><b>13.71%</b></u>
As at June 30, 2017	<u>164,000</u>	<u>94,830</u>	<u>104,040</u>	<u>154,790</u>	<u>1,170,083</u>	<u>43.04%</u>	<u>26.06%</u>
<b>Cost of investments as at June 30, 2018</b>					<u><b>408,720</b></u>		
Cost of investments as at June 30, 2017					<u>1,287,632</u>		

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

\*\*These TFCs have face value of Rs. 100,000 per TFC.

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

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

The Issuer defaulted again in the payment of principal and mark-up due on September 13, 2011. In accordance with the requirements of Circular No. 33 of 2012 dated October 24, 2012 issued by the Securities Exchange Commission of Pakistan (SECP), the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. A provision of Rs. 5.550 million equivalent to 100% of the amount outstanding has been made.

**6.1.4** Worldcall Telecom Limited TFC's were classified by MUFAP as non-performing on November 8, 2012 after default of instalment due on October 7, 2012 (earlier default on April 7, 2012) for the second time. A restructuring agreement was signed on December 26, 2012. The restructuring included the extension of repayment period by 2 years, deferral of principal instalments till October 7, 2014 and payment of regular mark-up during the restructuring period. In accordance with Circular No. 33 of 2012 dated October 24, 2012, a provision of Rs. 47.767 million equivalent to 100% of the amount outstanding has been made.

- 6.1.5** These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.
- 6.1.6** The Term Finance Certificates and Sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.
- 6.1.7** Installment amounting to Rs. 1.998 million became due for payment of the following TFCs / sukuks and are reflected in note 8.

	2018	2017
	----- (Rupees in '000) -----	
Agritech Limited	<u>1,998</u>	<u>1,998</u>
	<u>1,998</u>	<u>1,998</u>

- 6.1.8** Significant terms and conditions of Term Finance Certificates and Sukuk bonds outstanding as at June 30, 2018 are as follows:

Name of security	Remaining principal (per TFC) in Rupees	Mark-up rate (per annum)	Issue date	Maturity date
<b>Term Finance Certificates - Listed</b>				
Saudi Pak Leasing Company Limited	2,775	6 Month KIBOR + 1.50%	13-Mar-08	13-Mar-13
World Call Telecom Limited	2,011	6 Month KIBOR + 1.60%	07-Oct-08	07-Oct-13
<b>Term Finance Certificates and Sukuk bonds - Unlisted</b>				
Agritech Limited	3,997	6 Month KIBOR + 1.75%	29-Nov-07	29-Nov-14
WAPDA - TFC	2,500	6 Month KIBOR + 1%	27-Sep-13	27-Sep-21
Ghani Gases Limited	79,167	3 Month KIBOR + 1%	02-Feb-17	02-Feb-23
JS Bank Limited	4,997	6 Month KIBOR + 1.40%	14-Dec-16	16-Dec-23
Bank of Punjab	99,940	6 Month KIBOR + 1%	23-Feb-16	23-Feb-26

**6.2 Fair value through profit or loss - Held for trading**

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

**6.2.1 Term finance certificates - Listed**

Name of the Investee Company	Number of certificates				Market value / Carrying value* as at June 30, 2018	Market value as a percentage of	
	As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets
----- (Rupees in '000) -----							
<b>Commercial Banks</b>							
Bank Al Falah	-	24,075	24,075	-	-	-	-
Soneri Bank Limited	-	31,100	4,000	27,100	136,041	11.14%	5.54%
MCB Bank Limited	-	5,000	5,000	-	-	-	-
	<u>-</u>	<u>60,175</u>	<u>33,075</u>	<u>27,100</u>	<u>136,041</u>	<u>11.14%</u>	<u>5.54%</u>

Name of the Investee Company	Number of certificates			Market value / Carrying value* as at June 30, 2018	Market value as a percentage of		
	As at July 1, 2017	Purchases during the year	Sales / Matured during the year		Total Investments	Net Assets	
----- (Rupees in '000) -----							
<b>Chemicals</b>							
Dawood Hercules Chemical Limited (note 6.2.3) *	-	3,550	1,000	2,550	255,510	20.92%	10.40%
	-	3,550	1,000	2,550	255,510	20.92%	10.40%
<b>Total</b>	-	<b>63,725</b>	<b>34,075</b>	<b>29,650</b>	<b>391,551</b>	<b>32.06%</b>	<b>15.94%</b>
As at June 30, 2017	-	-	-	-	-	-	-
<b>Cost of investments as at June 30, 2018</b>					<b>390,549</b>		
Cost of investments as at June 30, 2017					-		

\* These TFCs have face value of Rs. 100,000 per TFC.

## 6.2.2 Term finance certificates and sukuk bonds - Unlisted

### Commercial Banks

Bank of Punjab *	-	650	-	650	64,929	5.32%	2.64%
JS Bank Limited (note 6.2.3)	-	21,150	18,000	3,150	15,725	1.29%	0.64%
JS Bank Limited - Sukuk (note 6.2.3)*	-	2,000	-	2,000	199,960	16.37%	8.14%
Habib Bank Limited	-	1,250	1,250	-	-	-	-
Bank Al Habib limited	-	37,988	37,988	-	-	-	-
Askari Bank Limited	-	10,000	10,000	-	-	-	-
	-	<b>73,038</b>	<b>67,238</b>	<b>5,800</b>	<b>280,614</b>	<b>22.98%</b>	<b>11.42%</b>

### Investment Companies

Jahangir Siddiqui & Company Limited	-	18,000	-	18,000	90,863	7.44%	3.70%
	-	<b>18,000</b>	<b>-</b>	<b>18,000</b>	<b>90,863</b>	<b>7.44%</b>	<b>3.70%</b>

### Technology and communication

TPL Corporation Limited *	-	500	-	500	50,093	4.10%	2.04%
	-	<b>500</b>	<b>-</b>	<b>500</b>	<b>50,093</b>	<b>4.10%</b>	<b>2.04%</b>

<b>Total</b>	-	<b>91,538</b>	<b>67,238</b>	<b>24,300</b>	<b>421,570</b>	<b>34.52%</b>	<b>17.16%</b>
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As at June 30, 2017	-	-	-	-	-	-	-
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<b>Cost of investments as at June 30, 2018</b>					<b>420,562</b>		
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Cost of investments as at June 30, 2017					-		
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\* These TFCs have face value of Rs. 100,000 per TFC.

## 6.2.3 Details of non-compliant investments with the investment limit specified by Regulation 55 sub regulation 5 of the NBFC Regulations

Name of Non-Complaint Investment	Type of Investment	Value of Investment before Provision	Provision held (if any)	Value of Investment after Provision	% of Net Assets	% of Gross Assets
----- (Rupees in '000) -----						
Dawood Hercules Corporation Limited (note 6.2.4)	Sukuk	255,510	-	255,510	10.40%	9.99%
JS Bank Limited (note 6.2.4)	TFC	257,866	-	257,866	10.50%	10.08%

**6.2.4** The exposure limit in a single entity as a percentage of net assets exceeded by 0.4% and 0.5% against the prescribed limit of 10% of the total net assets as required under the NBFC Regulations. The disclosure for breach of exposure limit is made as required by the circular no. 16 of 2010 dated July 07, 2010 by SECP. Exposure limit exceeded the prescribed limit of 10% due to reduction of fund size, subsequent to the purchase of investment.

**6.2.5** Significant terms and conditions of Term Finance Certificates Sukuk bonds outstanding as at June 30, 2018 are as follows:

Name of security	Remaining principal (per TFC) in Rupees	Mark-up rate (per annum)	Issue date	Maturity date
<b>Term Finance Certificates - Listed</b>				
Soneri Bank Limited	4,995	6 Month KIBOR + 1.35%	08-Jul-15	08-Jul-23
Dawood Hercules Chemical Limited	100,000	3 Month KIBOR + 1%	16-Nov-17	16-Nov-22
<b>Term Finance Certificates and Sukuk bonds - Unlisted</b>				
Bank of Punjab	99,940	6 Month KIBOR + 1%	23-Feb-16	23-Feb-26
JS Bank Limited	4,997	6 Month KIBOR + 1.40%	14-Dec-16	16-Dec-23
JS Bank Limited - Sukuk	99,980	6 Month KIBOR + 1.40%	29-Dec-17	29-Dec-24
Jahangir Siddiqui & Company Limited	5,000	6 Month KIBOR + 1.40%	06-Mar-18	06-Mar-23
TPL Corporation Limited	100,000	3 Month KIBOR + 1.50%	19-Dec-17	19-Dec-19

**6.3 Investment in Government Securities - Held-for-trading**

Issue Date	Tenure	Face value				Market Value as at June 30, 2018	Market value as a percentage of	
		As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets
----- (Rupees in '000) -----								
<b>Treasury bill</b>								
August 3, 2017	6 months	-	250,000	250,000	-	-	-	-
October 26, 2017	3 months	-	750,000	750,000	-	-	-	-
November 9, 2017	3 months	-	250,000	250,000	-	-	-	-
November 23, 2017	3 months	-	1,800,000	1,800,000	-	-	-	-
December 7, 2017	3 months	-	250,000	250,000	-	-	-	-
January 4, 2018	3 months	-	1,415,000	1,415,000	-	-	-	-
January 11, 2018	3 months	-	400,000	400,000	-	-	-	-
February 1, 2018	3 months	-	1,925,000	1,925,000	-	-	-	-
February 15, 2018	3 months	-	2,750,000	2,750,000	-	-	-	-
February 26, 2018	3 months	-	450,000	450,000	-	-	-	-
March 1, 2018	3 months	-	500,000	500,000	-	-	-	-
April 12, 2018	3 months	-	300,000	300,000	-	-	-	-
June 7, 2018	3 months	-	600,000	600,000	-	-	-	-
<b>Total - as at June 30, 2018</b>		-	<b>11,640,000</b>	<b>11,640,000</b>	-	-	-	-
Total - as at June 30, 2017		1,239,500	3,600,000	4,839,500	-	-	-	-
Government of Pakistan Ijara	3 Years	-	500,000	500,000	-	-	-	-
<b>Total - as at June 30, 2018</b>		-	<b>500,000</b>	<b>500,000</b>	-	-	-	-
Total - as at June 30, 2017		-	-	-	-	-	-	-

Issue Date	Tenure	Face value				Market Value as at June 30, 2018	Market value as a percentage of	
		As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets
----- (Rupees in '000) -----								
<b>Pakistan Investment Bonds</b>								
July 19, 2012	10 Years	-	50,000	50,000	-	-	-	-
April 21, 2016	5 Years	-	50,000	50,000	-	-	-	-
<b>Total - as at June 30, 2018</b>		<b>-</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total - as at June 30, 2017		1,085,000	7,325,000	8,410,000	-	-	-	-
<b>Grand total</b>		<b>-</b>	<b>12,240,000</b>	<b>12,240,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
As at June 30, 2017		2,324,500	10,925,000	13,249,500	-	-	-	-

#### 6.4 Quoted equity securities (spread transactions)

##### 6.4.1 Listed equity securities

All equity shares have a par value of Rs. 10 each.

Name of the Investee Company	Number of shares	Carrying cost	Market value as at June 30, 2018	Unrealised appreciation/ (diminution) on re-measurement	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the Investee Company
<b>Cement</b>							
Fauji Cement Company Limited	1,400,000	32,432	32,588	156	2.67%	1.33%	0.10%
		32,432	32,588	156	2.67%	1.33%	0.10%
<b>Cable &amp; electrical goods</b>							
Pak Elektron Limited	798,500	28,215	28,350	135	2.32%	1.15%	0.16%
		28,215	28,350	135	2.32%	1.15%	0.16%
<b>Power generation &amp; distribution</b>							
K-Electric Limited (Par value of Rs 3.5 per share)	1,990,000	10,717	10,768	51	0.88%	0.44%	0.01%
		10,717	10,768	51	0.88%	0.44%	0.01%
<b>As at June 30, 2018</b>		<b>71,364</b>	<b>71,706</b>	<b>342</b>	<b>5.87%</b>	<b>2.92%</b>	<b>0.27%</b>
As at June 30, 2017		222,661	222,649	(12)	8.19%	4.96%	0.37%

**6.4.2** The investment in equity securities represents spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income due to difference in ready and future stock prices.

**6.4.3** This includes unrealised mark-to-market gain on ready-buy-future sale transactions amounting to Rs. 0.098 million (June 30, 2017: Rs.1.838 million).

6.5 This represent commercial papers which were sold during the year and carried profit range from 7.46% to 7.91% (June 30, 2017: 6.80% to 8.00%) per annum.

	Note	2018 ------(Rupees in '000)-----	2017
<b>6.6 Net unrealised (loss) / gain on re-measurement of investments classified as available for sale</b>			
Market value of investments	6.1.1, 6.1.2	<b>336,779</b>	1,471,124
Cost of investments	6.1.1, 6.1.2	<b>462,037</b>	1,584,997
Provision against non-performing TFCs and Sukuks	6.8	<b>(124,486)</b>	(124,486)
		<b>337,551</b>	1,460,511
		<b>(772)</b>	10,613
<b>6.7 Net unrealized gain on re-measurement of investments carried at fair value through profit or loss - held-for-trading</b>			
Market Value of investments	6.2.1, 6.2.2, 6.4	<b>884,827</b>	222,649
Cost of investments	6.2.1, 6.2.2, 6.4	<b>(882,475)</b>	(222,661)
Unrealised gain / (loss) on revaluation of investments carried at fair value through profit or loss - held-for-trading - net		<b>2,352</b>	(12)
<b>6.8 Movement in provision against investments</b>			
Opening balance		<b>126,484</b>	126,484
Add: Charge for the year		-	-
Less: Reversals / write-offs		-	-
Net charge		-	-
Closing balance		<b>126,484</b>	126,484
Classified under investments		<b>124,486</b>	124,486
Classified under other receivables - overdue installments of term finance certificates		<b>1,998</b>	1,998
		<b>126,484</b>	126,484
<b>7. ACCRUED MARK-UP</b>			
Mark-up accrued on savings accounts		<b>8,212</b>	11,185
Mark-up / return accrued on term finance certificates and sukuk bonds	7.1	<b>13,286</b>	25,844
Mark-up accrued on placements		<b>198</b>	6,376
		<b>21,696</b>	43,405
<b>7.1 This includes Rs 2.381 million receivable from company under common directorship.</b>			

	Note	2018 ------(Rupees in '000)-----	2017
<b>8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Security deposit with National Clearing Company of Pakistan Limited		<b>46,831</b>	183,843
Security deposit with Central Depository Company of Pakistan Limited		<b>100</b>	100
Receivable against investments of term finance certificates and sukuk bonds	6.1.7	<b>1,998</b>	1,998
Advance Tax		<b>645</b>	645
Dividend receivables		-	3,466
Prepaid expenses		<b>265</b>	-
		<b>49,839</b>	190,052
Less: Provision against overdue instalments of Term finance certificates and Sukuk bonds	6.1.7	<b>1,998</b>	1,998
		<b>47,841</b>	188,054
<b>9. This represents receivables against sale of shares in future market.</b>			
<b>10. PAYABLE TO MANAGEMENT COMPANY</b>			
Management fee	10.1	<b>3,125</b>	6,413
Sindh Sales Tax	10.2	<b>408</b>	960
Allocation of expenses related to registrar services, accounting, operation and valuation services	10.3	<b>249</b>	436
Sales load payable		<b>617</b>	526
		<b>4,399</b>	8,335
<b>10.1</b>	Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The Management Company has charged its remuneration at the rate of one and a half percent per annum for the current year. Effective from January 15, 2018 the rate of the fee is revised through ammendment in the Offering document of the Scheme at twelve and a half percentage of the gross earnings of the scheme, calculated on a daily basis subject to a cap of 1.25% and a floor of 1.5% of the average daily net assets. The fee is payable monthly in arrears.		
<b>10.2</b>	The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (2017: 13 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.		
<b>10.3</b>	Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2016 dated November 25, 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulation, 2008. In the revised regulations a new clause 60(3)(s) has been introduced allowing the management company to charge "fees and expense related to registrar services, accounting, operation and valuation services related to CIS maximum upto 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it.		
	Note	2018 ------(Rupees in '000)-----	2017
<b>11. PAYABLE TO TRUSTEE</b>			
Trustee's remuneration	11.1	<b>282</b>	440
CDS charges payable		<b>30</b>	-
Sindh Sales Tax	11.2	<b>37</b>	58
		<b>349</b>	498

- 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.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2018 is as follows:

<b>Amount of Funds Under Management (Average NAV)</b>	<b>Tariff per annum</b>
Up to Rs. 1,000 million	Rs. 0.6 million or 0.17% per annum of NAV, whichever is higher
Exceeding Rs. 1,000 million upto Rs. 5,000 million	Rs. 1.7 million plus 0.085% per annum of NAV, exceeding Rs. 1,000 million
Exceeding Rs. 5,000 million	Rs. 5.1 million plus 0.07% per annum of NAV, exceeding Rs. 5,000 million

The remuneration is paid to the trustee monthly in arrears.

- 11.2** The Sindh Government had levied Sindh Sales Tax at the rate of 13% (2017: 13%) on the remuneration of the Central Depository Company of Pakistan through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2015.

		<b>2018</b>	<b>2017</b>
	Note	------(Rupees in '000)-----	
<b>12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	12.1	<u>2,742</u>	<u>4,291</u>

- 12.1** Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as income scheme is required to pay as annual fee to the SECP, an amount equal to 0.075% (2017: 0.075%) of the average annual net assets of the scheme. HBL Income Fund has been categorised as an income scheme by the Management Company.

		<b>2018</b>	<b>2017</b>
	Note	------(Rupees in '000)-----	
<b>13. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		<b>328</b>	330
Brokerage payable		<b>573</b>	-
Federal Excise Duty payable	13.1	<b>27,578</b>	27,578
Other payables		<b>297</b>	281
Capital gain tax payable		<b>352</b>	2,352
Withholding tax payable		<b>41</b>	14,279
Provision for Sindh Workers' Welfare Fund	13.2	<b>21,255</b>	17,449
		<u><b>50,424</b></u>	<u>62,269</u>

- 13.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration. The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the year SST at the rate of 13 percent (2017: 13 percent) was charged on the remuneration of Fund Manager and sales load.

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

The Finance Act, 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 27.578 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 1.249 (June 30, 2017: Rs. 0.6511) per unit.

**13.2** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Subsequently, the Ministry of Labor and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Honorable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

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

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

- As an abundant caution, the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and as an abundant caution, Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 28.170 million. Further, the Fund has recognised provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF is amounting to Rs. 21.255 million in these financial statements. Had the provision not been made, the net asset value per unit as at June 30, 2018 would have been higher by Rs. 0.963 (2017: Rs. 0.412) per unit.

#### 14. CONTINGENCIES AND COMMITMENTS

##### 14.1 Contingencies

There are no contingencies outstanding as at June 30, 2018 and June 30, 2017

##### 14.2 Commitments

Future sell transactions of equity securities entered into by the fund not settled as at year end

2018	2017
------(Rupees in '000)-----	
<u>72,135</u>	<u>224,226</u>

------(Unit)-----

#### 15. NUMBER OF UNITS IN ISSUE

Total units in issue at the beginning of the year  
Units issued  
Units redeemed  
Total units in issue at the end of the year

42,355,455	63,397,299
8,770,467	58,376,138
<u>(29,053,116)</u>	<u>(79,417,982)</u>
<u>22,072,806</u>	<u>42,355,455</u>

------(Rupees in '000)-----

#### 16. MARK-UP / RETURN ON INVESTMENTS

Term finance certificates - listed  
Term finance certificates and sukuks - unlisted  
Government securities  
Commercial papers

26,295	515
69,050	79,818
974	71,567
8,170	1,064
<u>104,489</u>	<u>152,964</u>

#### 17. MARK-UP ON DEPOSITS WITH BANKS

Mark-up on savings accounts  
Mark-up on term deposit receipts

77,116	109,706
64,467	77,603
<u>141,583</u>	<u>187,309</u>

#### 18. AUDITORS' REMUNERATION

Statutory audit fee  
Half yearly review fee  
Reporting on compliance with the Code of Corporate Governance  
Out of pocket expenses

285	280
55	55
-	5
56	-
<u>396</u>	<u>340</u>

**19. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Subsequent to year end on July 4, 2018, Management Company has distributed cash dividend of atleast 90 percent of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

**20. EARNINGS PER UNIT**

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

**21. FINANCIAL INSTRUMENTS BY CATEGORY**

	2018			Total
	At fair value through profit or loss	Loans and receivables	Available for sale	
----- Rupees in '000 -----				
<b>Assets</b>				
Bank balances	-	1,242,036	-	1,242,036
Investments	884,827	-	336,779	1,221,606
Accrued mark-up	-	21,696	-	21,696
Receivable against sale of investment	-	24,984	-	24,984
Deposits and other receivables	-	46,931	-	46,931
	<b>884,827</b>	<b>1,335,647</b>	<b>336,779</b>	<b>2,557,253</b>

	2018			Total
	At fair value through profit or loss	Other financial liabilities		
----- Rupees in '000 -----				
<b>Liabilities</b>				
Payable to the Management Company	-	4,399		4,399
Payable to the Trustee	-	349		349
Accrued expenses and other liabilities	-	1,198		1,198
Payable against purchase of investment	-	43,789		43,789
Unit holders' fund	-	2,456,460		2,456,460
	-	<b>2,506,195</b>		<b>2,506,195</b>

	2017			Total
	At fair value through profit or loss	Loans and receivables	Available for sale	
----- Rupees in '000 -----				
<b>Assets</b>				
Bank balances	-	881,829	-	881,829
Investments	222,649	1,025,104	1,471,124	2,718,877
Accrued mark-up	-	43,405	-	43,405
Receivable against sale of investment	-	733,524	-	733,524
Deposits and other receivables	-	187,409	-	187,409
	<b>222,649</b>	<b>2,871,271</b>	<b>1,471,124</b>	<b>4,565,044</b>

	2017		
	At fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----		
Liabilities			
Payable to the Management Company	-	8,335	8,335
Payable to the Trustee	-	498	498
Accrued expenses and other liabilities	-	611	611
Payable against purchase of investment	-	-	-
Unit holders' fund	-	4,490,296	4,490,296
	<u>-</u>	<u>4,499,740</u>	<u>4,499,740</u>

## 22. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	2018	2017
	----- (Rupees in '000) -----	
<b>22.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	<u>58,367</u>	<u>96,972</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>3,656</u>	<u>5,719</u>
Issue of 1,156,101 units (2017: Nil units)	<u>125,000</u>	<u>-</u>
Redemption of Nil units (2017: 377,025 units)	<u>-</u>	<u>40,513</u>
<b>Habib Bank Limited - Sponsor</b>		
Issue of Nil units (2017: 6,103,743 units)	<u>-</u>	<u>666,345</u>
Redemption of 10,016,323 units (2017: Nil units)	<u>1,100,000</u>	<u>-</u>
Bank charges paid	<u>32</u>	<u>81</u>
Mark-up earned during the year	<u>9,114</u>	<u>109,706</u>
Mark-up received during the year	<u>4,602</u>	<u>111,344</u>
Sales of Term Finance Certificates	<u>392,819</u>	<u>-</u>
Purchase of Term Finance Certificates	<u>123,676</u>	<u>-</u>
<b>CDC Trustee - HBL Islamic Income Fund</b>		
Sale of sukuk certificate 1,000 units (2017: Nil units)	<u>100,000</u>	<u>-</u>

2018  
------(Rupees in '000)-----

2017

**HBL Assets Management Limited Employees Provident Fund - Associated**

Issue of 10,946 units (2017: Nil units)	<u>1,200</u>	<u>-</u>
Redemption of 10,946 units (2017: Nil units)	<u>1,204</u>	<u>-</u>

**MCB FSL Trustee - HBL Financial Planning Fund Strategic Allocation Plan - Associate**

Issue of 2,313,255 units (2017: Nil units)	<u>250,415</u>	<u>-</u>
Redemption of 1,734,330 units (2017: Nil units)	<u>190,080</u>	<u>-</u>

**Directors and Executives of the Management Company and their relatives**

Executives and their relatives

Issue of Nil units (2017: 2,008 units)	<u>-</u>	<u>213</u>
Redemption of 1,887 units (2017: 321 units)	<u>200,835</u>	<u>35</u>
Dividend	<u>-</u>	<u>14</u>

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

Remuneration	<u>4,472</u>	<u>6,050</u>
Central Depository System charges	<u>593</u>	<u>11</u>

**22.2 Balances outstanding as at year end**

**HBL Asset Management Limited - Management Company**

Investment held in the Fund: 1,156,101 units (2017: Nil units)	<u>128,661</u>	<u>-</u>
Management fee payable	<u>3,125</u>	<u>6,413</u>
Sindh Sales tax	<u>408</u>	<u>960</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>249</u>	<u>5,719</u>
Sales load payable	<u>617</u>	<u>526</u>

**Habib Bank Limited - Sponsor**

Investment held in the Fund: 9,489,918 units (2017: 19,506,241 units)	<u>1,056,124</u>	<u>2,076,755</u>
Bank balances	<u>14,381</u>	<u>111,454</u>
Investment in Term finance certificate	<u>-</u>	<u>271,569</u>

**MCB FSL Trustee - HBL Financial Planning Fund Strategic Allocation Plan - Associate**

Investment held in the Fund: 578,925 units (June 30, 2017: Nil units)	<u>64,428</u>	<u>-</u>
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**Executives and their relatives**

Investment held in the Fund: 11,472 units (2017: 4,840 units)	<u>1,278</u>	<u>515</u>
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**25. PATTERN OF UNIT HOLDING**

----- As on June 30, 2018 -----			
	Number of unit holders	Investment amount	Percentage investment
----- Rupees in '000 -----			
Individuals	855	1,036,701	42.20%
Associated Company	1	128,661	5.24%
Bank / DFI	1	1,056,124	42.99%
Retirement funds	6	43,631	1.78%
Trust	5	67,606	2.75%
Others	7	123,737	5.04%
	<b>875</b>	<b>2,456,460</b>	<b>100.00%</b>

----- As on June 30, 2017 -----			
	Number of unit holders	Investment amount	Percentage investment
----- Rupees in '000 -----			
Individuals	1,151	2,190,671	48.79%
Bank / DFI	1	2,076,755	46.25%
Retirement funds	5	47,429	1.06%
Trust	9	114,985	2.56%
Others	5	60,456	1.35%
	<b>1,171</b>	<b>4,490,296</b>	<b>100.00%</b>

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

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Agha Sher Shah <sup>1</sup>	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23, 2017 & April 23, 2018
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27, 2017
6	Mr. Shabbir Hussain Hashmi <sup>2</sup>	1	1	-	-
7	Mr. Shahid Ghaffar <sup>3</sup>	2	1	1	February 26, 2018
8	Mr. Nadeem Abdullah <sup>4</sup>	4	4	-	-
9	Mr. Towfiq Habib Chinoy <sup>5</sup>	3	3	-	-
10	Mr. Salahuddin Manzoor <sup>6</sup>	3	3	-	-

- 1 Appointed on November 23, 2017
- 2 Appointed on February 26, 2018
- 3 Appointed on December 04, 2017
- 4 Resigned on February 26, 2018
- 5 Resigned on November 23, 2017
- 6 Resigned on November 30, 2017

**27. FINANCIAL RISK MANAGEMENT**

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities, spread transactions, margin financing and in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

**27.1 Market risk**

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

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

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

**27.1.1 Currency risk**

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

**27.1.2 Interest rate risk**

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

**a) Fair value interest rate risk - variable rate instruments**

As at June 30, 2018, the Fund holds KIBOR based interest bearing term finance certificates that expose the Fund to fair value interest rate risk. In case of 100 basis points increase in KIBOR on June 30, 2018, with all other variables held constant, the net assets of the Fund would have been higher by Rs. 11.5 (2017: Rs. 14.71) million and net income of the Fund would have been higher by Rs.11.5 (2017: Rs. 14.71) million. In case of 100 basis points decrease in KIBOR on June 30, 2018, with all other variables held constant, the net assets of the Fund would have been lower by Rs. 11.5 (2017: Rs. 14.71) million and net income for the year would have been lower by Rs. 11.5 (2017: Rs. 14.71) million.

**b) Cash flow interest rate risk - variable rate instruments**

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 10.32 (2017: Rs. 8.82 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets and net income due to future movements in interest rates.

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

		2018				
		Exposed to Yield / Interest rate risk				
	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk	
----- Rupees in '000 -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	1,242,036	1,032,036	-	-	210,000	
Investments	1,221,606	-	813,121	336,779	71,706	
Accrued mark-up	21,696	-	-	-	21,696	
Deposits and other receivables	46,931	-	-	-	46,931	
Receivable against sales of investment	24,984	-	-	-	24,984	
	<b>2,557,253</b>	<b>1,032,036</b>	<b>813,121</b>	<b>336,779</b>	<b>375,317</b>	
<b>Financial liabilities</b>						
Payable to Management Company	4,399	-	-	-	4,399	
Payable to the Trustee	349	-	-	-	349	
Accrued expenses and other liabilities	1,198	-	-	-	1,198	
Payable against purchase of investment	43,789	-	-	-	43,789	
Unit holders' fund	2,456,460	-	-	-	2,456,460	
	<b>2,506,195</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,506,195</b>	
<b>On-balance sheet gap</b>	<b>51,058</b>	<b>1,032,036</b>	<b>813,121</b>	<b>336,779</b>	<b>(2,130,878)</b>	
<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
		2017				
		Exposed to Yield / Interest rate risk				
	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk	
----- Rupees in '000 -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	881,829	881,829	-	-	-	
Investments	2,718,877	-	-	1,471,124	1,247,753	
Accrued mark-up	43,405	-	-	-	43,405	
Deposits and other receivables	187,409	-	-	-	187,409	
Receivable against sale of investment	733,524	-	-	-	733,524	
	<b>4,565,044</b>	<b>881,829</b>	<b>-</b>	<b>1,471,124</b>	<b>2,212,091</b>	
<b>Financial liabilities</b>						
Payable to Management Company	8,335	-	-	-	8,335	
Payable to the Trustee	498	-	-	-	498	
Accrued expenses and other liabilities	611	-	-	-	611	
Payable against purchase of investment	-	-	-	-	-	
Unit holders' fund	4,490,296	-	-	-	4,490,296	
	<b>4,499,740</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,499,740</b>	
<b>On-balance sheet gap</b>	<b>65,304</b>	<b>881,829</b>	<b>-</b>	<b>1,471,124</b>	<b>(2,287,649)</b>	
<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

### 27.1.3 Price Risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The net assets as at June 30, 2018 would have increased / (decreased) by Rs. 11.5 (2017: Rs. 14.71) million, had the price of the investments in term finance certificates (TFCs) increased / (decreased) by 1%.

### 27.2 Credit risk

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

The Fund's credit risk is primarily attributable to its investment in debt securities 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 Management Company.

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2018 and June 30, 2017:

	2018	2017
	------(Rupees in '000)-----	
<b>Bank balances by rating category</b>		
A1+ (PACRA)	757,168	2,307,087
A1 (PACRA)	8,187	-
A-1+ (JCR-VIS)	16,645	(1,425,265)
A-1 (JCR-VIS)	26	7
A-2 (JCR-VIS)	250,010	-
	<u>1,032,036</u>	<u>881,829</u>
<b>Term finance certificates by rating category</b>		
AAA	-	271,569
A+	533,753	231,642
A	15,992	116,150
AA	255,510	112,815
AA-	115,022	543,801
AA+	90,863	-
	<u>1,011,140</u>	<u>1,275,977</u>

The fund has also made investment in TFC of WAPDA having market value of Rs. 138.76 m. The mentioned TFC is backed by the Government of Pakistan.

	2018	2017
	------(Rupees in '000)-----	
Term deposit receipts (TDR)	<u>210,000</u>	<u>890,000</u>
Commercial Paper	<u>-</u>	<u>135,104</u>
Accrued mark-up	<u>21,696</u>	<u>43,405</u>
Advances, deposits and other receivables	<u>47,841</u>	<u>188,054</u>
Receivable against investment in shares	<u>24,984</u>	<u>733,524</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 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.

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

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

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

	2018			
	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
<b>Financial liabilities (excluding unit holder's fund)</b>				
Payable to Management Company	4,399	4,399	-	-
Payable to the Trustee	349	349	-	-
Accrued expenses and other liabilities	1,198	1,198	-	-
Payable against purchase of investment	43,789	43,789	-	-
	<u>49,735</u>	<u>49,735</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>2,456,460</u>	<u>2,456,460</u>	<u>-</u>	<u>-</u>
	2017			
	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
<b>Financial liabilities (excluding unit holder's fund)</b>				
Payable to Management Company	8,335	8,335	-	-
Payable to the Trustee	498	498	-	-
Accrued expenses and other liabilities	611	611	-	-
Payable against purchase of investment	-	-	-	-
	<u>9,444</u>	<u>9,444</u>	<u>-</u>	<u>-</u>
Unit holders' fund	<u>4,490,296</u>	<u>4,490,296</u>	<u>-</u>	<u>-</u>

## **28. UNITS HOLDERS' FUND RISK MANAGEMENT**

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

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

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

## **29. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS**

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

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

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

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

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

		June 30, 2018								
		Carrying amount				Fair Value				
		Available -for-sale	Held-for- trading	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments		(Rupees in '000)								
Note										
<b>Financial assets measured at fair value</b>										
Investments										
- Term Finance Certificates and Sukuk bonds		336,779	813,121	-	-	1,149,900	-	1,149,900	-	1,149,900
- Investment in ready / future - spread transaction		-	71,706	-	-	71,706	71,706	-	-	71,706
		<u>336,779</u>	<u>884,827</u>	<u>-</u>	<u>-</u>	<u>1,221,606</u>	<u>71,706</u>	<u>1,149,900</u>	<u>-</u>	<u>1,221,606</u>
<b>Financial assets not measured at fair value</b>										
	29.1									
Bank balances		-	-	1,242,036	-	1,242,036				
Accrued mark-up		-	-	21,696	-	21,696				
Receivable against investment in shares		-	-	24,984	-	24,984				
Deposits and other receivables		-	-	46,931	-	46,931				
		<u>-</u>	<u>-</u>	<u>1,335,647</u>	<u>-</u>	<u>1,335,647</u>				
<b>Financial liabilities not measured at fair value</b>										
	29.1									
Payable to Management Company		-	-	-	4,399	4,399				
Payable to Trustee		-	-	-	349	349				
Accrued expenses and other liabilities		-	-	-	1,198	1,198				
Payable against purchase of investment		-	-	-	43,789	43,789				
Unit holders' fund		-	-	-	2,456,460	2,456,460				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>2,506,195</u>	<u>2,506,195</u>				
<b>June 30, 2017</b>										
		Carrying amount				Fair Value				
		Available -for-sale	Held-for- trading	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments		(Rupees in '000)								
<b>Financial assets measured at fair value</b>										
Investments										
- Term Finance Certificates and Sukuk bonds		1,471,124	-	-	-	1,471,124	-	1,471,124	-	1,471,124
- Investment in ready / future - spread transaction		-	-	-	222,649	222,649	222,649	-	-	222,649
		<u>1,471,124</u>	<u>-</u>	<u>-</u>	<u>222,649</u>	<u>1,693,773</u>	<u>222,649</u>	<u>1,471,124</u>	<u>-</u>	<u>1,693,773</u>
<b>Financial assets not measured at fair value</b>										
	29.1									
Bank balances		-	-	881,829	-	881,829				
Investments										
- Term deposit receipts and commercial papers		-	-	1,025,104	-	1,025,104				
Accrued mark-up		-	-	21,696	-	21,696				
Deposits and other receivables		-	-	187,409	-	187,409				
Receivable against investment in shares		-	-	733,524	-	733,524				
		<u>-</u>	<u>-</u>	<u>2,849,562</u>	<u>-</u>	<u>2,849,562</u>				
<b>Financial liabilities not measured at fair value</b>										
	29.1									
Payable to Management Company		-	-	-	8,335	8,335				
Payable to Trustee		-	-	-	498	498				
Accrued expenses and other liabilities		-	-	-	611	611				
Payable against purchase of investment		-	-	-	-	-				
Unit holders' fund		-	-	-	4,490,296	4,490,296				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,499,740</u>	<u>4,499,740</u>				

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

**30. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 2.16% (June 30, 2017: 2.12%) which includes 0.38% (June 30, 2017: 0.35%) representing government levy and SECP fee.

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

The Securities and Exchange Commission of Pakistan vide Circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. HBL Asset Management Limited (Management Company) classified HBL Income Fund (the Fund) as Income Scheme' in accordance with the said circular. As at June 30, 2018, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than the investment grade.

Name of Non-Complaint Investment	Type of Investment	Value of Investment before Provision	Provision held (if any)	Value of Investment after Provision	% of Net Assets	% of Gross Assets
----- (Rupees in '000) -----						
New Allied Electronics Industries (Private) Limited	TFC	19,025	19,025	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk	44,149	44,149	-	-	-
Agritech Limited	TFC	9,992	9,992	-	-	-
Saudi Pak Leasing Company Limited	TFC	5,550	5,550	-	-	-
Worldcall Telecom Limited	TFC	47,768	47,768	-	-	-

**32. NON ADJUSTING EVENT AFTER REPORTING DATE**

The Board of Directors of the Management Company in its meeting held on July 4, 2018 has proposed a final cash distribution upto Rs. 5.5 per unit amounting to Rs 107.94 million as cash dividend and Rs 13.46 as refund of capital. The Financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

**33. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on August 31, 2018.

**34. CORRESPONDING FIGURES**

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

**35. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



# **HBL** Energy Fund

HBL AML annual report 2017-18

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Energy Fund</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF AUDITORS</b>	<b>Deloitte Yousuf Adil Chartered Accountant</b>
<b>NAME OF BANKERS</b>	<b>MCB Bank Limited Habib Bank Limited Soneri Bank Limited JS Bank Limited</b>

### Type and Category of Fund

Equity / Open-end

### Investment Objective and Accomplishment of Objective

HBL Energy Fund (HBL ENF) is an open end equity fund. The objective of the Fund is to capture significant return from an actively managed portfolio by investing in listed equity securities of energy sector in Pakistan and in this respect the Fund has achieved its objective.

### Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KSE-30 Total Return Index.

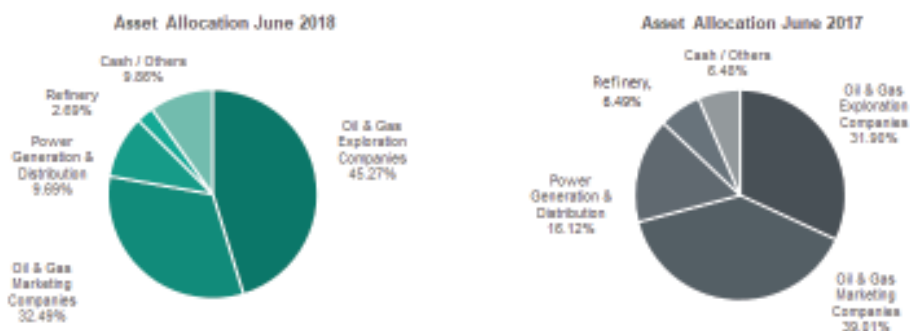
The Fund's NAV decreased by -2.33%, outperforming the benchmark by 7.7% during FY18. A comparison of the funds' returns with the benchmark is given below:

Month	Return of Fund	Benchmark
June 2018	-0.82%	-1.58%
May 2018	-4.33%	-5.86%
April 2018	1.94%	-1.41%
March 2018	3.91%	6.10%
February 2018	-1.73%	-1.19%
January 2018	4.96%	8.92%
December 2017	-2.18%	0.78%
November 2017	-0.49%	1.38%
October 2017	-2.54%	-6.20%
September 2017	2.49%	3.63%
August 2017	-7.92%	-11.63%
July 2017	5.23%	-1.70%



### Strategies and Policies employed during the Year

During the year under review, the Fund decreased its exposure in equities marginally from 93.51% on June 30, 2017 to 90.13% on June 30, 2018. Further, sectors wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposures in Oil and Gas exploration sector was increased while decreasing exposure to Refineries, Oil and Gas marketing and Power Generation and Distribution.



### Significant Changes in Asset Allocation during the Year

The following table shows a comparison of top sector wise allocation of equity investments in the Fund as on June 30, 2018 and June 30, 2017:

## Fund Performance

The Fund earned and incurred a total income and net loss of Rs. 24.63 million and Rs. 9.15 million respectively during the year ended June 30, 2018. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs. 15.0359 per unit as on June 30, 2017. The NAV of the Fund was Rs. 14.6857 per unit as on June 30, 2018, thereby giving a negative return of 2.33%. During the same year the benchmark KSE 30 index yielded a negative return of 10.03%. The size of Fund was Rs. 1.06 billion as on June 30, 2018.

## Market Review

Pakistan Equities witnessed a topsy-turvy ride during outgoing year with disappointing foreign flows (after MSCI upgrade), political uncertainty following the ouster of ex-PM, macroeconomic challenges and ongoing speculation about the upcoming general elections.

KSE100 Index shed by 4,654 points to close at 41,911 points, reflecting a decline of 10%. Despite market expectation of strong foreign inflows following Pakistan's inclusion in the MSCI Emerging Markets, foreign investors continued to remain net sellers and sold stocks of worth USD289mn. Within local investors, insurance companies and corporates bought equities of USD204mn and USD100mn respectively while Mutual funds divested equities of USD35mn during the year. On the political front, Ex-Prime Minister Nawaz Sharif was disqualified by Supreme Court in Jul-17 which further marred investor sentiment. Moreover, economic concerns increased due to rising twin deficits followed by stringent policy measures by policy makers (16% PKR depreciation and 75bps increase in interest rates).

The Cement and Banking sector led the rout in the benchmark index, causing attrition of 2,288 points and 1,083 points respectively. Decline in cements was caused owing to the fears of a price war in the segment as upcoming expansions could lead to an oversupply situation particularly in the Southern region as can be grasped from price performance of DGKC and LUCK which fell 44% and 37% YoY respectively. In the banking sector, large banks caused underperformance where HBL, UBL and NBP fell 37%, 23% and 20% owing to regulatory concerns, pension and other legal issues. Meanwhile mid-tier banks outperformed the index buoyed by rising interest rate environment which is expected to lead to margin expansion.

Oil & Gas Exploration and Production sector defied overall trend during FY18 and posted strong gains where the sector contributed 1,628 points to the market owing to 66% increase in International Oil Prices and 16% PKR depreciation. The outperformance was led by POL and PPL posting returns of 58% and 53% against SPLY.

Going forward, we expect Pakistan equities to rebound with restoration of political stability (after General Elections), gradual improvement in macroeconomic trends and potential revival of foreign investor interest after steep PKR depreciation. Moreover, we highlight that Pakistan market's discount to emerging as well as frontier peers has increased to 30% and 28% against 5-year averages of 25% and 19% respectively reflecting a good entry point.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

## Significant Changes in the State of Affairs

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

## Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	68	1,022
101 – 500	31	7,693
501 – 1,000	3,204	2,530,508
100,1 – 10,000	1,201	3,791,512
10,001 – 100,000	239	7,197,593
100,001 – 500,000	46	10,188,890
500,001 – 1,000,000	7	4,769,254
1,000,001 – 5,000,000	8	16,131,772
5,000,001 and above	2	27,631,142
<b>Total</b>	<b>4,806</b>	<b>72,249,386</b>

### **Unit Splits**

There were no unit splits during the year.

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

Investments are subject to market risk.

### **Soft Commission**

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

## PERFORMANCE TABLE

	2018	2017	2016	2015	2014	2013
Net assets at the period end(Rs'000)	1,061,029	794,794	954,214	1,059,614	1,498,769	1,409,682
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	14.6857	15.0359	12.0122	12.3654	11.4299	12.0356
Offer	15.0176	15.3757	12.3726	12.7364	11.7728	12.3967
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	16.6501	18.4426	12.9758	13.0506	16.0101	14.4404
Highest offer price per unit	14.018	12.4268	10.7407	10.8197	11.6867	12.3967
Highest redemption price per unit	16.2821	18.0350	12.5979	12.6705	15.5438	14.0198
Lowest redemption price per unit	13.7082	12.0649	10.4279	10.5046	11.3463	12.0356
<b>RETURN ( % )</b>						
<b>Total return</b>	-2.33%	30.12%	-2.86%	8.18%	23.92%	52.28%
Income distribution	0.00%	0.60%	0.00%	0.00%	3.45%	2.05%
Capital growth	-2.33%	29.52%	-2.86%	8.18%	20.47%	50.23%
<b>DISTRIBUTION</b>						
Final dividend distribution (Rs)	0	0.60	-	-	3.45	2.05
Date of Income Distribution	0	20-Jun-17				
Total dividend distribution for the year/ period (Rs)	0	0.60	-	-	3.45	2.05
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-2.33%	30.12%	-2.86%	8.18%	23.92%	52.28%
Average annual return 2 year	12.73%	12.43%	2.52%	15.78%	38.10%	29.03%
Average annual return 3 year	7.28%	11.00%	9.20%	26.84%	28.51%	29.71%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	9%	6%	8%	5%	8%	7%
Stock / Equities	90%	94%	92%	93%	81%	93%
Others Including receivables	1%	-	-	2%	11%	-

**Note:**

- The Launch date of the Fund is January 2006
- PICIC energy fund converted from closed end scheme to open end scheme effective from June 25, 2013

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

Summary of Actual Proxy voted by CIS

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

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Attock Petroleum Ltd	19-10-2017	3-1-2018
Attock Refinery Ltd	19-10-2017	16-7-2018
Hascol Petroleum Ltd	27-4-2018	N-A
Hub Power Company Ltd	10-5-2017	22-6-2018
Kot Addu Power Company Ltd	19-10-2017	N-A
Mari Petroleum Company Ltd	26-9-2017	N-A
National Refinery Ltd	N-A	N-A
Oil & Gas Development Co Ltd	24-10-2017	N-A
Pakistan Oilfields Ltd	19-10-2017	N-A
Pakistan Petroleum Ltd	27-10-2017	N-A
Pakistan State Oil Company Ltd	20-10-2017	N-A
Sui Northern Gas Pipeline Ltd	27-11-2017	N-A

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

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Fax: (92-21) 34326033 - 23  
URL: [www.cdcpk.com](http://www.cdcpk.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ENERGY FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Energy Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2005, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 18, 2018



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL ENERGY FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Energy Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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

S. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Valuation and existence of Investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 985,558 million as at June 30, 2018.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and their</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>Independent testing of valuations by using the quoted market prices from the Pakistan Stock Exchange Limited and ensuring the existence of number of securities by comparing the internal records with Central</li> </ul>

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Member of  
Deloitte Touche Tohmatsu Limited

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>valuation and existence is a significant area during our audit. There is a risk that appropriate quoted prices may not be used to determine fair value.</p> <p>Further, the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<p>Depository Company (CDC) account records;</p> <ul style="list-style-type: none"> <li>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of securities during the year; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
2	<p><b>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</b></p> <p>As disclosed in note 4.7, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> <li>Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

#### **Responsibilities of Management Company and Those Charged with Governance for the Financial Statements**

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

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

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

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

*Deloitte Young & Adil*  
Chartered Accountants

Place: Karachi  
Date: September 19, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	100,388	46,292
Investments	6	985,558	781,709
Dividend and profit receivable	7	4,666	2,588
Deposits and other receivables	8	2,876	2,814
<b>Total assets</b>		<b>1,093,488</b>	<b>833,403</b>
<b>Liabilities</b>			
Payable to the Management Company	9	4,249	2,849
Payable to the Trustee	10	194	338
Payable to Securities and Exchange Commission of Pakistan	11	910	803
Payable against redemption of units		-	946
Accrued expenses and other liabilities	12	21,712	24,961
Unclaimed dividend (including dividend payable)		5,394	8,712
<b>Total liabilities</b>		<b>32,459</b>	<b>38,609</b>
<b>Net assets</b>		<b>1,061,029</b>	<b>794,794</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,061,029</b>	<b>794,794</b>
<b>Contingencies and commitments</b>	13		
		----- Number of units -----	
<b>Number of units in issue</b>	14	<b>72,249,386</b>	<b>52,859,581</b>
		----- Rupees -----	
<b>Net assets value per unit</b>	4.8	<b>14.6857</b>	<b>15.0359</b>

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

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

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

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

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

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Capital (loss) / gain on sale of investments - net		(40,955)	74,301
Dividend income		43,454	46,410
Profit on bank deposits		6,084	3,302
Unrealised appreciation on re-measurement of investments classified 'at fair value through profit or loss - held-for-trading' - net		16,050	90,317
<b>Total income</b>		<b>24,633</b>	<b>214,330</b>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	19,166	16,896
Sindh Sales Tax on remuneration of the Management Company	9.2	2,492	2,196
Remuneration of the Trustee	10.1	2,114	1,909
Annual fee to Securities and Exchange Commission of Pakistan	11.1	910	803
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	958	812
Selling and marketing expenses	9.4	3,833	1,193
Securities transaction costs		2,752	1,875
Auditors' remuneration	15	443	491
Settlement and bank charges		663	368
Printing charges		299	109
Fee and subscription		152	183
<b>Total expenses</b>		<b>33,782</b>	<b>26,835</b>
<b>Net (loss) / income from operating activities</b>		<b>(9,149)</b>	<b>187,495</b>
Element of loss and capital losses included in prices of units issued less those in units redeemed - net		-	(20,048)
Reversal of Workers' Welfare Fund	12.2	-	28,085
Provision for Sindh Workers' Welfare Fund	12.2	-	(4,985)
		-	23,100
<b>Net (loss) / income for the year before taxation</b>		<b>(9,149)</b>	<b>190,547</b>
Taxation	16	-	-
<b>Net (loss) / income for the year after taxation</b>		<b>(9,149)</b>	<b>190,547</b>
<b>Earnings per unit</b>	17		

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

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

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

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

\_\_\_\_\_  
Director

Note	2018 ------(Rupees in '000)-----	2017
Net (loss) / income for the year after taxation	(9,149)	190,547
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u><u>(9,149)</u></u>	<u><u>190,547</u></u>

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

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

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

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

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

**HBL Energy Fund**  
**Statement of Movement In Unit Holders' Fund**  
For the year ended June 30, 2018

	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
<b>Net assets at beginning of the year</b>	528,598	266,196	794,794	-	-	954,214
Issuance of 41,334,332 units (2017: 31,752,589 units)						
- Capital value (at net asset value per unit at the beginning of the year)	621,501	-	621,501	-	-	-
- Element of loss	(20,740)	-	(20,740)	-	-	-
Total proceeds on issuance of units	600,761	-	600,761	-	-	475,731
Redemption of 21,944,527 units (2017: 58,329,805 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(329,957)	-	(329,957)	-	-	-
- Amount relating to element of loss Relating to net loss for the year after taxation	4,580	-	4,580	-	-	-
Total payment on redemption of units	(325,377)	-	(325,377)	-	-	(815,030)
Element of loss and capital losses included in prices of units issued less those in units redeemed	-	-	-	-	-	20,048
Total comprehensive income for the year	-	(9,149)	(9,149)	-	-	190,547
Distribution during the year	-	-	-	-	-	(30,716)
Total comprehensive income for the year less distribution	-	(9,149)	(9,149)	-	-	159,831
<b>Net assets at end of the year</b>	<b>803,982</b>	<b>257,047</b>	<b>1,061,029</b>	<b>-</b>	<b>-</b>	<b>794,794</b>
<b>Undistributed income brought forward</b>						
- Realised		175,879			235,804	
- Unrealised		90,317			(75,960)	
		266,196			159,844	
Element of loss and capital losses included in prices of units issued less those in units redeemed		-			(53,479)	
Accounting (loss) / income available for distribution		(9,149)			190,547	
Distribution during the year		-			(30,716)	
Undistributed income carried forward		257,047			266,196	
<b>Undistributed income carried forward</b>						
- Realised		240,997			175,879	
- Unrealised		16,050			90,317	
		257,047			266,196	
<b>Net assets value per unit at beginning of the year</b>			<b>15.0359</b>			<b>12.0122</b>
<b>Net assets value per unit at end of the year</b>			<b>14.6857</b>			<b>15.0359</b>

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

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

Chief Financial Officer

Chief Executive Officer

Director

	2018	2017
	------(Rupees in '000)-----	
<b>Cash flows from operating activities</b>		
Net (loss) / income for the year before taxation	(9,149)	190,547
<b>Adjustments for:</b>		
Capital loss / (gain) on sale of investments - net	40,955	(74,301)
Dividend income	(43,454)	(46,410)
Profit on bank deposits	(6,084)	(3,302)
Unrealised appreciation on re-measurement of investments classified at 'fair value through profit or loss - held-for-trading' - net	(16,050)	(90,317)
Element of loss and capital losses included in prices of units issued less those in units redeemed	-	20,048
	<u>(33,782)</u>	<u>(3,735)</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	(228,754)	307,881
Deposits, prepayments and other receivables	(62)	34
	<u>(228,816)</u>	<u>307,915</u>
<b>(Decrease) / Increase in liabilities</b>		
Payable to the Management Company	1,400	987
Payable to the Trustee	(144)	159
Payable to Securities and Exchange Commission of Pakistan	107	(113)
Accrued expenses and other liabilities	(3,250)	(19,934)
	<u>(1,886)</u>	<u>(18,901)</u>
<b>Net cash (used in) / generated from operations</b>	<b>(264,483)</b>	<b>285,279</b>
Dividend received	42,029	44,305
Profit received on bank deposits	5,431	3,370
	<u>47,460</u>	<u>47,675</u>
<b>Net cash (used in) / generated from operating activities</b>	<b>(217,024)</b>	<b>332,954</b>
<b>Cash flows from financing activities</b>		
Amount received against issuance of units	600,761	475,731
Amount paid / payable against redemption of units	(326,323)	(814,088)
Dividend paid	(3,318)	(27,434)
<b>Net cash generated from / (used in) financing activities</b>	<b>271,120</b>	<b>(365,791)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>54,096</b>	<b>(32,837)</b>
Cash and cash equivalents at beginning of the year	46,292	79,129
<b>Cash and cash equivalents at end of the year</b>	<b>100,388</b>	<b>46,292</b>

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

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

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

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

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

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Energy Fund ("the Fund") was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

In accordance with clause 65(1) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a meeting of the certificate holders of the Fund was held on January 31, 2013 whereby the conversion of the Fund into an open-end scheme was duly approved through a resolution passed by the majority of the certificate holders present in the meeting who were entitled to vote. The Securities and Exchange Commission of Pakistan (SECP) accorded its final approval for conversion of the Fund into an open-end scheme through its letter dated May 3, 2013. The second supplemental Trust Deed and replacement Offering Document were approved by SECP vide its letter no SCD/PRDD/AMCW/PEF/567/2013 dated May 31, 2013 and letter no SCD/PRDD/AMCW/PEF/606/2013 dated June 24, 2013 respectively. The conversion of the Fund from a closed end Fund to an open-end Fund was authorised by the SECP vide its letter No. SCD/PRDD/AMCW/PEF/607/2013 dated June 24, 2013. The Fund converted into an open end scheme on the effective date i.e. June 25, 2013. The certificates of the closed-end Fund were cancelled on the effective date and were exchanged with the units of the open-end scheme in the swap ratio of 1:1. Each certificate holder was allotted units according to their respective holdings as at that date on the basis of a ratio of 1 certificate to 1 unit. Accordingly 100,000,000 units were issued on the date of conversion.

Since the effective date of conversion, the certificates of the closed-end scheme were de-listed from Pakistan Stock Exchange Limited. Units of the open-end scheme are listed on the Pakistan Stock Exchange Limited. The units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016, HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund For Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

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

The Fund has been categorised as an equity scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The core objective of the Fund is to invest in securities of the energy sector in Pakistan so as to provide investors an access to high quality blue chip stocks in the energy sector. The eligible stocks comprise of investment in shares of companies engaged in the following activities:

- Oil and Gas Exploration
- Oil and Gas Marketing
- Power Generation and Distribution
- Refining

JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2+' (AM Two Plus) to the Management Company.

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

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except that investments are stated at fair values.

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

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

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

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

**3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS**

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018**

The following amendments are effective for the year ended June 30, 2018. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs which are also not relevant to the Fund.

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

**3.2.1** The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments (except IFRS 9 'Financial Instruments') are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 9 'Financial Instruments'	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement.	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019
Certain annual improvements have also been made to a number of IFRSs which are also not expected to have material impact on financial reporting of the Fund.	

### **3.2.2 IFRS 9 'Financial Instruments' Impact Assessment**

"IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

### 3.2.2.1 Key requirements of IFRS 9 are as follows;

#### Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

#### Classification and measurement of financial liabilities

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

#### 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.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

### 3.2.2.2 Impact assessment

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Listed equity securities classified as financial assets at fair value through profit or loss - held for trading will be classified as measured at fair value through profit or loss upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

### **3.3 Change in policy in relation to preparation of income statement and statement of comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

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

## **4 SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 Cash and cash equivalent**

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

### **4.2 Financial instruments**

#### **4.2.1 Financial assets**

##### **4.2.1.1 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 purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

#### **a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading.

#### **a) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Currently, the Fund does not hold any financial assets categorised as 'loans and receivables'.

#### **c) Available for sale**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss held-for-trading. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, the Fund does not hold any financial assets categorised as 'available for sale'.

##### **4.2.1.2 Regular way contracts**

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

#### **4.2.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held-for-trading", in which case the transaction costs are charged off to the income statement.

#### **4.2.1.4 Subsequent measurement**

##### **a) Financial assets 'at fair value through profit or loss - held-for-trading' and 'available-for-sale'**

Subsequent to initial measurement, financial assets 'at fair value through profit or loss - held-for-trading' and 'available -for -sale' are valued as follows:

##### **Basis of valuation of equity securities**

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss - held-for-trading' are taken to the Income Statement.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the Income Statement until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

##### **b) Loans and receivables**

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

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

#### **4.2.1.5 Impairment**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

#### **4.2.1.6 Derecognition**

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

#### **4.2.2 Financial liabilities**

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

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

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 Provisions**

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

#### **4.4 Taxation**

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

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

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

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognized in the financial statements in the period in which such distributions are declared.

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed**

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognized in the income statement and statement of comprehensive income and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the "Statement of Movement in Unitholders' Fund".

#### **Amendment in the NBFC Regulations subsequent to the year end**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognized in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of loss been recognized as per the previous accounting policy, the income of the Fund would have been lower by Rs 16.206 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

#### 4.8 Net assets value per unit

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

#### 4.9 Revenue recognition

- realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income from equity securities is recognized when the right to receive dividend is established.
- Profit on bank deposits is recognized on a time apportionment basis using effective interest method.

#### 4.10 Expenses

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

5. BANK BALANCES	Note	2018 ------(Rupees in '000)-----	2017
In savings accounts	5.1	100,379	46,292
In current account		9	-
		<u>100,388</u>	<u>46,292</u>

5.1 These accounts carry mark-up at rates ranging between 4.5% and 7.5% (2017: 3.75% and 5.35%) per annum.

6. INVESTMENTS	Note	2018 ------(Rupees in '000)-----	2017
Financial assets 'at fair value through profit or loss' - held-for-trading			
Listed equity securities	6.1	<u>985,558</u>	<u>781,709</u>

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	54,000	38,960	-	7,920	85,040	128,086	13.00	12.07	0.08
Oil and Gas Development Company Limited	462,900	732,000	-	439,900	755,000	117,493	11.92	11.07	0.02
Pakistan Oilfields Limited	160,345	75,800	-	57,900	178,245	119,743	12.15	11.29	0.08
Pakistan Petroleum Limited	290,000	632,100	-	318,800	603,300	129,649	13.15	12.22	0.03
	<b>967,245</b>	<b>1,478,860</b>	<b>-</b>	<b>824,520</b>	<b>1,621,585</b>	<b>494,971</b>	<b>50.22</b>	<b>46.65</b>	
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Attock Petroleum Limited	78,600	24,050	-	15,150	87,500	51,624	5.24	4.87	0.11
Hascol Petroleum Limited	124,000	220,460	-	167,900	176,560	55,397	5.62	5.22	0.15
Hascol Petroleum Limited - LOR	-	38,760	-	38,760	-	-	-	-	-
Hi-tech Lubricants Limited	-	15,000	-	15,000	-	-	-	-	-
Pakistan State Oil Company Limited	165,900	272,800	33,180	118,300	353,580	112,548	11.42	10.61	0.11
Shell Pakistan Limited	115,000	23,000	-	138,000	-	-	-	-	-
Sui Northern Gas Pipelines Limited	634,500	1,384,700	-	1,014,300	1,004,900	100,711	10.22	9.49	0.16
Sui Southern Gas Company Limited	265,000	1,550,000	-	750,000	1,065,000	34,953	3.55	3.29	0.12
	<b>1,383,000</b>	<b>3,528,770</b>	<b>33,180</b>	<b>2,257,410</b>	<b>2,687,540</b>	<b>355,233</b>	<b>36.04</b>	<b>33.48</b>	
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	608,500	666,200	-	585,000	689,700	63,563	6.45	5.99	0.06
K-Electric Limited	2,200,000	8,202,500	-	2,942,500	7,460,000	42,373	4.30	3.99	0.03
Kot Addu Power Company Limited	668,000	450,000	-	1,118,000	-	-	-	-	-
Nishat Chunian Power Limited	-	425,000	-	425,000	-	-	-	-	-
	<b>3,476,500</b>	<b>9,743,700</b>	<b>-</b>	<b>5,070,500</b>	<b>8,149,700</b>	<b>105,936</b>	<b>10.75</b>	<b>9.98</b>	
<b>REFINERY</b>									
Attock Refinery Limited	100,000	152,000	-	191,500	60,500	13,026	1.32	1.23	0.07
National Refinery Limited	22,000	37,000	-	22,000	37,000	16,391	1.66	1.54	0.05
	<b>122,000</b>	<b>189,000</b>	<b>-</b>	<b>213,500</b>	<b>97,500</b>	<b>29,417</b>	<b>2.98</b>	<b>2.77</b>	
<b>Total - As at June 30, 2018</b>	<b>5,948,745</b>	<b>14,940,330</b>	<b>33,180</b>	<b>8,365,930</b>	<b>12,556,325</b>	<b>985,557</b>			
<b>Carrying value as at June 30, 2018</b>						<b>969,507</b>			

**6.1.1** Shares with market value aggregating to Rs 89.67 million (2017: Rs 64.148 million) of the following companies have been pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against trading facility in the Stock Exchange:

- 300,000 shares of Oil and Gas Development Company (2017: 200,000)
- 200,000 shares of Pakistan Petroleum Limited (2017: Nil)

**6.1.2** These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5% is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.528 million at June 30, 2018 (June 30, 2017: Nil) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at period end.

	2018	2017
	------(Rupees in '000)-----	
<b>7. DIVIDEND AND PROFIT RECEIVABLE</b>		
Dividend receivable	<b>3,786</b>	2,361
Profit receivable on bank deposits	<b>880</b>	227
	<b>4,666</b>	<b>2,588</b>

		2018	2017
	Note	------(Rupees in '000)-----	
<b>8.</b>	<b>DEPOSITS AND OTHER RECEIVABLES</b>		
	Security deposits	2,800	2,800
	Other receivables	76	14
		2,876	2,814
<b>9.</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
	Management fee	1,770	1,394
	Sindh Sales Tax on Management Company's remuneration	230	181
	Sales load payable	-	11
	Allocation of expenses related to registrar services, accounting, operation and valuation services	88	70
	Selling and marketing expenses	2,161	1,193
		4,249	2,849

**9.1** Under the provision of the offering document of the Fund, the Management Company is entitled to a remuneration at the rate of 2% of the average annual net assets on daily basis of the Fund. The remuneration is paid to management company monthly in arrears.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (2017: 13 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

**9.3** As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

**9.4** SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a period of three years (from January 01, 2017 till December 31, 2019) being chargeable to open end equity, asset allocation and index funds. Maximum cap on the expenses has been set at 0.4% per annum of net assets of fund or actual expenses, whichever being lower. The Fund has started accruing expense on this account at 0.4% per annum of net assets of the Fund effective from March 21, 2017.

		2018	2017
	Note	------(Rupees in '000)-----	
<b>10.</b>	<b>PAYABLE TO THE TRUSTEE</b>		
	Trustee fee	193	337
	CDS charges payable	1	1
		194	338

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

Based on the Trust Deed, the tariff structure applicable to the Fund with effect from June 25, 2013 is as follows:

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Upto Rupees 250 million	Rs 0.7 million or 0.20% per annum of net assets value whichever is higher
Rs 1,000 million and above	Rs 2.0 million plus 0.10% per annum of net assets value exceeding Rs 1,000 million

11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2018 ------(Rupees in '000)-----	2017 ------(Rupees in '000)-----
Annual fee	11.1	<u>910</u>	<u>803</u>

**11.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as an equity scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

12. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2018 ------(Rupees in '000)-----	2017 ------(Rupees in '000)-----
Federal excise duty and additional sales tax on remuneration of the Management Company	12.1	<b>13,920</b>	13,920
Provision for Sindh Workers' Welfare Fund	12.2	<b>4,985</b>	4,985
Withholding Tax Payable		<b>89</b>	3,352
Auditors' remuneration		<b>313</b>	315
Brokerage		<b>124</b>	143
Zakat payable		<b>199</b>	194
Printing expenses		<b>110</b>	80
Others		<b>1,972</b>	1,972
		<u><b>21,712</b></u>	<u>24,961</u>

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

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

The Finance act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2018 and June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of Management Company, aggregating to Rs. 13.92 million (June 30, 2017: 13.92 million). Had the provision not been made, the Net Asset Value per unit as at June 30, 2017 would have been higher by Rs. 0.19 (June 30, 2017: Rs. 0.26 ) per unit.

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

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which were issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution."

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

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

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

- The Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 28.085 million and started recognizing provision provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 4.985 million (2017: Rs. 4.985 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.07 (June 30, 2017: Rs. 0.094) per unit.

### **13. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017



-----As on June 30, 2017 -----

	At fair value through profit or loss	Other financial liabilities	Total
Liabilities	------(Rupees in '000)-----		
Payable to the Management Company	-	2,667	2,667
Payable to Trustee	-	298	298
Accrued expenses and other liabilities	-	2,510	2,510
Unclaimed dividend	-	8,712	8,712
Payable against redemption of units	-	946	946
Unit holders' fund	-	794,794	794,794
	<u>-</u>	<u>810,110</u>	<u>810,110</u>

## 19. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	2018	2017
	------(Rupees in '000)-----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	<u>19,166</u>	<u>16,896</u>
Sindh Sales Tax on remuneration of the Management Company	<u>2,492</u>	<u>2,196</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>958</u>	<u>812</u>
Selling and marketing costs	<u>3,833</u>	<u>1,193</u>
Issue of 2,100,220 units (2017: Nil units)	<u>32,000</u>	
Redemption of 8,283,377 units (2017: Nil units)	<u>120,000</u>	<u>-</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee	<u>2,114</u>	<u>1,909</u>
Central Depository System charges	<u>83</u>	<u>64</u>
<b>Habib Bank Limited - Sponsor</b>		
Bank charges	<u>2</u>	<u>1</u>
Issue of 21,162,742 units (2017: Nil units)	<u>300,000</u>	<u>-</u>
<b>HBL Multi Asset Fund</b>		
Purchase of 5,108 shares of Mari Gas Petroleum (2017: nil shares)	<u>7,504</u>	<u>-</u>

	2018	2017
	----- (Rupees in '000) -----	
<b>Directors and Executives of the Management Company</b>		
Issue of 163,538 units (2017: 181,184 units)	<u>2,400</u>	<u>2,593</u>
Redemption of 26,639 units (2017: Nil units)	<u>404</u>	<u>-</u>
Dividend	<u>-</u>	<u>106</u>
<b>19.2 Amount outstanding as at year end Management Company</b>		
Management fee payable	<u>1,770</u>	<u>1,394</u>
Sindh Sales Tax on Management Company's remuneration	<u>230</u>	<u>181</u>
Sales load payable	<u>-</u>	<u>11</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>88</u>	<u>70</u>
Selling and marketing expenses	<u>2,161</u>	<u>1,193</u>
Outstanding 3,819,668 units (2017: 10,002,825 units)	<u>53,446</u>	<u>150,401</u>
<b>NIB Bank Limited - Connected person due to holding more than 10% units</b>		
Bank balances	<u>14,792</u>	<u>46,253</u>
Profit receivable on bank deposits	<u>470</u>	<u>225</u>
Outstanding 6,468,401 units (2017: 6,468,401 units)	<u>94,993</u>	<u>97,258</u>
<b>Habib Bank Limited</b>		
Bank Balance	<u>1,027</u>	<u>20</u>
Outstanding 21,162,742 units (2017: Nil units)	<u>310,790</u>	<u>-</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	<u>193</u>	<u>337</u>
Security deposit	<u>300</u>	<u>300</u>
CDS charges payable	<u>1</u>	<u>1</u>
<b>Directors and Executives of the Management Company</b>		
Outstanding 320,261 units (2017: 183,362 units)	<u>4,703</u>	<u>2,757</u>

## 20. FINANCIAL RISK MANAGEMENT

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

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

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

### 20.1 Market risk

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

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

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

#### **20.1.1 Currency risk**

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

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

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

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

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the period would have increased / (decreased) by Rs. 1 million (2017: Rs 0.46 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

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

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

#### **20.1.3 Price risk**

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

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified on the Statement of Assets and Liabilities as 'financial assets at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document / NBFC Regulations, 2008 also limit individual equity securities to no more than 20% of net assets of the Fund, or issued capital of the investee company.

In case of 5% increase / decrease in price of all shares held by Fund at the year end, net income for the year would increase / decrease by Rs 49.278 million (2017: Rs 39.085 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

#### **20.2 Credit risk**

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

##### **Management of credit risk**

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

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2018:

Name of bank	Balance as at June 30, 2018	Latest available published rating as at June 30, 2018	Rating agency
<b>(Rupees in '000)</b>			
<b>Current account</b>			
Habib Bank Limited	9	AAA	JCR-VIS
<b>Savings accounts</b>			
JS Bank Limited	84,541	AA-	PACRA
NIB Bank Limited	14,792	AA-	PACRA
Soneri Bank Limited	19	AA-	PACRA
Habib Bank Limited	1,027	AAA	JCR-VIS
	100,388		

Name of bank	Balance as at June 30, 2017	Latest available published rating as at June 30, 2018	Rating agency
<b>(Rupees in '000)</b>			
<b>Savings accounts</b>			
NIB Bank Limited	46,253	AA-	PACRA
Soneri Bank Limited	19	AA-	PACRA
Habib Bank Limited	20	AAA	JCR-VIS
	46,292		

The maximum exposure to credit risk before considering any collateral as at June 30, 2018 and June 30, 2017 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

#### Concentration of credit risk

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

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

### 20.3 Liquidity risk

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

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

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. The Fund has entered into an agreement for securing committed credit line for redemption purposes (refer note 28).

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



		June 30, 2018								
Note		Carrying amount			Fair Value					
		Fair value through profit or loss - held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total	
		------(Rupees in '000)-----								
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
Investments in listed securities										
	- Listed Securities	6	985,558	-	-	985,558	985,558	-	-	985,558
			<u>985,558</u>	-	-	<u>985,558</u>	<u>985,558</u>	-	-	<u>985,558</u>
<b>Financial assets not measured at fair value</b>		21.1								
Bank balances			-	100,379	-	100,379	-	-	-	-
Dividend and profit receivable			-	4,666	-	4,666	-	-	-	-
			-	<u>105,045</u>	-	<u>105,045</u>	-	-	-	-
<b>Financial liabilities not measured at fair value</b>										
Payable to the Management Company			-	-	4,019	4,019	-	-	-	-
Payable to the Trustee			-	-	171	171	-	-	-	-
Accrued expenses and other liabilities			-	-	2,519	2,519	-	-	-	-
Unclaimed dividend			-	-	5,394	5,394	-	-	-	-
Unit Holders' Fund			-	-	<u>1,061,029</u>	<u>1,061,029</u>	-	-	-	-
			-	-	<u>1,073,132</u>	<u>1,073,132</u>	-	-	-	-

		June 30, 2017								
Note		Carrying amount			Fair Value					
		Fair value through profit or loss - held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total	
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
Investments in listed securities										
	- Listed Securities	6	781,709	-	-	781,709	781,709	-	-	781,709
			<u>781,709</u>	-	-	<u>781,709</u>	<u>781,709</u>	-	-	<u>781,709</u>
<b>Financial assets not measured at fair value</b>		21.1								
Bank balances			-	46,292	-	46,292	-	-	-	-
Dividend and profit receivable			-	2,588	-	2,588	-	-	-	-
			-	<u>48,880</u>	-	<u>48,880</u>	-	-	-	-
<b>Financial liabilities not measured at fair value</b>										
Payable to the Management Company			-	-	2,667	2,667	-	-	-	-
Payable to the Trustee			-	-	298	298	-	-	-	-
Accrued expenses and other liabilities			-	-	2,510	2,510	-	-	-	-
Payable against redemption of units			-	-	946	946	-	-	-	-
Unclaimed dividend			-	-	8,712	8,712	-	-	-	-
Unit Holders' Fund			-	-	<u>794,794</u>	<u>794,794</u>	-	-	-	-
			-	-	<u>809,927</u>	<u>809,927</u>	-	-	-	-

**21.1** 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.

**21.2 Valuation techniques**

For level 1 investments at fair value through profit or loss - held for trading investment in respect of quoted shares, Fund uses rates in respect of quoted shares. Fund uses daily quotation shares which are taken from Pakistan Stock Exchange Limited at reporting date.

**21.3 Transfers during the year**

There were no transfers between various levels of fair value hierarchy during the year.

**22. UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unit Holders' Fund. The Fund has no restrictions on the subscription and redemption of units except for maintaining minimum fund size of Rs.100 million at all times. The Fund has maintained and complied with the requirements of minimum fund size during the year.

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

In accordance with the risk management policies stated in note 21, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

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

Top ten brokers during the year ended June 30, 2018

- 1 Next Capital Limited
- 2 EFG Hermes Pakistan Limited
- 3 Intermarket Securities Ltd.
- 4 Insight Securities (Pvt) Ltd
- 5 BIPL Securities Ltd
- 6 Taurus Securities Ltd.
- 7 DJM Securities (Pvt) Ltd
- 8 AL Falah Securities (Pvt) Ltd.
- 9 Foundation Securities (Pvt) Ltd.
- 10 Aba Ali Habib Securities (Pvt) Ltd

Top ten brokers during the year ended June 30, 2017

- 1 Taurus Securities Ltd.
- 2 Next Capital Limited
- 3 Global Securities Pakistan Ltd.
- 4 WE Financial Services Ltd
- 5 IGI Finex Securities Limited
- 6 DJM Securities (Pvt) Ltd
- 7 Moonaco Securities (Private) Ltd.
- 8 BMA Capital Management Limited
- 9 Elixir Securities Pakistan (Pvt) Ltd
- 10 Shajar Capital Pakistan (Pvt) Ltd

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

Details of members of the investment committee of the Fund as on June 30, 2018 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	25+
2	Muhammad Imran	Chief Investment Officer	MBA (Finance)	18+
3	Jawad Naeem	Specialist - Equity	CFA Level 1, MBA	10+
4	Adeel Abdul Wahab	Specialist - Equity	ACCA	10+
5	Noman Ameer	Manager Risk	MBA (Finance)	11+
6	Sateesh Balani	Head of Research	CFA, MBA	7+

**25. PATTERN OF UNIT HOLDING**

Pattern of unit holding as at June 30, 2018 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Individuals	4,749	26,084,552	383,069	36.10%
Associated Companies and Directors	2	4,137,675	60,764	5.73%
Insurance Companies	3	286,219	4,203	0.40%
Banks and DFIs	3	27,632,461	405,801	38.25%
Retirement Funds	14	7,120,374	104,567	9.86%
Other Corporate	29	4,621,398	67,868	6.40%
NBFCs	1	1,581	24	0.00%
Trust	5	2,365,125	34,733	3.27%
	<b>4,806</b>	<b>72,249,385</b>	<b>1,061,029</b>	<b>100.00%</b>

Pattern of unit holding as at June 30, 2017 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Individuals	4,846	28,318,186	425,789	53.57%
Associated Companies and Directors	1	10,183,933	153,125	19.27%
Insurance Companies	2	162,074	2,438	0.31%
Banks and DFIs	1	6,567,897	98,755	12.43%
Retirement Funds	13	3,383,058	50,868	6.40%
Other Corporate	25	3,183,532	47,867	6.02%
NBFCs	1	1,581	24	0.00%
Trust	7	1,059,320	15,928	2.00%
	<b>4,896</b>	<b>52,859,581</b>	<b>794,794</b>	<b>100.00%</b>

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

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave	
1	Mr. Agha Sher Shah1	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23, 2017 & April 23, 2018
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27,2017
6	Mr. Shabbir Hussain Hashmi 2	1	1	-	-
7	Mr. Shahid Ghaffar 3	2	1	1	February 26,2018
8	Mr. Nadeem Abdullah 4	4	4	-	-
9	Mr.Towfiq Habib Chinoy 5	3	3	-	-
10	Mr.Salahuddin Manzoor 6	3	3	-	-

- 1 Appointed on November 23, 2017.
- 2 Appointed on February 26, 2018.
- 3 Appointed on December 04, 2017.
- 4 Resigned on February 26, 2018.
- 5 Resigned on November 23, 2017.
- 6 Resigned on November 30, 2017.

**27. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 3.53% (2017: 3.57%) which includes 0.43% (2017: 0.82%) representing government levy and SECP fee.

**28. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on August 31, 2018 by the Board of Directors of the Management Company.

**29. CORRESPONDING FIGURES**

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

**30. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



## **HBL** Equity Fund

HBL AML annual report 2017-18

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Equity Fund</b>
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited
<b>NAME OF AUDITORS</b>	Deloitte Yousuf Adil, Chartered Accountants.
<b>NAME OF BANKERS</b>	MCB Bank Limited Soneri Bank Limited JS Bank Limited Habib Bank Limited

**Type and Category of Fund**

Open end Equity Fund

**Investment Objective and Accomplishment of Objective**

The fund objective is to provide its investors maximum risk adjusted returns over longer investment horizon by investing in a diversified equity portfolio that offers both capital gains and dividend income.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KSE 100 Index.

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

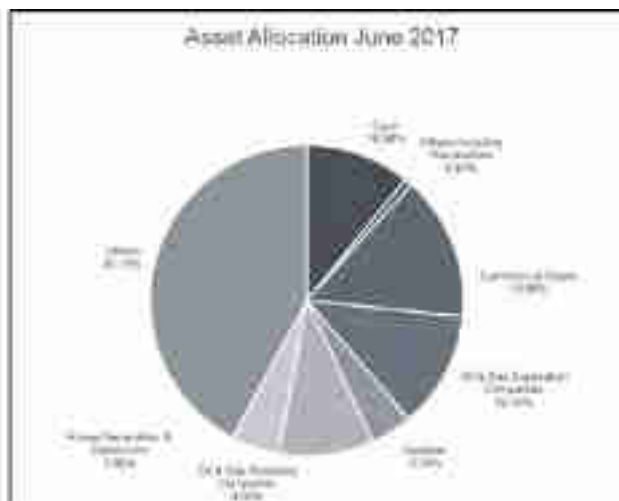
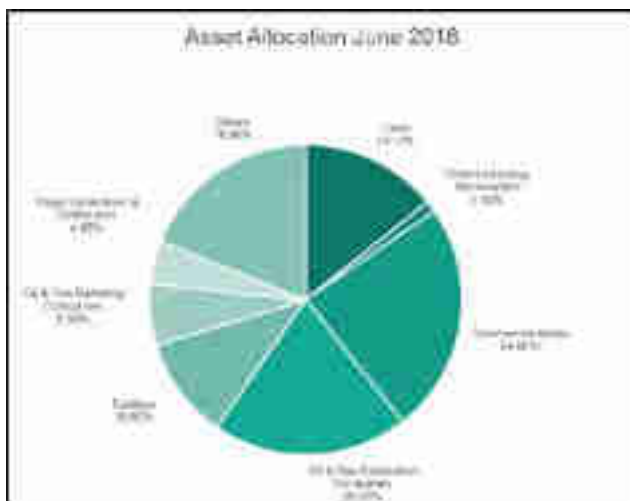
Month	Benchmark	Return of Fund
Jun - 18	-2.18%	-1.26%
May - 18	-5.81%	-4.15%
Apr - 18	-0.16%	-0.21%
Mar - 18	5.37%	4.90%
Feb - 18	-1.84%	-1.99%
Jan - 18	8.84%	8.48%
Dec - 17	1.15%	0.23%
Nov - 17	0.99%	1.77%
Oct - 17	-6.58%	-6.00%
Sep - 17	2.92%	1.46%
Aug - 17	-10.44%	-11.44%
Jul - 17	-1.19%	-2.34%



**Strategies and Policies employed during the Year**

During the year under review, the Fund reduced its exposure in equity from 88% of total assets as on June 30, 2017 to 85% of total assets as on June 2018. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in Oil & Gas Marketing, Engineering and Cements was reduced; however exposure in Fertilizers, Commercial Banks, Oil & Gas Exploration and Power Generation & Distribution was increased.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2017 and June 30, 2018:

Sector Name	As on Jun 2018	As on Jun 2017
Cash	14.17%	10.84%
Others Including Receivables	1.14%	0.80%
Commercial Banks	24.06%	14.99%
Oil & Gas Exploration Companies	20.28%	12.10%
Fertilizer	10.60%	4.34%
Oil & Gas Marketing Companies	6.39%	9.80%
Power Generation & Distribution	4.48%	4.98%
Others	18.88%	42.16%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The Fund incurred a total and net loss of Rs. 35.13 million and Rs. 47.93 million respectively during the year ended June 30, 2018. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs. 124.6444 per unit as on June 30, 2017. The NAV of the Fund was Rs. 110.4602 per unit as on June 30, 2018, thereby giving a negative return of 11.38%. During the same year the benchmark KSE 100 index yielded a negative return of 10.00%. The size of Fund was Rs. 0.29 billion as on June 30, 2018.

## Review of Market invested in

Pakistan Equities witnessed a topsy-turvy ride during outgoing year with disappointing foreign flows (after MSCI upgrade), political uncertainty following the ouster of ex-PM, macroeconomic challenges and ongoing speculation about the upcoming general elections.

KSE100 Index shed by 4,654 points to close at 41,911 points, reflecting a decline of 10%. Despite market expectation of strong foreign inflows following Pakistan's inclusion in the MSCI Emerging Markets, foreign investors continued to remain net sellers and sold stocks of worth USD289mn. Within local investors, insurance companies and corporates bought equities of USD204mn and USD100mn respectively while Mutual funds divested equities of USD35mn during the year. On the political front, Ex-Prime Minister Nawaz Sharif was disqualified by Supreme Court in Jul-17 which further marred investor sentiment. Moreover, economic concerns increased due to rising twin deficits followed by stringent policy measures by policy makers (16% PKR depreciation and 75bps increase in interest rates).

The Cement and Banking sector led the rout in the benchmark index, causing attrition of 2,288 points and 1,083 points respectively. Decline in cements was caused owing to the fears of a price war in the segment as upcoming expansions could lead to an oversupply situation particularly in the Southern region as can be grasped from price performance of DGKC and LUCK which fell 44% and 37% YoY respectively. In the banking sector, large banks caused underperformance where HBL, UBL and NBP fell 37%, 23% and 20% owing to regulatory concerns, pension and other legal issues. Meanwhile mid-tier banks outperformed the index buoyed by rising interest rate environment which is expected to lead to margin expansion.

Oil & Gas Exploration and Production sector defied overall trend during FY18 and posted strong gains where the sector contributed 1,628 points to the market owing to 66% increase in International Oil Prices and 16% PKR depreciation. The outperformance was led by POL and PPL posting returns of 58% and 53% against SPLY.

Going forward, we expect Pakistan equities to rebound with restoration of political stability (after General Elections), gradual improvement in macroeconomic trends and potential revival of foreign investor interest after steep PKR depreciation. Moreover, we highlight that Pakistan market's discount to emerging as well as frontier peers has increased to 30% and 28% against 5-year averages of 25% and 19% respectively reflecting a good entry point.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

## Significant Changes in the State of Affairs

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

## Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	13	989
101 – 500	27	6,609
501 – 1,000	11	9,308
100,1 – 10,000	64	265,317
10,001 – 100,000	24	825,513
100,001 – 500,000	-	-
500,001 – 1,000,000	1	533,331
1,000,001 – 5,000,000	1	1,022,050
5,000,001 and above	-	-
<b>Total</b>	<b>141</b>	<b>2,663,116</b>

## Unit Splits

There were no unit splits during the year.

## Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

## Soft Commission

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

**PERFORMANCE TABLE –  
HBL EQUITY FUND**  
As at June 30, 2018

	2018	2017	2016	2015	2014	2013
Net assets at the period end (Rs'000)	294,168	468,825	173,508	269,694	381,325	190,415
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	110.4602	124.6444	107.2297	124.8151	112.2918	113.3230
Offer	112.9566	127.4574	110.4466	128.5596	115.6606	116.7227
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	127.4485	156.3552	143.4474	135.0221	167.7836	160.8641
Highest offer price per unit	100.9806	111.0413	107.9068	104.7831	114.3614	107.1635
Highest redemption price per unit	124.6318	152.8997	139.2693	131.0894	162.8967	156.1787
Lowest redemption price per unit	98.7489	107.8071	104.7639	101.7312	111.0305	104.0422
<b>RETURN ( % )</b>						
Total return	-11.38%	27.67%	6.71%	11.15%	41.93%	48.18%
Income distribution	0.00%	12.00%	26.50%	0.00%	48.00%	35.00%
Capital growth	-11.38%	15.67%	-19.79%	11.15%	-6.07%	13.18%
<b>DISTRIBUTION</b>						
Final dividend distribution (Rs)	-	12.00	26.50	-	48.00	35.00
Date of Income Distribution	-	22-Jun-17	24-Jun-16	-	25-Jun-14	26-Jun-13
Total dividend distribution for the year/ period (Rs)	-	12.00	26.50	-	48.00	35.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-11.38%	27.67%	6.71%	11.15%	41.93%	48.18%
Average annual return 2 year	6.37%	16.72%	8.91%	25.60%	45.05%	29.42%
Average annual return 3 year	6.48%	14.83%	18.96%	32.72%	33.46%	-
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	24.06%	10.84%	21%	19%	9%	8%
Stock / Equities	41.75%	88.35%	76%	68%	87%	92%
Others Including receivables	18.88%	0.81%	3%	13%	4%	0%

**Note:**

The Launch date of the Fund is September 27, 2011

**Disclaimer:**

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

## PROXY VOTING DISCLOSURE

Summary of Actual Proxy voted by CIS

HBL Equity Fund	Meetings	Resolutions	For	Against
Number	6	15	15	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Amreli Steels Limited	25-10-2017	5-7-2018
Bank Al-Falah Ltd	28-3-2018	27-5-2018
Bank Al-Habib Limited	27-3-2018	N-A
Bank of Punjab Ltd	N-A	30-5-2018
Cherat Cement Company Ltd.	16-10-2017	N-A
Crescent Steel & Allied Products Ltd	17-10-2017	29-1-2018
D G Khan Cement Co.Ltd.	28-10-2017	N-A
Engro Corporation Ltd	24-4-2018	N-A
Engro Fertilizers Limited	26-3-2018	N-A
Engro Polymer & Chemicals Ltd	29-3-2018	2-7-2018
Faysal Bank Limited	28-3-2018	(6-3-2018)(10-7-2018)
Habib Bank Ltd	27-4-2018	N-A
Hascol Petroleum Ltd	27-4-2018	N-A
Honda Atlas Cars (Pakistan) Ltd	28-6-2018	N-A
Hub Power Company Ltd	10-5-2017	22-6-2018
International Industries Ltd	28-9-2017	21-5-2018
International Steels Limited	26-9-2017	N-A
Lucky Cement Ltd	(25-09-2017)(28-11-2017)	N-A
Mari Petroleum Company Ltd	26-9-2017	N-A
MCB Bank Ltd	27-3-2018	2-10-2018
Millat Tractors Ltd	27-10-2017	N-A
Nishat Mills Ltd	28-10-2017	28-3-2018
Oil & Gas Development Co Ltd	24-10-2017	N-A
Packages Ltd	19-4-2018	(28-08-2017)(26-2-2018)
Pak Elektron Ltd	25-4-2018	N-A
Pakistan Oilfields Ltd	19-10-2017	N-A
Pakistan Petroleum Ltd	27-10-2017	N-A
Pakistan State Oil Company Ltd	20-10-2017	N-A
Pioneer Cement Limited	26-10-2017	N-A
Sui Northern Gas Pipeline Ltd	27-11-2017	N-A
Systems Limited	26-4-2018	N-A
The Searle Company Ltd	27-10-2017	31-7-2017
United Bank Limited	31-3-2018	N-A

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDC House, 99-B, Block 'B',  
S.M.C.H.S. Main Shahr-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (52-21) 111-111-500  
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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL EQUITY FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Equity Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

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

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

Karachi, September 18, 2018



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL EQUITY FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Equity Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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

S. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 258,299 million as at June 30, 2018.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and their valuation and existence is a significant area during</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>independent testing of valuations by using the quoted market prices from the Pakistan Stock Exchange Limited and ensuring the existence of number of securities by comparing the internal records with Central Depository Company (CDC) account records;</li> </ul>

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Deloitte Touche Tohmatsu Limited

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>our audit. There is a risk that appropriate quoted prices may not be used to determine fair value.</p> <p>Further, the Fund may have included Investments in its financial statements which were not owned by Fund.</p>	<ul style="list-style-type: none"> <li>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of securities during the year; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
2	<p><b>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</b></p> <p>As disclosed in note 4.7, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> <li>Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

#### **Responsibilities of Management Company and Those Charged with Governance for the Financial Statements**

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

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

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

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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



Member of  
Deloitte Touche Tohmatsu Limited

the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

#### Report on Other Legal and Regulatory Requirements

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

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

  
Chartered Accountants

Place: Karachi

Date: September 19, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	43,148	63,886
Investments	6	258,299	521,086
Dividend and profit receivable	7	674	2,123
Deposits, prepayments and other receivable	8	2,805	2,636
<b>Total assets</b>		<b>304,926</b>	<b>589,731</b>
<b>Liabilities</b>			
Payable to the Management Company	9	1,244	1,945
Payable to the Trustee	10	69	236
Payable to Securities and Exchange Commission of Pakistan	11	314	396
Accrued expenses and other liabilities	12	9,131	15,652
Payable against redemption of units		-	102,677
<b>Total liabilities</b>		<b>10,758</b>	<b>120,906</b>
<b>Net assets</b>		<b>294,168</b>	<b>468,825</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>294,168</b>	<b>468,825</b>
<b>Contingencies and commitments</b>	13		
		----- Number of units -----	
<b>Number of units in issue</b>	14	<b>2,663,116</b>	<b>3,761,312</b>
		----- Rupees -----	
<b>Net assets value per unit</b>	4.10	<b>110.4602</b>	<b>124.6444</b>

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

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

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

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

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

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Capital (loss) / gain on sale of investments - net		(40,786)	60,772
Dividend income		14,359	16,767
Profit on bank deposits		2,649	2,244
Unrealised (diminution) / appreciation on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net		(11,351)	8,057
<b>Total income</b>		<b>(35,129)</b>	<b>87,840</b>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	6,608	8,326
Sindh Sales Tax on remuneration of the Management Company	9.2	859	1,082
Remuneration of the Trustee	10.1	812	977
Annual fee to Securities and Exchange Commission of Pakistan	11.1	314	396
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	330	427
Selling and marketing expenses	9.4	1,322	687
Amortisation of preliminary expenses and floatation costs		-	54
Auditors' remuneration	15	436	544
Securities transaction costs		1,704	3,875
Fee and subscription charges		131	118
Printing and postage expenses		255	73
Bank charges		26	23
<b>Total expenses</b>		<b>12,797</b>	<b>16,582</b>
<b>Net (loss) / income from operating activities</b>		<b>(47,926)</b>	<b>71,258</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net		-	33,654
Reversal of Workers' Welfare Fund	12.1	-	4,892
Provision of Sindh Workers' Welfare Fund	12.1	-	(2,768)
		-	2,124
<b>Net (loss) / income for the year before taxation</b>		<b>(47,926)</b>	<b>107,036</b>
Taxation	16	-	-
<b>Net (loss) / income for the year after taxation</b>		<b>(47,926)</b>	<b>107,036</b>
<b>Earnings per unit</b>	<b>17</b>		

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

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

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

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

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

Note	2018 ------(Rupees in '000)-----	2017
Net (loss) / income for the year after taxation	(47,926)	107,036
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u><u>(47,926)</u></u>	<u><u>107,036</u></u>

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

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

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

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

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

**HBL EQUITY FUND**  
**Statement of Movement in Unitholders' Fund**  
For the year ended June 30, 2018

	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
<b>Net assets at the beginning of the year</b>	376,127	92,698	468,825	-	-	173,508
Issuance of 1,055,926 units (2017: 8,728,360 units)						
- Capital value (at net asset value per unit at the beginning of the year)	131,616	-	131,616	-	-	
- Element of loss	(11,505)	-	(11,505)	-	-	
Total proceeds on issuance of units	120,111	-	120,111	-	-	1,140,778
Redemption of 2,154,122 units (2017: 6,585,148 units)						
- Capital value (at net asset value per unit at the beginning of the year)"	(268,500)	-	(268,500)	-	-	
- Amount relating to element of loss	21,658	-	21,658	-	-	
Relating to net loss for the year after taxation	(246,842)	-	(246,842)	-	-	(877,309)
Total payment on redemption of units						
Element of income and capital gains included in prices of units issued less those in units redeemed - net	-	-	-	-	-	(33,654)
Total comprehensive income for the year	-	(47,926)	(47,926)	-	-	107,036
Distribution during the year	-	-	-	-	-	(41,534)
Total comprehensive income for the year less distribution	-	(47,926)	(47,926)	-	-	65,502
<b>Net assets at the end of the year</b>	<b>249,396</b>	<b>44,772</b>	<b>294,168</b>	<b>-</b>	<b>-</b>	<b>468,825</b>
Undistributed income brought forward						
- Realised	84,641			12,132		
- Unrealised	8,057			(431)		
	92,698			11,701		
Accounting (loss) / income available for distribution		(47,926)			107,036	
Element of income and capital gains included in prices of units issued less those in units redeemed		-			15,495	
Distribution during the year		-			(41,534)	
<b>Undistributed income carried forward</b>		<b>44,772</b>			<b>92,698</b>	
Undistributed income carried forward						
- Realised	56,123			84,641		
- Unrealised	(11,351)			8,057		
	44,772			92,698		
						(Rupees)
Net assets value per unit at beginning of the year			124.6444			107.2297
Net assets value per unit at end of the year			110.4602			124.6444

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

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

Chief Financial Officer

Chief Executive Officer

Director

	2018	2017
Note	------(Rupees in '000)-----	
<b>Cash flows from operating activities</b>		
Net (loss) / income for the year before taxation	(47,926)	107,036
<b>Adjustments for:</b>		
Capital loss / (gain) on sale of investments - net	40,786	(60,772)
Dividend income	(14,359)	(16,767)
Profit on bank deposit	(2,649)	(2,244)
Unrealised diminution / (appreciation) on re-measurement of investments at 'fair value through profit or loss - held for trading' - net	11,351	(8,057)
Amortisation of preliminary expenses and floatation costs	-	54
Element of income and capital gains included in prices of units issued less those in units redeemed - net	-	(33,654)
	(12,797)	(14,404)
<b>Decrease / (increase) in assets</b>		
Investments - net	210,650	(302,170)
Deposits, prepayments and other receivable	(169)	47
Receivable against sale of investments	-	1,871
	210,481	(300,252)
<b>(Decrease) / Increase in liabilities</b>		
Payable to the Management Company	(701)	1,176
Payable to the Trustee	(167)	169
Payable to Securities and Exchange Commission of Pakistan	(82)	105
Accrued expenses and other liabilities	(6,521)	2,062
Payable against purchase of investments	-	(8,594)
	(7,471)	(5,082)
Bank profits received	2,651	2,133
Dividend received	15,806	15,104
	18,457	17,237
<b>Cash generated from / (used in) operating activities</b>	<b>208,670</b>	<b>(302,501)</b>
<b>Cash flows from financing activities</b>		
Amount received against issue of units	120,111	1,140,778
Amount paid against redemption of units	(349,519)	(774,632)
Dividend paid	-	(41,534)
<b>Net cash (used in) / generated from financing activities</b>	<b>(229,408)</b>	<b>324,612</b>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<b>(20,738)</b>	<b>22,111</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>63,886</b>	<b>41,775</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>43,148</b>	<b>63,886</b>

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

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

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

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

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

## **1. STATUS AND NATURE OF BUSINESS**

**1.1** HBL Equity Fund ("the Fund") was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/NBFC-II/PSF/249/2011 dated June 1, 2011 and the trust deed was executed on June 14, 2011.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016 HBL Asset Management Limited became Management Company of the fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

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

The Fund is an open-ended mutual Fund and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered to the public for subscription at par value of Rs 100 per unit from September 24, 2011 to September 26, 2011. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferrable and redeemable by surrendering them to the Fund.

The Fund has been categorised as an equity scheme as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CISs).

The investment objective of the Fund is to provide investors a diversified equity portfolio with a primary objective of maximizing risk-adjusted returns over longer investment horizon through a combination of capital gains and dividend income.

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

JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2+' (AM Two Plus) to the Management Company.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except that investments are measured at fair value.

### **2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

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

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

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

**3. APPLICATION OF NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS**

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018**

The following amendments are effective for the year ended June 30, 2018. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.

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

**3.2.1** The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments (except IFRS 9 'Financial Instruments') are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 9 'Financial Instruments'	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	July 01, 2018

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures

Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'

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

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

January 01, 2019

January 01, 2019

January 01, 2018

January 01, 2018

January 01, 2019

### 3.2.2 IFRS 9 'Financial Instruments' Impact Assessment

3.2.2.1 IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

**Key requirements of IFRS 9 are as follows;**

#### **Classification and measurement of financial assets**

- All recognized financial assets that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

### **Classification and measurement of financial liabilities**

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

### **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.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Listed equity securities classified as financial assets at fair value through profit or loss - held for trading will be classified as measured at fair value through profit or loss upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **3.3 Change in policy in relation to preparation of income statement and statement of comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

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

## **4. SIGNIFICANT ACCOUNTING POLICIES**

### **4.1 Cash and cash equivalents**

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

## **4.2 Financial instruments**

### **4.2.1 Financial assets**

#### **4.2.1.1 Classification**

The Management Company 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 purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are, currently, categorised as follows:

##### **a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading.

##### **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**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss - held-for-trading. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, the Fund does not hold any financial assets categorised as 'available for sale'.

#### **4.2.1.2 Regular way contracts**

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

#### **4.2.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held-for-trading", in which case the transaction costs are charged to the income statement.

#### **4.2.1.4 Subsequent measurement**

##### **a) Financial assets 'at fair value through profit or loss - held-for-trading' and 'available for sale'**

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

##### **- Basis of valuation of equity securities**

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date the security is valued at an amount neither higher than the closing ask price nor lower than the closing bid price.

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

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the Income Statement until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

#### **b) Loans and receivables**

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

Gains or losses are recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

##### **4.2.1.5 Impairment**

The Fund assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Income Statement is reclassified from other comprehensive income to income before taxation.

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 determined based on the provisioning criteria specified by the SECP.

##### **4.2.1.6 Derecognition**

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

##### **4.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. 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 expired.

##### **4.2.3 Offsetting of financial assets and liabilities**

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

##### **4.3 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

##### **4.4 Provisions**

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

##### **4.5 Collaterals**

Cash collaterals provided by the Fund are identified in the statement of assets and liabilities as margin and are not included as a component of cash and cash equivalents. For collaterals other than cash, if the party to whom the collaterals are provided has a right by contract or custom to sell or re-pledge the collaterals, the Fund classifies those collaterals in the statement of assets and liabilities separately from other assets and identifies the assets as pledged collaterals. Where the party to whom the collaterals are provided does not have the right to sell or re-pledge, a disclosure of the collaterals provided is made in the notes to the financial statements.

##### **4.6 Taxation**

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

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

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

#### **4.7 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

#### **4.8 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

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

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

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the income statement and statement of comprehensive income and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the "Statement of Movement in Unitholders' Fund".

#### **Amendment in the NBFC Regulations subsequent to the year end**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017

as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the net loss for the year would have been decreased by Rs 10.151 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

**4.10 Net assets value per unit**

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

**4.11 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Dividend income from equity securities is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on a time apportionment basis using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss - held-for-trading' are included in the Income Statement in the year / period in which they arise.

**4.12 Expenses**

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised in the 'Income Statement' on a time apportionment basis using the effective interest method

5. BANK BALANCES	Note	2018 ------(Rupees in '000)-----	2017
In current account		24	-
In savings account	5.1	43,124	63,886
		43,148	63,886

5.1 These accounts carry rate of return from 5.35% to 7.5% per annum (2017: 6% per annum).

6. INVESTMENTS	Note	2018 ------(Rupees in '000)-----	2017
Financial assets at fair value through profit or loss - held for trading			
- Listed securities	6.1	258,299	521,086
		258,299	521,086

## 6.1 Investment in listed equity securities at 'fair value through profit or loss - held for trading'

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

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>AUTOMOBILE ASSEMBLER</b>									
Pak Suzuki Motor Company Limited	20,500	2,000	-	22,500	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	17,000	-	12,500	4,500	1,424	0.55	0.48	0.00
Indus Motor Company Limited	-	4,140	-	2,000	2,140	3,042	1.18	1.03	0.00
Millat Tractors Limited	8,000	-	-	3,460	4,540	5,394	2.09	1.83	0.01
	<u>28,500</u>	<u>23,140</u>	<u>-</u>	<u>40,460</u>	<u>11,180</u>	<u>9,860</u>	<u>3.82</u>	<u>3.34</u>	
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>									
Thal Limited (Par value of Rs 5 per share)	8,600	12,900	-	8,600	12,900	6,160	2.38	2.09	0.02
	<u>8,600</u>	<u>12,900</u>	<u>-</u>	<u>8,600</u>	<u>12,900</u>	<u>6,160</u>	<u>2.38</u>	<u>2.09</u>	
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	157,500	193,000	-	265,500	85,000	3,014	1.17	1.02	0.02
	<u>157,500</u>	<u>193,000</u>	<u>-</u>	<u>265,500</u>	<u>85,000</u>	<u>3,014</u>	<u>1.17</u>	<u>1.02</u>	
<b>CEMENT</b>									
Cherat Cement Company Limited	69,000	-	-	69,000	-	-	-	-	-
D. G. Khan Cement Company Limited	81,500	75,000	-	156,500	-	-	-	-	-
Fauji Cement Company Limited	-	255,000	-	255,000	-	-	-	-	-
Kohat Cement Limited	-	11,900	-	-	11,900	1,465	0.57	0.50	0.01
Lucky Cement Limited	41,800	17,650	-	41,800	17,650	8,965	3.47	3.05	0.01
Pioneer Cement Limited	126,000	82,000	-	185,000	23,000	1,078	0.42	0.37	0.01
	<u>318,300</u>	<u>441,550</u>	<u>-</u>	<u>707,300</u>	<u>52,550</u>	<u>11,508</u>	<u>4.46</u>	<u>3.92</u>	
<b>CHEMICAL</b>									
Engro Polymer & Chemicals	285,000	230,000	-	420,000	95,000	2,979	1.15	1.01	0.01
Engro Polymer & Chemicals - (Letter of right)	-	29,600	-	4	29,596	261	0.10	0.09	0.01
	<u>285,000</u>	<u>259,600</u>	<u>-</u>	<u>420,004</u>	<u>124,596</u>	<u>3,240</u>	<u>1.25</u>	<u>1.10</u>	
<b>COMMERCIAL BANKS</b>									
Allied Bank Limited	120,000	17,500	-	137,500	-	-	-	-	-
Bank of Punjab Limited	-	1,416,000	-	960,000	456,000	5,504	2.13	1.87	0.02
Bank Al-Falah Limited	-	343,000	-	98,500	244,500	12,785	4.95	4.35	0.02
Faisal Bank Limited	-	277,000	28,800	195,000	110,800	2,881	1.12	0.98	0.01
Bank Al-Habib Limited	-	145,000	-	57,500	87,500	6,896	2.67	2.34	0.01
Habib Bank Limited *	83,300	121,500	-	116,700	88,100	14,663	5.68	4.98	0.01
Meezan Bank Limited	-	25,500	-	8,000	17,500	1,430	0.55	0.49	0.00
MCB Bank Limited (6.1.1)**	141,500	54,300	-	121,000	74,800	14,793	5.73	5.03	0.01
United Bank Limited	108,000	64,200	-	86,900	85,300	14,414	5.58	4.90	0.01
	<u>452,800</u>	<u>2,464,000</u>	<u>28,800</u>	<u>1,781,100</u>	<u>1,164,500</u>	<u>73,366</u>	<u>28.41</u>	<u>24.94</u>	
<b>ENGINEERING</b>									
Amreli Steels Limited	57,000	82,500	-	103,000	36,500	2,575	1.00	0.88	0.01
Crescent Steel & Allied Product Limited	62,500	-	-	62,500	-	-	-	-	-
International Industries Ltd	-	46,600	-	34,000	12,600	2,927	1.13	1.00	0.01
International Steels Limited	151,500	171,300	-	292,600	30,200	3,071	1.19	1.04	0.01
Mughal Iron & Steel Industries Limited	-	68,500	-	22,000	46,500	2,856	1.11	0.97	0.02
	<u>271,000</u>	<u>368,900</u>	<u>-</u>	<u>514,100</u>	<u>125,800</u>	<u>11,429</u>	<u>4.43</u>	<u>3.89</u>	
<b>FERTILIZERS</b>									
Engro Corporation Limited (6.1.1)	78,500	28,000	-	59,500	47,000	14,751	5.71	5.01	0.01
Engro Fertilizers Limited	-	284,000	-	130,500	153,500	11,499	4.45	3.91	0.01
Fauji Fertilizer Company Limited	-	195,500	-	134,000	61,500	6,082	2.35	2.07	0.00
	<u>78,500</u>	<u>507,500</u>	<u>-</u>	<u>324,000</u>	<u>262,000</u>	<u>32,332</u>	<u>12.51</u>	<u>10.99</u>	
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	14,670	4,100	-	8,880	9,890	14,896	5.77	5.06	0.01
Oil & Gas Development Company Limited	145,400	81,500	-	133,500	93,400	14,535	5.63	4.94	0.00
Pakistan Oilfields Limited	30,500	26,700	-	35,000	22,200	14,914	5.77	5.07	0.01
Pakistan Petroleum Limited	93,100	52,000	-	63,650	81,450	17,504	6.78	5.95	0.00
	<u>283,670</u>	<u>164,300</u>	<u>-</u>	<u>241,030</u>	<u>206,940</u>	<u>61,849</u>	<u>23.95</u>	<u>21.02</u>	
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Attock Petroleum Limited	12,000	-	-	12,000	-	-	-	-	-
Hascol Petroleum Limited	51,100	3,500	-	43,500	11,100	3,483	1.35	1.18	0.01
Hascol Petroleum Limited - (Letter of right)	-	5,420	-	5,420	-	-	-	-	-
Pakistan State Oil Company Limited	37,900	46,000	3,080	55,000	31,980	10,180	3.94	3.46	0.01
Sui Northern Gas Pipeline Limited	122,000	14,000	-	77,800	58,200	5,833	2.26	1.98	0.01
	<u>223,000</u>	<u>68,920</u>	<u>3,080</u>	<u>193,720</u>	<u>101,280</u>	<u>19,496</u>	<u>7.55</u>	<u>6.62</u>	
<b>PAPER &amp; BOARD</b>									
Packages Limited	15,300	-	-	15,300	-	-	-	-	-
	<u>15,300</u>	<u>-</u>	<u>-</u>	<u>15,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<b>PHARMACEUTICALS</b>									
AGP Limited	-	33,000	-	33,000	-	-	-	-	-
Abbott Laboratories (Pak) Limited	10,900	-	-	10,900	-	-	-	-	-
The Searle Company Limited	40,320	3,000	3,444	39,100	7,664	2,602	1.01	0.88	0.00
	<u>51,220</u>	<u>36,000</u>	<u>3,444</u>	<u>83,000</u>	<u>7,664</u>	<u>2,602</u>	<u>1.01</u>	<u>0.88</u>	

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	250,000	9,500	-	145,000	114,500	10,552	4.07	3.59	0.01
K-Electric Limited (Par value of Rs 3.5 per share)	-	600,000	-	50,000	550,000	3,124	1.21	1.06	0.00
	<u>250,000</u>	<u>609,500</u>	<u>-</u>	<u>195,000</u>	<u>664,500</u>	<u>13,676</u>	<u>5.28</u>	<u>4.65</u>	
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
Systems Limited	88,500	24,500	-	85,000	28,000	2,834	1.10	0.96	0.03
	<u>88,500</u>	<u>24,500</u>	<u>-</u>	<u>85,000</u>	<u>28,000</u>	<u>2,834</u>	<u>1.10</u>	<u>0.96</u>	
<b>TEXTILE COMPOSITE</b>									
Nishat (Chunian) Limited	-	108,000	-	108,000	-	-	-	-	-
Nishat Mills Limited	114,200	46,500	-	111,500	49,200	6,933	2.68	2.36	0.01
	<u>114,200</u>	<u>154,500</u>	<u>-</u>	<u>219,500</u>	<u>49,200</u>	<u>6,933</u>	<u>2.68</u>	<u>2.36</u>	
<b>As at June 30, 2018</b>	<u><b>2,626,090</b></u>	<u><b>5,328,310</b></u>	<u><b>35,324</b></u>	<u><b>5,093,614</b></u>	<u><b>2,896,110</b></u>	<u><b>258,299</b></u>	<u><b>100.00</b></u>	<u><b>87.78</b></u>	
<b>Carrying Value as at June 30, 2018</b>						<u><b>269,650</b></u>			

\* Sponsor of the management company

\*\* Related Party due to holding more than 10% of Unit.

**6.1.1** The above investments include shares with market value aggregating to Rs 20.465 million (2017: Rs 27.724 million) which have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the SECP, which are as follows:

- Engro Corporation Limited (40,000 shares)
- MCB Bank Limited (40,000 shares)

**6.1.2** These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5% is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.38 million at June 30, 2018 (June 30, 2017: Rs. 0.21 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

7.	DIVIDEND AND PROFIT RECEIVABLE	Note	2018	2017
			----- (Rupees in '000) -----	-----
	Dividend receivable		438	1,885
	Bank profit receivable		236	238
			<u>674</u>	<u>2,123</u>
<b>8.</b>	<b>DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE</b>			
	Security deposits with:			
	- National Clearing Company of Pakistan Limited		2,500	2,500
	- Central Depository Company of Pakistan Limited		100	100
			<u>2,600</u>	<u>2,600</u>
	Prepaid expenses		67	-
	Other receivable		138	36
			<u>2,805</u>	<u>2,636</u>

9.	PAYABLE TO THE MANAGEMENT COMPANY	Note	2018	2017
			----- (Rupees in '000) -----	
	Remuneration of the Management Company	9.1	489	904
	Sindh sales tax on remuneration of the Management Company	9.2	64	118
	Sales load payable		27	191
	Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	24	45
	Selling and Marketing expenses	9.4	640	687
			<u>1,244</u>	<u>1,945</u>

9.1 Under the provision of the offering document of the Fund, the Management Company is entitled to a Remuneration at the rate of 2% of the average annual net assets on daily basis of the Fund. The remuneration is paid to management company monthly in arrears.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (2017: 13 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

9.3 In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated November 25, 2015, the Management Company of the Fund is entitled for reimbursement of fee and expenses incurred by the Management Company in relation to registrar service, accounting, operation and valuation services related to Fund maximum up to 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Management Company has charged accounting and operation charges amounting to Rs 0.434 million (2017: Rs 0.427 million) being lower amount to the Fund during the year.

9.4 SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a period of three years (from January 01, 2017 till December 31, 2019) being chargeable to open end equity, asset allocation and index funds. Maximum cap on the expenses has been set at 0.4% per annum of net assets of fund or actual expenses, whichever being lower. The Fund has started accruing expense on this account at 0.4% per annum of net assets of the Fund effective from March 21, 2017.

10.	PAYABLE TO THE TRUSTEE	Note	2018	2017
			----- (Rupees in '000) -----	
	Remuneration of the Central Depository Company of Pakistan Limited - Trustee	10.1	58	187
	Sindh sales tax on remuneration of the Central Depository Company of Pakistan Limited - Trustee		7	24
	CDS charges payable		4	25
			<u>69</u>	<u>236</u>

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2018 is as follows:

Amount of funds under management [Average Net Assets Value (NAV)]	Tariff per annum
Upto Rs 1,000 million	Rs 0.7 million or 0.20% per annum of net assets value whichever is higher
Rs 1,000 million and above	Rs 2.0 million plus 0.10% per annum of net assets value exceeding Rs 1,000 million

		2018	2017
	Note	------(Rupees in '000)-----	
<b>11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	314	396
<b>11.1</b>	Under the provisions of the NBFC Regulations, 2008 a collective investment scheme categorised as an equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.		
		2018	2017
	Note	------(Rupees in '000)-----	
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Federal Excise Duty	12.2	5,685	5,685
Withholding tax payable		95	4,795
Provision for Sindh Workers' Welfare Fund	12.1	2,768	2,768
Dividend payable		-	1,484
Brokerage payable		58	482
Auditors' remuneration		306	315
Printing and other related costs		187	80
Other payables		32	43
		9,131	15,652

**12.1 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual Funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual Funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual Funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual Funds and issued show cause notices to certain mutual Funds for collecting WWF. In respect of such show cause notices, certain mutual Funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Honorable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual Funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

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

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

- As an abundant caution, the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and as an abundant caution, Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 4.892 million. Further, the Fund had started recognising provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 2.768 million (2017: Rs. 2.768 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 1.04 (2017: Rs. 0.736) per unit.

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

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

The Finance Act, 2016 excluded the mutual Funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 5.685 million (2017: Rs. 5.685). Had the provision not been made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 2.14 (2017: Rs. 1.51 ) per unit.

**13. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

**14. NUMBER OF UNITS IN ISSUE**

	2018	2017
	------(Rupees in '000)-----	
Total units in issue at the beginning of the year	3,761,312	1,618,100
Units issued	1,055,926	8,728,360
Units redeemed	(2,154,122)	(6,585,148)
Total units in issue at the end of the year	<u>2,663,116</u>	<u>3,761,312</u>

**15. AUDITORS' REMUNERATION**

Annual audit fee	240	240
Fee for half yearly review	135	135
Review of compliance with the requirements of the Code of Corporate Governance	-	45
Other certifications and out of pocket expenses	61	124
	<u>436</u>	<u>544</u>

**16. TAXATION**

No provision for taxation has been made as the Fund has incurred a net loss and as such is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the income statement.

**17. EARNINGS PER UNIT**

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

**18. FINANCIAL INSTRUMENTS BY CATEGORY**

	----- As at June 30, 2018 -----		
	At fair value through profit or loss	Loans and receivables	Total
	-----Rupees in '000'-----		
<b>Assets</b>			
Bank balances	-	43,148	43,148
Investments	258,299	-	258,299
Dividend and profit receivable	-	674	674
	<u>258,299</u>	<u>43,822</u>	<u>302,121</u>
	----- As at June 30, 2018 -----		
	At fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000'-----		
<b>Liabilities</b>			
Payable to the Management Company	-	1,180	1,180
Payable to the Trustee	-	62	62
Accrued expenses and other liabilities	-	583	583
Units Holder's Fund	-	294,168	294,168
	<u>-</u>	<u>295,993</u>	<u>295,993</u>

	----- As at June 30, 2017 -----		
	At fair value through profit or loss	Loans and receivables	Total
<b>Assets</b>	-----Rupees in '000'-----		
Bank balances	-	63,886	63,886
Investments	521,086	-	521,086
Dividend and profit receivable	-	2,123	2,123
	<u>521,086</u>	<u>66,009</u>	<u>587,095</u>
	----- As at June 30, 2017 -----		
	At fair value through profit or loss	Other financial liabilities	Total
<b>Liabilities</b>	-----Rupees in '000'-----		
Payable to the Management Company	-	1,827	1,827
Payable to the Trustee	-	212	212
Accrued expenses and other liabilities	-	2,404	2,404
Payable against redemption of units	-	102,677	102,677
Units Holder's Fund	-	468,825	468,825
	-	<u>575,945</u>	<u>575,945</u>

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

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

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

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

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

<b>Transactions during the year</b>	<b>2018</b>	<b>2017</b>
<b>Management Company</b>	----- (Rupees in '000) -----	
Issue of Nil units (2017: 64,557 units)	-	7,878
Redemption of 281,541 units (2017: Nil units)	<u>31,099</u>	-
Remuneration of the Management Company	<u>6,608</u>	<u>8,326</u>
Sindh sales tax on remuneration of the Management Company	<u>859</u>	<u>1,082</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>330</u>	<u>427</u>
Selling and marketing expenses	<u>1,322</u>	-
Dividend	-	<u>9,004</u>
<b>MCB Bank Limited (Formerly NIB Bank Limited) - connected person due to holding more than 10% units</b>		
Profit on bank deposits	<u>2,438</u>	<u>2,244</u>
Bank charges	<u>20</u>	<u>23</u>

	2018	2017
	------(Rupees in '000)-----	
Issue of Nil units (2017: 3,165,441 units)	-	401,167
Redemption of Nil units (2017: 2,143,391 units)	-	288,646
Dividend paid	-	11,167
Dividend Income	<b>1,025</b>	-
<b>Habib Bank Limited - Sponsor</b>		
Dividend Income	<b>361</b>	1,219
Bank charges	<b>2</b>	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration for the year	<b>812</b>	977
CDS charges	<b>42</b>	119
<b>Directors and Executives of the Management Company</b>		
Issue of Nil units (2017: 28,889 units)	-	3,447
Redemption of 399 units (2017: 3,511 units)	<b>44</b>	441
Dividend	-	280
<b>Amounts outstanding as at year end</b>		
<b>Management Company</b>		
Units held: 533,331 units (2017: 814,872 units)	<b>58,912</b>	101,569
Remuneration payable to the Management Company	<b>489</b>	904
Sindh sales tax on remuneration of the Management Company	<b>64</b>	118
Allocation of expenses related to registrar services, accounting, operation and valuation services	<b>24</b>	45
Selling and marketing reimbursement	<b>640</b>	687
Sales load payable	<b>27</b>	191
<b>MCB Bank Limited (Formerly NIB Bank Limited) - connected person due to holding more than 10% units</b>		
Bank balance	<b>4,765</b>	63,886
Units held 1,022,050 units (2017: 1,022,050 units)	<b>112,896</b>	127,393
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	<b>58</b>	187
Sindh Sales Tax on trustee remuneration	<b>7</b>	24
Security deposit	<b>100</b>	100
CDS charges payable	<b>4</b>	25
<b>Habib Bank Limited - Sponsor</b>		
Bank balance	<b>33</b>	-
<b>Directors and Executives of the Management Company</b>		
Units held: Nil units (2017: 25,378 units)	-	3,163

## **20. FINANCIAL RISK MANAGEMENT**

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

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

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

### **20.1 Market risk**

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

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

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

#### **20.1.1 Currency risk**

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

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

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

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

The Fund's interest rate risk arises from the balances in savings accounts. The net loss for the year would have decreased / (increased) by Rs. 0.43 million (2017: Rs 0.64 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

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

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

#### **20.1.3 Price risk**

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

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified on the Statement of Assets and Liabilities as 'fair value through profit or loss - held for trading'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document / NBFC Regulations, 2008 also limit individual equity securities to no more than 10% of net assets of the Fund, or issued capital of the investee company and sector exposure limit to 35% of net assets.

In case of 5% increase / decrease in price of all shares held by Fund at the year end, net income for the year would increase / decrease by Rs 12.91 million (2017: Rs 26.054 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

## 20.2 Credit risk

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

### Management of credit risk

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

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2018:

Name of banks	Balance as at June 30, 2018	Latest available published rating as at June 30, 2018	Rating agency
MCB Bank Limited	4,765	AAA	PACRA
Habib Bank Limited	33	AAA	JCR - VIS
JS Bank Limited	38,291	AA-	PACRA
Soneri Bank Limited	59	AA-	PACRA
	<u>43,148</u>		

Name of banks	Balance as at June 30, 2017	Latest available published rating as at June 30, 2017	Rating agency
NIB Bank Limited (Merged with MCB Bank Limited on July 7, 2017)	63,877	AA-	PACRA
Soneri Bank Limited	9	AA-	PACRA
	<u>63,886</u>		

The maximum exposure to credit risk before considering any collateral as at June 30, 2018 and June 30, 2017 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

### Concentration of credit risk

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

The Fund's major bank balance is held with JS Bank Limited and MCB Bank Limited. Management believes that such bank is a reputed institution.

## 20.3 Liquidity risk

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

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

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

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

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

-----As at June 30, 2018 -----				
	Upto three months	More than three months and upto one year	More than one year	Total
------(Rupees in '000)-----				
<b>Liabilities</b>				
Payable to the Management Company	1,180	-	-	1,180
Payable to the Trustee	62	-	-	62
Accrued expenses and other liabilities	583	-	-	583
	<u>1,825</u>	<u>-</u>	<u>-</u>	<u>1,825</u>
<b>Units Holder's Fund</b>	<u>294,168</u>	<u>-</u>	<u>-</u>	<u>294,168</u>
-----As at June 30, 2017 -----				
	Upto three months	More than three months and upto one year	More than one year	Total
------(Rupees in '000)-----				
<b>Liabilities</b>				
Payable to the Management Company	1,945	-	-	1,945
Payable to the Trustee	236	-	-	236
Accrued expenses and other liabilities	2,404	-	-	2,404
	<u>4,585</u>	<u>-</u>	<u>-</u>	<u>4,585</u>
<b>Unit Holder's Fund</b>	<u>468,825</u>	<u>-</u>	<u>-</u>	<u>468,825</u>

## 21. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

		June 30, 2018								
		Carrying amount				Fair Value				
Note		Fair value through profit or loss - Held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total	
------(Rupees in '000)-----										
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
<b>Investments</b>										
	- Listed equity securities	6	258,299	-	-	258,299	258,299	-	-	258,299
			<u>258,299</u>	<u>-</u>	<u>-</u>	<u>258,299</u>	<u>258,299</u>	<u>-</u>	<u>-</u>	<u>258,299</u>
<b>Financial assets not measured at fair value</b>										
	Bank balances	21.1	-	43,148	-	43,148	-	-	-	-
	Dividend and profit receivable		-	674	-	674	-	-	-	-
			<u>-</u>	<u>43,822</u>	<u>-</u>	<u>43,822</u>				
<b>Financial liabilities not measured at fair value</b>										
	Payable to the Management Company	21.1	-	-	1,180	1,180	-	-	-	-
	Payable to the Trustee		-	-	62	62	-	-	-	-
	Accrued expenses and other liabilities		-	-	583	583	-	-	-	-
	Units Holder's Fund		-	-	294,168	294,168	-	-	-	-
			<u>-</u>	<u>-</u>	<u>295,993</u>	<u>295,993</u>				
			------(Rupees in '000)-----							
			------(Rupees in '000)-----							
		June 30, 2017								
		Carrying amount				Fair Value				
Note		Fair value through profit or loss - Held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total	
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
<b>Investments</b>										
	- Listed equity securities	6	521,086	-	-	521,086	521,086	-	-	521,086
			<u>521,086</u>	<u>-</u>	<u>-</u>	<u>521,086</u>	<u>521,086</u>	<u>-</u>	<u>-</u>	<u>521,086</u>
<b>Financial assets not measured at fair value</b>										
	Bank balances	21.1	-	63,886	-	63,886	-	-	-	-
	Dividend and profit receivable		-	2,123	-	2,123	-	-	-	-
			<u>-</u>	<u>66,009</u>	<u>-</u>	<u>66,009</u>				
<b>Financial liabilities not measured at fair value</b>										
	Payable to the Management Company	21.1	-	-	1,945	1,945	-	-	-	-
	Payable to the Trustee		-	-	236	236	-	-	-	-
	Accrued expenses and other liabilities		-	-	2,404	2,404	-	-	-	-
	Payable against redemption of units		-	-	102,677	102,677	-	-	-	-
	Units Holder's Fund		-	-	468,825	468,825	-	-	-	-
			<u>-</u>	<u>-</u>	<u>576,087</u>	<u>576,087</u>				

21.1 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.

**21.2 Valuation techniques**

For level 1 investments at fair value through profit or loss - held for trading investment in respect of equity securities, Fund uses daily quotation shares which are taken from Pakistan Stock Exchange Limited at reporting date.

**21.3 Transfers during the year**

There were no transfers between various levels of fair value hierarchy during the year.

**22. UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unit Holders' Fund. The Fund has no restrictions on the subscription and redemption of units except for maintaining minimum fund size of Rs.100 million at all times. The Fund has maintained and complied with the requirements of minimum fund size during the year.

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

In accordance with the risk management policies stated in note 21, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

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

Details of members of the investment committee of the Fund as on June 30, 2018 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed khan	Chief Executive Officer	CFA, MBA	25+ Years
2	Mohammad Imran	Chief Investment Officer	MBA - Finance	18+ Years
3	Jawad Naeem	Specialits - Equity	MBA	10+ Years
4	Adeel Abdul Wahab	Specialits - Equity	ACCA	10+ Years
5	Noman Ameer	Manager Risk	MBA - Finance	11+ Years
6	Sateesh Balani	Head of Research	CFA, MBA	7+ Years

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

**Top ten brokers during the year ended June 30, 2018**

- 1 IGI Finex Securities Limited
- 2 EFG Hermes Pakistan Limited
- 3 AL Falah Securities (Private) Limited
- 4 Habib Metropolitan Financial Services limited
- 5 Topline Securities (Private) Limited
- 6 BMA Capital Management Limited
- 7 Optimus Capital Management (Private) Limited
- 8 Intermarket Securities Limited
- 9 DJM Securities (Private) Limited
- 10 Insight Securities (Private) Limited

**Top ten brokers during the year ended June 30, 2017**

- 1 Taurus Securities Limited
- 2 IGI Finex Securities Limited
- 3 Ismail Iqbal Securities (Private) Limited
- 4 AL Falah Securities (Private) Limited
- 5 WE Financial Services Limited
- 6 Shajar Capital Pakistan (Private) Limited
- 7 Zillion Capital Securities (Private) Limited
- 8 AKD Securities Limited
- 9 Global Securities Pakistan Limited
- 10 Next Capital Limited

**25. PATTERN OF UNIT HOLDING**

Pattern of unit holding as at June 30, 2018 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Individuals	135	1,004,834	110,994	37.73%
Associated Companies and Directors	1	533,330	58,912	20.03%
Retirement Funds	3	95,217	10,517	3.58%
Banks	1	1,022,050	112,896	38.38%
Trust	1	7,685	849	0.28%
<b>Total</b>	<b>141</b>	<b>2,663,116</b>	<b>294,168</b>	<b>100.00%</b>

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Individuals	142	965,870	120,390	25.68%
Associated Companies and Directors	1	814,872	101,569	21.66%
Retirement Funds	4	408,933	50,971	10.87%
Banks	1	1,022,050	127,393	27.17%
Trust	2	451,215	56,241	12.00%
Others	1	98,372	12,261	2.62%
<b>Total</b>	<b>151</b>	<b>3,761,312</b>	<b>468,825</b>	<b>100.00%</b>

**26. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS**

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave	
1	Mr. Agha Sher Shah <sup>1</sup>	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23,2017 & April 23,2018
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27,2017
6	Mr. Shabbir Hussain Hashmi <sup>2</sup>	1	1	-	-
7	Mr. Shahid Ghaffar <sup>3</sup>	2	1	1	February 26,2018
8	Mr. Nadeem Abdullah <sup>4</sup>	4	4	-	-
9	Mr.Towfiq Habib Chinoy <sup>5</sup>	3	3	-	-
10	Mr.Salahuddin Manzoor <sup>6</sup>	3	3	-	-

1 Appointed on November 23, 2017.

2 Appointed on February 26, 2018.

3 Appointed on December 04, 2017.

4 Resigned on February 26, 2018.

5 Resigned on November 23, 2017.

6 Resigned on November 30, 2017.

**27. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 3.87% (YTD) which includes 0.4% representing government levy and SECP fee.

**28. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 31, 2018 by the Board of Directors of the Management Company.

**29. CORRESPONDING FIGURES**

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

**30. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



11.12

14.56

1.7900

1.7855

1.7810

1.77

# **HBL** Government Securities Fund

HBL AML annual report 2017-18

<b>NAME OF FUND</b>	<b>HBL Government Securities Fund</b>
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited
<b>NAME OF AUDITORS</b>	Deloitte Yousuf Adil, Chartered Accountants.
<b>NAME OF BANKERS</b>	Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Allied Bank Limited JS Bank Limited Samba Bank Limited Zarai Taraqiati Bank Limited MCB Bank Limited Soneri Bank Limited United Bank Limited Sindh Bank limited NRSP Microfinance Bank Limited

**Type and Category of Fund**

Open end Sovereign Income Fund

**Investment Objective and Accomplishment of Objective**

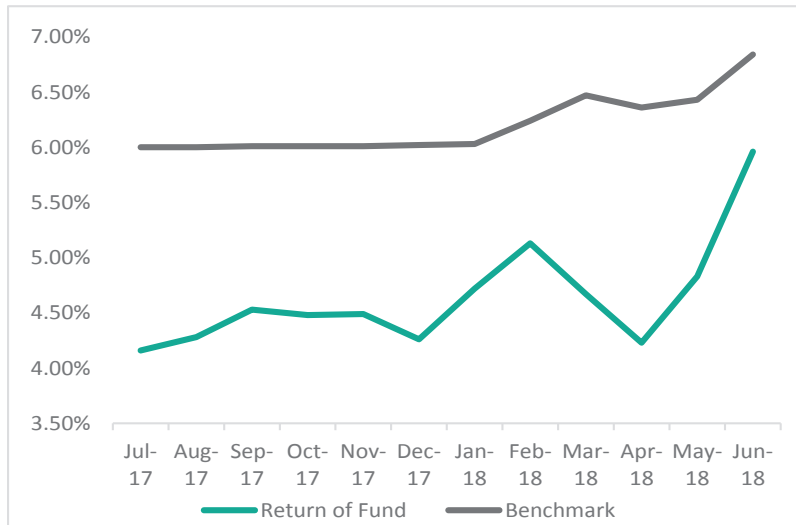
The investment objective of the Fund is to provide consistent returns to its investors through active investments in a blend of short, medium and long term securities issued and / or guaranteed by Government of Pakistan. The Fund will aim to provide superior risk adjusted returns through active duration and liquidity management tools. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is average Six (6) month PKRV Rates.

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

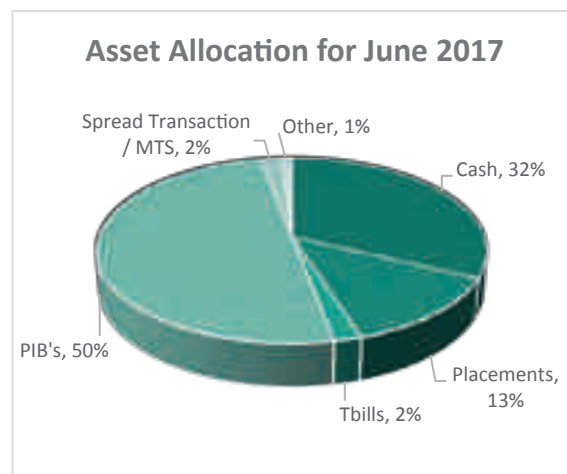
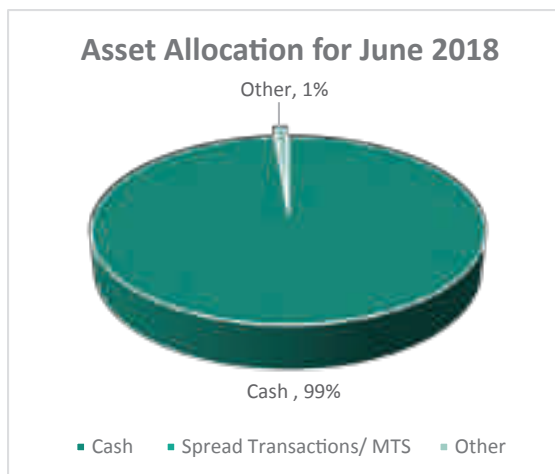
Month	Return of Fund	Benchmark
Jun-18	5.96%	6.84%
May-18	4.83%	6.43%
Apr-18	4.23%	6.36%
Mar-18	4.67%	6.47%
Feb-18	5.13%	6.24%
Jan-18	4.72%	6.03%
Dec-17	4.26%	6.02%
Nov-17	4.49%	6.01%
Oct-17	4.48%	6.01%
Sep-17	4.53%	6.01%
Aug-17	4.28%	6.00%
Jul-17	4.16%	6.00%



**Strategies and Policies employed during the Year**

During the year, the fund was majorly invested in Government Securities (T-Bills, PIBs and Ijarah Sukuk) of various tenors. The Fund Manager increased the exposure in lower duration Government Bonds and T-bills against longer duration Bonds to reduce volatility in returns due to expectation of interest rate increase during the year. At the end of the year, exposure in GOP Securities was trimmed to deploy funds at higher profit rates in Daily Product bank accounts. As per the policy, HBL GSF maintained 70% (monthly average) exposure in government and remaining exposure in Cash at banks, placements with banks and MTS & Spread Transactions. Further, bank deposits were maintained only with the high rated banks.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

During the year under review, HBL Government Securities Fund maintained exposure of 70% on a monthly basis in T-bills and PIBs as per the regulatory requirement. However, near the Fiscal Year end the exposures in Government Securities was eliminated and shifted to Bank deposits. Due to above changes in asset allocation, weighted average time to maturity reduced to 1 day as compared to 714 days in June' 17.

## Fund Performance

The total income and net income of the Fund was Rs. 45.25 million and Rs. 30.66 million respectively during the year ended June 30, 2018. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs. 105.4266 per unit as on June 30, 2017. The NAV of the Fund was Rs. 110.4244 per unit as on June 30, 2018, thereby giving an annualized return of 4.74%. During the same year the benchmark (6 Month PKRV Rates) return was 6.20%. The size of Fund was Rs. 314 million as on June 30, 2018.

## Money Market Review

Interest rate cycle reversed in FY18 as central bank focus diverted towards containing rising twin deficits and in anticipation of increase in inflation due to lack of fiscal discipline in election times. During the year, secondary market yields of 3, 5 and 10-year PIBs increased by 180, 171 and 86 bps respectively while yields of 3, 6 and 12 month T-Bills increased by 79, 90 and 116 bps respectively. Government of Pakistan raised only PKR 96bn through the PIB auction against a target of PKR 900bn as eight PIB auctions were scrapped in the year due to lack of interest. The last cut-off yields stood at 7.5000%, 8.4795% and 8.6999% p.a. for 3, 5 and 10-year PIBs respectively. Overall trading in longer tenures remained lackluster due to market participants' consensus of increase in interest rates.

During FY18, Government retired PKR 77bn from scheduled banks against borrowing of PKR 179bn during same period last year due to multiple scrapped PIB Auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,439bn during the period against PKR 908bn during same period last year. Government largely managed its borrowing requirements through domestic sources, and raised PKR 16,894bn via T-bills (excluding NCB) compared to the cumulative target of PKR 16,925bn and maturities of PKR 15,971bn. In the last T-Bill Auction held in Jun-18 no amount was accepted in the 6 and 12 month T-Bills. The cutoff yield was 6.7596% for the 3 month T-Bills. SBP increased the policy rate by 25bps in January and a further 50bps in May to 6.50% to control aggregate demand and the current account deficit. Since then the SBP has further increased policy rate by 100bps in Jul-18 MPS. Going forward, we foresee another interest rate hike of 50bps in the calendar year on the back of increasing inflation expectation and sustainability of current account risks.

## Distribution

Subsequent to the year end, the Fund has distributed cash dividend upto Rs. 4.75 per unit for the year ended June 30, 2018, which reduced the cum-NAV of the Fund as of June 30, 2018 by amount of distribution to Rs. 105.6744 per unit.

## Significant Changes in the State of Affairs

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

## Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	28	1,944
101 – 500	26	6,160
501 – 1,000	15	10,842
1,001 – 10,000	70	316,407
10,001 – 100,000	36	1,142,880
100,001 – 500,000	2	445,183
500,001 – 1,000,000	1	916,873
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	<b>178</b>	<b>2,840,288</b>

### **Unit Splits**

There were no unit splits during the year.

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

Investments are subject to market risk.

### **Soft Commission**

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

**PERFORMANCE TABLE –  
HBL GOVERNMENT SECURITIES FUND**  
As at June 30, 2018

	2018	2017	2016	2015	2014	2013
Net assets at the period end(Rs'000)	313,637	1,369,950	2,114,271	1,324,011	2,436,787	1,231,919
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Class C Units						
Redemption	110.4244	105.4266	105.2098	102.9612	100.1988	100.8387
Offer - Class C	110.4244	105.4265	105.2098	102.9612	100.1988	100.8387
Offer - Class D	112.2961	107.2135	106.5249	104.2482	101.4513	102.0992
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit - Class C	110.4244	112.4052	110.7623	112.5040	103.0632	103.2986
Lowest offer price per unit - Class C	105.4759	105.2610	102.9154	100.2531	100.4070	100.6432
Highest offer price per unit - Class D	112.2482	112.6839	112.1468	113.9103	104.3515	104.5898
Lowest offer price per unit - Class D	107.2637	106.5768	104.2018	101.5063	101.6621	101.9012
Highest redemption price per unit	110.4244	110.8057	110.7623	112.5040	103.0632	103.2986
Lowest redemption price per unit	105.4759	105.2610	102.9154	100.2531	100.4070	100.6432
<b>RETURN ( % )</b>						
Total return	4.74%	5.54%	7.85%	11.75%	8.78%	9.52%
Income distribution	4.75%	5.60%	5.85%	9.00%	9.20%	8.90%
Capital growth	-0.01%	-0.06%	2.00%	2.75%	-0.42%	0.62%
<b>DISTRIBUTION</b>						
First Interim dividend distribution (Rs)	-	-	-	-	1.75	2.40
Date of Income Distribution					26-Sep-13	28-Sep-12
Second Interim dividend distribution (Rs)	-	-	-	-	2.70	2.30
Date of Income Distribution					26-Dec-13	27-Dec-12
Third Interim dividend distribution (Rs)	-	-	-	-	2.40	2.00
Date of Income Distribution					28-Mar-14	26-Mar-12
Fourth Interim dividend distribution (Rs)	-	-	5.85	9.00	2.35	2.20
Date of Income Distribution			30-Jun-16	24-Jun-15	25-Jun-14	26-Jun-13
Final dividend distribution (Rs)	4.75	5.60	-	-	-	-
Date of Income Distribution	04-Jul-18	19-Jun-17				
Total dividend distribution for the year/ period (Rs)	4.75	5.60	5.85	9.00	9.20	8.90
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	4.74%	5.54%	7.85%	11.75%	8.78%	9.52%
Average annual return 2 year	5.14%	6.70%	9.80%	10.26%	9.15%	10.68%
Average annual return 3 year	6.04%	8.36%	9.46%	10.01%	10.05%	11.00%
<b>PORTFOLIO COMPOSITION - ( % )</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	98.68%	32.35%	45.00%	24.00%	5.00%	1.00%
T-Bills	0.00%	2.05%	3.00%	3.00%	10.00%	47.00%
Placement with Banks and DFIs	0.00%	13.32%	10.00%	0.00%	15.00%	8.00%
PIBs	0.00%	49.46%	18.00%	61.00%	54.00%	4.00%
Corporate Sukuks / TFCs	0.00%	0.00%	11.00%	7.00%	0.00%	5.00%
MTS / Spread Transactions	0.02%	2.07%	12.00%	1.00%	13.00%	34.00%
Others Including receivables	1.30%	0.75%	1.00%	4.00%	3.00%	1.00%
Weighted average portfolio during (No. of days)	1	714	406	1,023	516	106

**Note:**

The Launch date of the Fund is July 25, 2010

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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Fax: (92-21) 34325020 -23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL GOVERNMENT SECURITIES FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Government Securities Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

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

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

Karachi, September 18, 2018



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL GOVERNMENT SECURITIES FUND www.deloitte.com

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Government Securities Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matter

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

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</b></p> <p>As disclosed in note 4.7, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> </ul>

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>• Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>• Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

#### Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

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

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

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



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

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# Deloitte.

Deloitte Yousof Adli  
Chartered Accountants

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

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

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

  
Chartered Accountants

Place: Karachi

Date: September 19, 2018

Member of  
Deloitte Touche Tohmatsu Limited

**HBL Government Securities Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2018*

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	<b>332,785</b>	546,623
Investments	6	-	1,167,845
Receivables against Margin Trading System		<b>77</b>	37,261
Accrued markup on bank balances and investments	7	<b>2,054</b>	12,737
Deposits, prepayments and other receivables	8	<b>2,310</b>	832
<b>Total assets</b>		<b>337,226</b>	1,765,298
<b>Liabilities</b>			
Payable to the Management Company	9	<b>344</b>	1,873
Payable to the Trustee	10	<b>24</b>	472
Payable to Securities and Exchange Commission of Pakistan	11	<b>514</b>	1,452
Payable against redemption of units		<b>523</b>	362,820
Accrued expenses and other liabilities	12	<b>22,184</b>	28,731
<b>Total liabilities</b>		<b>23,589</b>	395,348
<b>Net assets</b>		<b>313,637</b>	1,369,950
<b>Unit holders' fund (as per statement attached)</b>		<b>313,637</b>	1,369,950
<b>Contingencies and commitments</b>	13	----- Number of units -----	
<b>Number of units in issue</b>	14	<b>2,840,288</b>	12,994,349
<b>Net assets value per unit</b>	4.8	<b>110.4244</b>	105.4266

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

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

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

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

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

# HBL Government Securities Fund

## Income Statement

For the year ended June 30, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Capital (loss) / gain on sale of investments - net		(135)	1,002
Income from government securities		14,313	37,736
Income from money market transactions and other placements		7,535	47,189
Income from Margin Trading System		1,892	13,920
Profit on bank deposits		21,646	30,614
Unrealised appreciation on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net		-	740
<b>Total income</b>		<b>45,251</b>	<b>131,201</b>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	9,262	27,338
Remuneration of the Trustee	10.1	1,049	2,819
Annual fee to Securities and Exchange Commission of Pakistan	11.1	514	1,452
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	685	1,935
Auditors' remuneration	15	443	469
Fee and subscription		466	303
Securities transaction cost		1,194	2,622
Settlement and bank charges		73	107
Printing charges		284	74
<b>Total expenses</b>		<b>13,970</b>	<b>37,119</b>
<b>Net income from operating activities</b>		<b>31,281</b>	<b>94,082</b>
Element of loss and capital loss included in prices of units issued less those in units redeemed - net	4.7	-	(44,157)
Reversal of provision for Workers' Welfare Fund	12.1	-	14,183
Provision for Sindh Workers' Welfare Fund	12.1	(626)	(5,338)
		(626)	8,845
<b>Net income for the year before taxation</b>		<b>30,655</b>	<b>58,770</b>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<b>30,655</b>	<b>58,770</b>
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		16,669	
Accounting income available for distribution:			
- Relating to capital gains		-	
- Excluding capital gains		13,986	
		13,986	
		30,655	
<b>Earnings per unit</b>	17		

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

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

Chief Financial Officer

Chief Executive Officer

Director

Note	2018 ------(Rupees in '000)-----	2017
Net (loss) / income for the year after taxation	30,655	58,770
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b><u>30,655</u></b>	<b><u>58,770</u></b>

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

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

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

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

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



# HBL Government Securities Fund

## Cash Flow Statement

For the year ended June 30, 2018

Note	2018	2017
	------(Rupees in '000)-----	
<b>Cash flows from operating activities</b>		
Net income for the year before taxation	30,655	58,770
<b>Adjustment for:</b>		
Income from government securities	(14,313)	(37,736)
Income from money market transactions and other placements	(7,535)	(47,189)
Income from margin trading system	(1,892)	(13,920)
Profit on bank deposits	(21,646)	(30,614)
Unrealised appreciation on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net	-	(740)
Capital loss / (gain) on sale of investments - net	135	(1,002)
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	44,157
	(14,596)	(28,274)
<b>Decrease / (increase) in assets</b>		
Investments - net	1,167,710	(248,696)
Receivables against Margin Trading System	37,184	222,847
Deposits, prepayments and other receivables	(1,478)	(12)
	1,203,416	(25,861)
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(1,529)	(990)
Payable to the Trustee	(448)	183
Payable to Securities and Exchange Commission of Pakistan	(938)	(146)
Accrued expenses and other liabilities	(6,547)	(6,039)
	(9,462)	(6,992)
Income received from government securities	24,005	38,026
Income received from money market transactions and other placements	9,008	50,755
Income received from margin trading system	2,272	14,273
Bank profits received	20,784	34,488
	1,235,427	76,415
<b>Net cash generated from operating activities</b>		
<b>Cash flows from financing activities</b>		
Receipts from issuance of units	30,307	2,983,220
Amount paid on redemption of units	(1,479,572)	(3,420,002)
Dividend paid	-	(85,964)
Net cash used in financing activities	(1,449,265)	(522,746)
<b>Net decrease in cash and cash equivalents during the year</b>	<b>(213,838)</b>	<b>(446,331)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>546,623</b>	<b>992,954</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>332,785</b>	<b>546,623</b>

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

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

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

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

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

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Government Securities Fund (the Fund) was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. NBFC-II/DD/PICICIF/199 dated March 10, 2010 and the Trust Deed was executed on March 17, 2010.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016 HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

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

The Fund is an open-ended sovereign income scheme and is listed on Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par value of Rs. 100 per unit from December 11, 2010 to December 13, 2010. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The Fund has been categorised as a sovereign income scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+' to the Management Company and a fund stability rating of A+(f) to the Fund.

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

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

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

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except certain investments which are measured at fair value.

### **2.3 Functional and presentation currency**

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

**2.4 Use of judgments and estimates**

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

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

- (i) **classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and**
- (ii) **impairment of financial assets (note 4.2.1.5)**

**3. NEW ACCOUNTING STANDARDS , AMENDMENTS AND IFRS INTERPRETATIONS**

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018**

The following amendments are effective for the year ended June 30, 2018. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs which are also not relevant to the Fund.

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

**3.2.1** The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments (except for IFRS 9 'Financial Instruments') are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 9 'Financial Instruments'	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.

Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement.

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

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

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

January 01, 2019

January 01, 2019

January 01, 2018

January 01, 2018

January 01, 2019

### 3.2.2 IFRS 9 'Financial Instruments' Impact Assessment

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

Key requirements of IFRS 9 are as follows;

#### 3.2.2.1 Classification and measurement of financial assets

- All recognized financial assets that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

### **Classification and measurement of financial liabilities**

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

### **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.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Market treasury bills, Pakistan Investment Bonds and GOP ijara sukuk certificates classified as financial assets at fair value through profit or loss - held for trading will be classified as measured at fair value through profit or loss upon application of IFRS 9.

Term deposit receipts classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. These financial assets will continue to be subsequently measured at amortised cost upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **3.3 Change in policy in relation to preparation of income statement and statement of comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

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

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Cash and cash equivalents**

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

##### **4.2 Financial instruments**

###### **4.2.1 Financial assets**

###### **4.2.1.1 Classification**

The management determines the appropriate classification of financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

###### **a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as a financial asset at fair value through profit or loss - held-for-trading. Currently, Fund does not hold any 'fair value through profit or loss - held for trading' financial assets.

###### **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**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, Fund does not hold any 'available for sale' financial assets.

###### **4.2.1.2 Regular way contracts**

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

###### **4.2.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss", in which case the transaction costs are charged to income statement and statement of comprehensive income.

###### **4.2.1.4 Subsequent measurement**

###### **a) Financial assets classified as 'fair value through profit or loss - held-for-trading'**

Subsequent to initial measurement, financial assets classified as 'fair value through profit or loss - held-for-trading' are valued as follows:

###### **Basis of valuation of government securities**

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012 issued by SECP.

Net gains and losses arising from changes in fair value of 'fair value through profit or loss - held-for-trading' financial assets are recognised under operating income in the Income statement and statement of comprehensive income.

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

#### **b) Loans and receivables**

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

Gains or losses are also recognised in the 'income statement and statement of comprehensive income' when financial assets carried at amortised cost are derecognised or impaired.

#### **4.2.1.5 Impairment**

Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

#### **4.2.1.6 Derecognition**

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

#### **4.2.2 Financial liabilities**

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

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

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 Provisions**

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

#### **4.4 Taxation**

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

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

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

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed**

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the income statement and statement of comprehensive income and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the "Statement of Movement in Unitholders' Fund".

#### **Amendments in the NBFC Regulations**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income for the year would have been lower by Rs.16.46 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' which have been incorporated in these financial statements.

**4.8 Net assets value per unit**

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

**4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the 'income statement and statement of comprehensive income' on the date at which the transaction takes place.
- Mark-up / return on Government securities, bank profits and investment in debt securities are recognized at a time apportionment basis using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement and statement of comprehensive income in the year in which they arise.
- Income on transactions under margin trading system is recognised on accrual basis.

**4.10 Expenses**

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised in the 'income statement' on a time apportionment basis.

5. BANK BALANCES	Note	2018 ------(Rupees in '000)-----	2017 ------(Rupees in '000)-----
In savings accounts	5.1	332,776	546,623
In current account		9	-
		<u>332,785</u>	<u>546,623</u>

5.1 These accounts carry mark-up at rates ranging between 3.75% and 7.50% (2017: 3.75% and 6.60%) per annum.

6. INVESTMENTS	Note	2018 ------(Rupees in '000)-----	2017 ------(Rupees in '000)-----
<b>Financial assets at fair value through profit or loss - held-for-trading</b>			
<b>Investment in Government Securities:</b>			
Market treasury bills	6.1	-	36,929
Pakistan Investment Bonds	6.2	-	890,916
GOP ijara sukuk certificates	6.3	-	-
<b>Total investment in government securities</b>		-	927,845
<b>Loans and receivables</b>			
Term deposit receipts	6.4	-	240,000
<b>Total investments</b>		<u>-</u>	<u>1,167,845</u>

**6.1 Financial assets at fair value through profit or loss - held-for-trading:  
 - Market treasury bills**

Issue date	Tenure	Face value			Balance as at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at July 1, 2017	Purchases during the year	Sales / matured during the year	As at June 30, 2018	Carrying value	Market value			Appreciation / (diminution)
January 19, 2017	6 Month	-	600,000	600,000	-	-	-	-	-	
January 19, 2017	12 Month	-	25,000	25,000	-	-	-	-	-	
February 2, 2017	6 Month	-	500,000	500,000	-	-	-	-	-	
February 16, 2017	6 Month	-	117,000	117,000	-	-	-	-	-	
April 13, 2017	3 Month	22,000	-	22,000	-	-	-	-	-	
April 27, 2017	3 Month	15,000	-	15,000	-	-	-	-	-	
May 25, 2017	3 Month	-	595,000	595,000	-	-	-	-	-	
July 6, 2017	3 Month	-	200,000	200,000	-	-	-	-	-	
July 6, 2017	6 Month	-	285,000	285,000	-	-	-	-	-	
July 20, 2017	3 Month	-	1,245,000	1,245,000	-	-	-	-	-	
July 20, 2017	6 Month	-	103,000	103,000	-	-	-	-	-	
August 3, 2017	3 Month	-	1,635,000	1,635,000	-	-	-	-	-	
August 3, 2017	6 Month	-	250,000	250,000	-	-	-	-	-	
August 17, 2017	3 Month	-	775,000	775,000	-	-	-	-	-	
August 31, 2017	3 Month	-	2,675,000	2,675,000	-	-	-	-	-	
August 31, 2017	6 Month	-	250,000	250,000	-	-	-	-	-	
September 14, 2017	3 Month	-	2,815,000	2,815,000	-	-	-	-	-	
September 28, 2017	3 Month	-	400,000	400,000	-	-	-	-	-	
October 12, 2017	3 Month	-	2,495,000	2,495,000	-	-	-	-	-	
October 26, 2017	3 Month	-	1,320,000	1,320,000	-	-	-	-	-	
November 9, 2017	3 Month	-	2,250,000	2,250,000	-	-	-	-	-	
November 9, 2017	6 Month	-	175,000	175,000	-	-	-	-	-	
November 23, 2017	3 Month	-	2,020,000	2,020,000	-	-	-	-	-	
November 23, 2017	6 Month	-	371,360	371,360	-	-	-	-	-	
December 7, 2017	6 Month	-	225,000	225,000	-	-	-	-	-	
December 29, 2017	1 Month	-	450,000	450,000	-	-	-	-	-	
January 4, 2018	3 Month	-	955,000	955,000	-	-	-	-	-	
January 18, 2018	3 Month	-	750,000	750,000	-	-	-	-	-	
February 1, 2018	3 Month	-	1,455,000	1,455,000	-	-	-	-	-	
February 15, 2018	3 Month	-	2,375,000	2,375,000	-	-	-	-	-	
March 1, 2018	3 Month	-	540,000	540,000	-	-	-	-	-	
March 15, 2018	3 Month	-	300,000	300,000	-	-	-	-	-	
April 12, 2018	3 Month	-	1,200,000	1,200,000	-	-	-	-	-	
June 7, 2018	3 Month	-	600,000	600,000	-	-	-	-	-	
<b>Total - As at June 30, 2018</b>		<b>37,000</b>	<b>29,951,360</b>	<b>29,988,360</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total - As at June 30, 2017</b>		<b>55,000</b>	<b>13,643,000</b>	<b>13,661,000</b>	<b>37,000</b>	<b>36,936</b>	<b>36,929</b>	<b>(7)</b>	<b>2.70%</b>	<b>3.16%</b>

**6.1.2** The effective yield on market treasury bills is Nil (June 30, 2017: ranging from 5.97% to 5.98%) per annum.

**6.2 Financial assets at fair value through profit or loss - held - for - trading:  
 - Pakistan Investment Bonds**

Issue date	Tenure	Face value			Balance as at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at July 1, 2017	Purchases during the year	Sales / matured during the year	As at June 30, 2018	Carrying value	Market value			Appreciation / (diminution)
July 19, 2012	10 Years	150,000	150,000	300,000	-	-	-	-	-	
March 26, 2015	3 Years	-	750,000	750,000	-	-	-	-	-	
March 26, 2015	5 Years	-	100,000	100,000	-	-	-	-	-	
April 21, 2016	3 Years	100,000	300,000	400,000	-	-	-	-	-	
December 29, 2016	3 Years	600,000	300,000	900,000	-	-	-	-	-	
May 31, 2018	10 Years	-	300,000	300,000	-	-	-	-	-	
<b>Total - As at June 30, 2018</b>		<b>850,000</b>	<b>1,900,000</b>	<b>2,750,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total - As at June 30, 2017</b>		<b>350,000</b>	<b>1,830,000</b>	<b>1,330,000</b>	<b>850,000</b>	<b>890,169</b>	<b>890,916</b>	<b>747</b>	<b>65.03%</b>	<b>76.29%</b>

**6.2.1** The effective yield on Pakistan investment bonds is Nil (June 30, 2017: ranging from 6.21% to 7.09%) per annum.

**6.3 GOP ijara sukuk certificates**

Issue date	Tenure	Face value			Balance as at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2017	Purchases during the year	Sales / matured during the year	As at June 30, 2018	Carrying value	Market value		
February 15, 2016	3 Years	-	165,200	165,200	-	-	-	-	-
March 29, 2016	3 Years	-	50,000	50,000	-	-	-	-	-
June 30, 2017	3 Years	-	450,000	450,000	-	-	-	-	-
<b>Total - As at June 30, 2018</b>		<b>-</b>	<b>665,200</b>	<b>665,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total - As at June 30, 2017</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

		2018	2017
	Note	------(Rupees in '000)-----	-----
<b>6.4</b>	<b>Loan and receivables</b>		
	Term deposit receipts	-	240,000
<b>6.4.1</b>	<b>These carry markup of Nil (June 30, 2017: ranging from 6.50% to 6.80%) per annum.</b>		
<b>6.5</b>	<b>Net unrealized appreciation on re-measurement of investments</b>		
	<b>classified as financial assets at fair value through profit or loss - held-for-trading:</b>		
	Market value of investments	-	927,845
	less: carrying value of investments	-	<b>(927,105)</b>
		-	740
<b>7.</b>	<b>ACCRUED MARKUP ON BANK BALANCES AND INVESTMENTS</b>		
	Profit receivable on bank deposits	2,052	1,190
	Profit receivable on Pakistan Investment Bonds	-	9,692
	Profit receivable on Margin Trading System (MTS)	2	382
	Profit receivable on term deposit receipts	-	1,473
		2,054	12,737
<b>8.</b>	<b>DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Security deposits with:		
	Central Depository Company of Pakistan Limited	100	100
	National Clearing Company of Pakistan limited	1,450	250
	Prepaid expenses	460	482
	Other Receivables	300	-
		2,310	832
<b>8.1</b>	This includes prepaid expenses recognized in respect of payment made for rating and MTS fee.		
<b>9.</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>	2018	2017
		------(Rupees in '000)-----	-----
	Management fee	262	1,501
	Sindh Sales Tax on Management Company's remuneration	34	195
	Sales load payable	22	57
	Fund operations, accounting and related costs	26	120
	Allocation of expenses related to registrar services, accounting, operation and valuation services		
		344	1,873

9.1 As per the offering document of the Fund, the Management Company charges a fee at the rate of 1.25% of the average annual net assets on daily basis of the Scheme subject to the guidelines issued by the Commission from time to time. However, on December 28, 2017 second supplement to the offering document was issued according to which the management company was to charge a fee at the rate of 12.5% of gross earnings with floor of 1.00% and cap of 1.25% of the average annual net assets on daily basis of the Scheme effective from January 15, 2018. Therefore, the management fee was charged accordingly. The fee is payable monthly in arrears. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (June 30, 2017: 13 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

9.3 As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

10.	PAYABLE TO THE TRUSTEE	Note	2018 ------(Rupees in '000)-----	2017
	Trustee fee	10.1	17	411
	CDC charges Payable		7	61
			<u>24</u>	<u>472</u>

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

10.2 The tariff structure applicable to the Fund is as follows:

Amount of funds under management [Average Net Assets Value (NAV)]	Tariff per annum
Upto Rs. 1 billion	0.15% per annum of NAV
Exceeding Rs. 1 billion and upto 10 billion	Rs. 1.5 million plus 0.075% per annum of Net Assets exceeding Rs.1 billion
Over Rs. 10 billion	Rs. 8.25 million plus 0.06% per annum of Net Assets exceeding Rs.10 billion

11.	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2018 ------(Rupees in '000)-----	2017
	Annual fee	11.1	514	1,452

11.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as a income scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

12.	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2018 ------(Rupees in '000)-----	2017
	Provision for Sindh Workers' Welfare Fund	12.1	5,964	5,338
	Provision for Federal Excise Duty	12.2	15,531	15,531
	Withholding tax payable		10	7,336
	Auditors' remuneration		312	315
	Printing charges		216	80
	Fund operations, accounting and related costs	14.3	-	-
	Zakat payable		142	75
	Others		9	56
			<u>22,184</u>	<u>28,731</u>

## **12.1 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which were issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution."

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

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

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

- The Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 14.183 million and started recognising provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 5.964 million (2017: Rs. 5.338 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 2.10 (June 30, 2017: Rs. 0.41) per unit.

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

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

The Finance Act, 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged for the years ended June 30, 2018 and June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of Management Company, aggregating to Rs. 15.531 million (2017: Rs. 15.531 million). Had the provision not been made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 5.4681 (June 30, 2017: Rs. 1.1952) per unit.

## **13. CONTINGENCIES AND COMMITMENTS**

### **13.1 Contingencies**

There are no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017 except as disclosed elsewhere in the financial statements .

<b>13.2 Commitments</b>	<b>2018</b>	<b>2017</b>
	------(Rupees in '000)-----	
Payable against Margin Trading System Investments	-	(4,439)
Receivable against Margin Trading System Investments	-	2,659
	<u>-</u>	<u>(1,780)</u>

## **14. NUMBER OF UNITS IN ISSUE**

Total units in issue at the beginning of the year	<b>12,994,349</b>	20,095,763
Units Issued	<b>284,355</b>	28,039,561
Units redeemed	<b>(10,438,416)</b>	(35,140,975)
Total units in issue at the end of the year	<b><u>2,840,288</u></b>	<u>12,994,349</u>

## **15. AUDITORS' REMUNERATION**

Annual audit fee	<b>240</b>	240
Fee for half yearly review	<b>135</b>	135
Review of compliance with the requirement of the Code of Corporate Governance	-	5
Other certifications and out of pocket expenses	<b>68</b>	89
	<b><u>443</u></b>	<u>469</u>

**16. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Subsequent to year end on July 4, 2018, Management Company has distributed cash dividend of at least 90 percent of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

**17. EARNINGS PER UNIT**

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

**18. FINANCIAL INSTRUMENTS BY CATEGORY**

----- As at June 30, 2018 -----			
	At fair value through profit or loss	Loans and receivables	Total
-----Rupees in '000'-----			
<b>Financial assets</b>			
Balances with banks	-	332,785	332,785
Receivable against Margin Trading System	-	77	77
Accrued markup on bank balances and investments	-	2,054	2,054
	-	<b>334,916</b>	<b>334,916</b>

----- As at June 30, 2018 -----			
	At fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000'-----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	310	310
Payable to the Trustee	-	24	24
Accrued expenses and other liabilities	-	537	537
Payable against redemption on units	-	523	523
Unit holders' fund	-	313,637	313,637
	-	<b>315,031</b>	<b>315,031</b>

----- As at June 30, 2017 -----			
	At fair value through profit or loss	Loans and receivables	Total
-----Rupees in '000'-----			
<b>Financial assets</b>			
Bank balances	-	546,623	546,623
Investments	927,845	240,000	1,167,845
Receivable against Margin Trading System	-	37,261	37,261
Accrued markup on bank balances and investments	-	12,737	12,737
	927,845	<b>836,621</b>	<b>1,764,466</b>

	----- As at June 30, 2017 -----		
	At fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000'-----		
Financial liabilities			
Payable to the Management Company	-	1,678	1,678
Payable to the Trustee	-	472	472
Accrued expenses and other liabilities	-	451	451
Payable against redemption on units	-	362,820	362,820
Unit holders' fund	-	1,369,950	1,369,950
	-	1,735,371	1,735,371

#### 19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

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

##### Transactions during the year

	2018	2017
	----- (Rupees in '000) -----	
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of Management Company	9,262	27,338
Allocation of expenses related to registrar services, accounting, operation and valuation services	685	1,935
Issue of Nil units (2017: 4,140,494 units)	-	442,058
Redemption of 847,699 units (2017: 5,233,841 units)	90,000	567,448
<b>HBL Asset Management Limited - Employees' Gratuity Fund</b>		
Redemption of 3,966 units (2017: Nil units)	428	-
<b>HBL Asset Management Limited - Employees' Provident Fund</b>		
Redemption of 3,823 units (2017: Nil units)	413	-
<b>Jubilee Life Insurance Company Limited - Associated Company due to common Directorship</b>		
Sale of GoP Ijara Sukuk	100,000	-
<b>Habib Bank Limited Sponsor</b>		
Bank charges paid	7	9
Profit on bank deposits	1,509	1,393
<b>CDC Trustee - HBL Multi Asset Fund</b>		
Sale of Bank of Punjab - TFC	-	44,087
Sale of JS Bank - TFC	-	20,520
Sale of Bank Al Habib TFC	-	63,564

	2018	2017
	------(Rupees in '000)-----	
<b>CDC Trustee - HBL Income Fund</b>		
Sale of Bank Al-Habib - TFC	-	11,579
<b>MCB Bank Limited - Connected person due to holding of 10% or more</b>		
Issue of Nil units (2017: 9,621,463 units)	-	1,026,016
Redemption of Nil units (2017: 9,846,127 units)	-	1,050,061
Cash Dividend	-	26,052
Bank Charges Paid	6	45
Profit on bank deposits earned	13	3,672
<b>Pakistan Society for the Welfare of Mentally Retarded Children - Connected person due to holding of 10% or more</b>		
Issue of Nil units (2017: 70,573 units)	-	7,425
Redemption of Nil units (2017: 100,316 units)	-	11,000
Cash Dividend	-	7,425
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	1,049	2,819
CDC Charges	32	343
<b>Executives of the Management Company</b>		
Issue of Nil units (2017: 17,305 units)	-	1,822
Redemption of Nil units (2017: 37,166 units)	-	3,938
Cash Dividend	-	22
<b>Balance outstanding as at period / year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of Management Company	296	1,696
Sales load payable	22	57
Allocation of expenses related to registrar services accounting, operation and valuation services	26	-
Investment held in the Fund 916,873 units (2017: 1,764,572 units)	101,245	186,033
<b>HBL Asset Management Limited - Employees Gratuity Fund</b>		
Investment held in fund 2018: Nil units (2017: 3,966 units)	-	418
<b>HBL Asset Management Limited - Employees Provident Fund</b>		
Investment held in fund 2018: Nil units (2017: 3,823 units)	-	403
<b>Habib Bank Limited Sponsor</b>		
Bank balances	1,905	2,390
<b>MCB Bank Limited - Connected person due to holding of 10% or more</b>		
Investment held in fund 2018: Nil units (2017: 4,892,987 units)	-	515,851
Bank Balances	142	589
Profit Receivable	-	29
<b>TAAVUN Private Limited - Connected person due to holding of 10% or more</b>		
Investment held in fund 2018: 328,113 units (2017: 328,113 units)	36,232	34,592
<b>Pakistan Society for the Welfare of Mentally Retarded Children - Connected person due to holding of 10% or more</b>		
Investment held in fund 2018: Nil units (2017: 1,838,343 units)	-	193,810

	2018	2017
	----- (Rupees in '000) -----	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	<u>17</u>	<u>411</u>
CDC Charges payable	<u>7</u>	<u>61</u>
Security Deposit	<u>100</u>	<u>100</u>
<b>Director and Executives of the Management Company</b>		
Investment held in the fund 2018: Nil units (2017: 4,733 units)	<u>-</u>	<u>499</u>

## 20. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as government securities, spread transactions and in other money market instruments. These activities expose the Fund to a variety of financial risks: market risk, credit risk and liquidity risk.

### Market risk

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

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

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

#### 20.1.1 Currency risk

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

#### 20.1.2 Interest rate risk

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

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

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 3.328 (2017: Rs. 5.466 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

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

The Fund's investment in Market Treasury Bills, GoP Ijara Sukuk and Pakistan Investment Bonds expose it to fair value interest rate risk.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates. Currently, the Fund does not hold any such 'fair value through profit or loss - held for trading' financial assets.

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

As at June 30, 2018					
	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balances with banks	332,785	-	-	-	332,785
Receivable against Margin trading System	-	-	-	77	77
Accrued markup on bank balances and investments	-	-	-	2,054	2,054
	332,785	-	-	2,131	334,916
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	310	310
Payable to the Trustee	-	-	-	24	24
Payable against redemption of units	-	-	-	523	523
Accrued expenses and other liabilities	-	-	-	537	537
Unit holders' fund	-	-	-	313,637	313,637
	-	-	-	315,031	315,031
<b>On-balance sheet gap</b>	332,785	-	-	(312,900)	19,885
<b>Off-balance sheet financial instruments</b>					
Receivable from Margin Trading System release	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-
As at June 30, 2017					
	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
(Rupees in '000)					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	546,623	-	-	-	546,623
<b>Investments</b>					
Financial assets at fair value through Profit or loss - held for trading	-	36,929	890,916	-	927,845
Loans and receivables	-	-	-	240,000	240,000
Receivable against margin Trading System	-	-	-	37,261	37,261
Accrued markup on bank balances and investments	-	-	-	12,737	12,737
	546,623	36,929	890,916	289,998	1,764,466
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	1,678	1,678
Payable to the Trustee	-	-	-	472	472
Payable against redemption of units	-	-	-	362,820	362,820
Accrued expenses and other liabilities	-	-	-	451	451
Unit holders' fund	-	-	-	1,369,950	1,369,950
	-	-	-	1,735,371	1,735,371
<b>On-balance sheet gap</b>	546,623	36,929	890,916	(1,445,373)	29,095
<b>Off-balance sheet financial instruments</b>					
Payable against Margin Trading System investments	(4,439)	-	-	-	(4,439)
Receivable from Margin Trading System release	2,659	-	-	-	2,659
<b>Off-balance sheet gap</b>	(1,780)	-	-	-	(1,780)

The rates of return on financial instruments are as follows:

	2018	2017
	----- Percentage per annum -----	
Bank balances	<b>3.75 to 7.50</b>	3.75 to 6.60
Investment in government securities	-	5.97 to 7.09
Term deposit receipts (TDR)	-	6.50 to 6.80

### 20.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk as at reporting date.

### 20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to loans and receivables and bank balances. Bank balances are maintained with a reasonably high credit rated banks. All transactions for receivables against Margin Trading System are settled / paid for upon delivery using the National Clearing Company of Pakistan Limited. The risk of default is considered minimal due to inherent systematic measures taken therein.

The analysis below summarises the credit quality of the Fund's financial assets:

#### Short Term Rating

	2018	2017
Bank balances		
A1+/A-1+	100%	100%
Term deposit receipt		
A1+/A-1+	-	100%

#### Long term ratings

Particulars	For the year ended June 30, 2018					Total
	----- Percentage -----					
Rating Category	AAA	AA+	AA	AA-	A+	
Bank balances	0.67%	0.05%	0.010%	99.27%	-	100%
Term deposit receipt	-	-	-	-	-	-
	-----					
	For the year ended June 30, 2017					Total
	----- Percentage -----					
Rating Category	AAA	AA+	AA	AA-	A+	
Bank balances	34.26%	0.07%	0.004%	65.67%	0.00%	100%
Term deposit receipt	47.92%	-	-	52.08%	-	100%

### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in government securities and bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the government.

### 20.3 Liquidity risk

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

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

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

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

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

	-----As at June 30, 2018 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	------(Rupees in '000)-----			
<b>Liabilities</b>				
Payable to the Management Company	310	-	-	310
Payable to the Trustee	24	-	-	24
Payable against redemption of units	523	-	-	523
Accrued expenses and other liabilities	537	-	-	537
Unit holders' fund	313,637	-	-	313,637
	<u>315,031</u>	<u>-</u>	<u>-</u>	<u>315,031</u>
	-----As at June 30, 2017 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	------(Rupees in '000)-----			
<b>Liabilities</b>				
Payable to the Management Company	1,678	-	-	1,678
Payable to the Trustee	472	-	-	472
Payable against redemption of units	362,820	-	-	362,820
Accrued expenses and other liabilities	451	-	-	451
Unit holders' fund	1,369,950	-	-	1,369,950
	<u>1,735,371</u>	<u>-</u>	<u>-</u>	<u>1,735,371</u>

## **21. UNITS HOLDERS' FUND RISK MANAGEMENT**

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

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

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

## **22. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

		June 30, 2018						
		Carrying amount			Fair Value			
Note	Fair value through profit or loss - Held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>		------(Rupees in '000)-----						
<b>Financial assets not measured at fair value</b>								
22.1	Bank balances	5	-	332,785	-	-	-	332,785
	Accrued markup on bank balances and investments		-	2,054	-	-	-	2,054
	Receivables against Margin Trading System			77	-	-	-	77
				<b>334,916</b>				<b>334,916</b>
<b>Financial liabilities not measured at fair value</b>								
22.1	Payable to Management Company		-	-	310	-	-	310
	Payable to the Trustee		-	-	24	-	-	24
	Redemption Payable		-	-	523	-	-	523
	Accrued expenses and other liabilities		-	-	537	-	-	537
	Unit holders' fund		-	-	313,637	-	-	313,637
				<b>315,031</b>				<b>315,031</b>
		------(Rupees in '000)-----						
		June 30, 2017						
		Carrying amount			Fair Value			
Note	Fair value through profit or loss - Held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
<b>On-balance sheet financial instruments</b>		------(Rupees in '000)-----						
<b>Financial assets measured at fair value</b>								
22.2	Market treasury bills		36,929	-	-	36,929	-	36,929
	Pakistan Investment bonds		890,916	-	-	890,916	-	890,916
			<b>927,845</b>			<b>927,845</b>		<b>927,845</b>
<b>Financial assets not measured at fair value</b>								
22.1	Bank balances	5	-	546,623	-	-	-	546,623
	Term deposit receipt		-	240,000	-	-	-	240,000
	Accrued markup on bank balances and investments		-	12,737	-	-	-	12,737
	Receivables against Margin Trading System		-	37,261	-	-	-	37,261
				<b>836,621</b>				<b>836,621</b>
<b>Financial liabilities not measured at fair value</b>								
22.1	Payable to Management Company		-	-	1,678	-	-	1,678
	Payable to the Trustee		-	-	472	-	-	472
	Redemption payable		-	-	362,820	-	-	362,820
	Accrued expenses and other liabilities		-	-	451	-	-	451
	Unit holders' fund		-	-	1,369,950	-	-	1,369,950
				<b>1,735,371</b>				<b>1,735,371</b>

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

**22.2 Valuation techniques**

For level 2 investments at fair value through profit or loss - held for trading investment in respect of Market Treasury Bills, GoP Ijara Sukuk and Pakistan Investment Bonds, Fund uses rates which are derived from PKRV rates at reporting date per certificate / unit multiplied by the number of certificates / units held as at year end.

**22.3 Transfers during the year**

No transfers were made between various levels of fair value hierarchy during the year.

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

Top ten brokers during the year ended June 30, 2018

S.No.	Particulars
1	Paramount Capital (Private) Limited
2	Bright Capital (Private) Limited
3	JS Global Capital Limited
4	Invest Capital Markets Limited
5	Next Capital Limited
6	C & M Management (Private) Limited
7	Invest One Markets Limited
8	BIPL Securities Limited
9	Icon Securities (Private) Limited
10	Summit Capital (Private) Limited

Top ten brokers during the year ended June 30, 2017

S.No.	Particulars
1	Invest Capital Markets Limited
2	Bright Capital (Private) Limited
3	Next Capital Limited
4	JS Global Capital Limited.
5	Paramount Capital (Private) Limited
6	BIPL Securities Limited
7	Icon Securities (Private) Limited
8	C & M Management (Private) Limited
9	Invest One Markets Limited
10	Optimus Capital Management (Private) Limited

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

Details of members of the Investment Committee of the Fund as on June 30, 2018 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	25+
2	Muhammad Imran	Chief Investment Officer	MBA - Finance	18+
3	Faizan Saleem	Head of Fixed Income	MBA - Finance	10+
4	Noman Ameer	Manager Risk	MBA - Finance	11+
5	Sateesh Balani	Head of Research	CFA, MBA	7+

**25. PATTERN OF UNITHOLDING**

----- As at June 30, 2018 -----				
Category	Number of unit holders	Number of units held	Unit holding or investment amount	Percentage
Individuals	172	1,483,341	163,797	52.23%
Associated Companies and Directors	1	916,873	101,245	32.28%
Retirement Funds	2	75,009	8,283	2.64%
Others	2	329,124	36,343	11.58%
Trust	1	35,941	3,969	1.27%
		<b>2,840,288</b>	<b>313,637</b>	<b>100%</b>
----- As at June 30, 2017 -----				
Category	Number of unit holders	Number of units held	Unit holding or investment amount	Percentage
Individuals	245	3,642,724	384,040	28.03%
Associated Companies and Directors	1	1,764,572	186,030	13.58%
Banks DFIs	5	4,892,987	515,850	37.65%
Retirement Funds	1	83,794	8,830	0.64%
Others	4	716,389	75,530	5.51%
Trust	3	1,893,883	199,670	14.57%
		<b>12,994,349</b>	<b>1,369,950</b>	<b>100%</b>

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

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave	
1	Mr. Agha Sher Shah <sup>1</sup>	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23,2017 & April 23,2018
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27,2017
6	Mr. Shabbir Hussain Hashmi <sup>2</sup>	1	1	-	-
7	Mr. Shahid Ghaffar <sup>3</sup>	2	1	1	February 26,2018
8	Mr. Nadeem Abdullah <sup>4</sup>	4	4	-	-
9	Mr.Towfiq Habib Chinoy <sup>5</sup>	3	3	-	-
10	Mr.Salahuddin Manzoor <sup>6</sup>	3	3	-	-

1 Appointed on November 23, 2017.

2 Appointed on February 26, 2018.

3 Appointed on December 04, 2017.

4 Resigned on February 26, 2018.

5 Resigned on November 23, 2017.

6 Resigned on November 30, 2017.

**27. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 2.13% (2017: 1.97%) which includes 0.34% (2017: 0.31%) representing government levy and SECP fee.

**28. NON ADJUSTING EVENT AFTER REPORTING DATE**

The Board of Directors of the Management Company in its meeting held on July 4, 2018 has proposed a variable final cash distribution of upto Rs. 4.75 per unit amounting to PKR 13.295 million as cash dividend and Rs. 0.196 million as refund of capital. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

**29. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 31, 2018 by the Board of Directors of the Management Company.

**30. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



# HBL Stock Fund

HBL AML annual report 2017-18

## FUND INFORMATION

**NAME OF FUND**

**HBL** Stock Fund

**NAME OF TRUSTEE**

Central Depository Company of Pakistan Limited

**NAME OF AUDITORS**

Deloitte Yousuf Adil, Chartered Accountants.

**NAME OF BANKERS**

Habib Bank Limited  
Allied Bank Limited  
MCB Bank Limited  
JS Bank Limited

**Type and Category of Fund**

Open end Equity Fund

**Investment Objective and Accomplishment of Objective**

The investment objective of the Fund is to provide long term capital growth by investing primarily in a diversified pool of equities and equity related instruments. The objective of the Fund has been achieved.

**Benchmark and Performance Comparison with Benchmark**

KSE30 (Total Return) Index

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

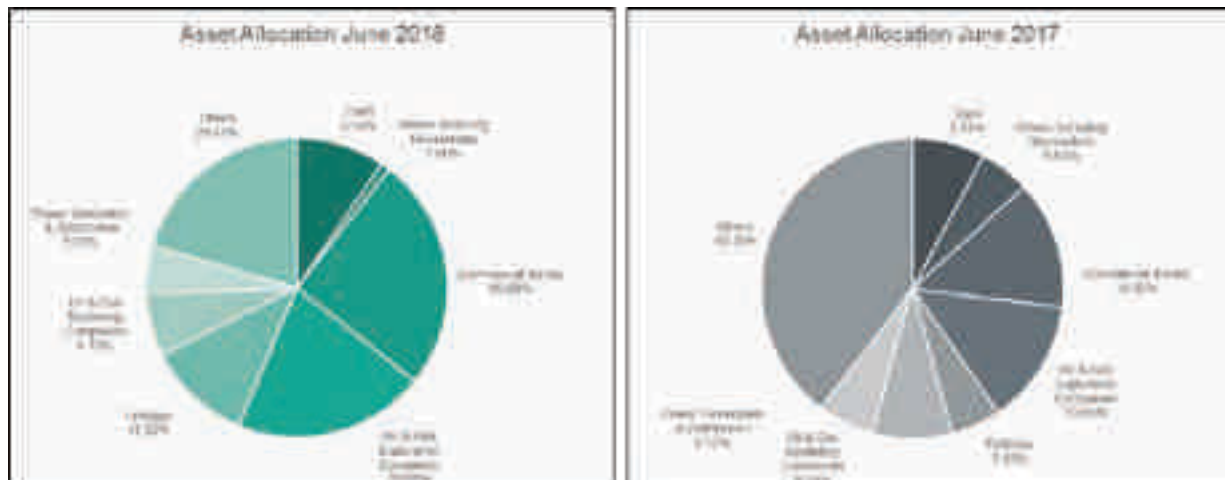
Month	Benchmark	Return of Fund
Jun - 18	-1.58%	-1.38%
May - 18	-5.86%	-4.05%
Apr - 18	-1.41%	-0.47%
Mar - 18	6.10%	4.69%
Feb - 18	-1.19%	-2.00%
Jan - 18	8.92%	8.63%
Dec - 17	0.78%	0.09%
Nov - 17	1.38%	1.37%
Oct - 17	-6.20%	-5.62%
Sep - 17	3.63%	1.23%
Aug - 17	-11.63%	-11.30%
Jul - 17	-1.70%	-2.33%



**Strategies and Policies employed during the Year**

During the year under review, the Fund increased its exposure in equity from 87% of total assets as on June 30, 2017 to 90% of total assets as on June 2018. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in commercial banks, oil & gas exploration companies, fertilizers and power generation & distribution was increased; however exposure in cement, oil & gas marketing companies and automobile assemblers was reduced.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2017 and June 30, 2018:

Sector Name	As on June 2018	As on June 2017
Cash	9.50%	7.91%
Others Including Receivables	1.00%	5.53%
Commercial Banks	25.20%	14.05%
Oil & Gas Exploration Companies	20.66%	13.63%
Fertilizer	11.22%	5.43%
Oil & Gas Marketing Companies	6.73%	8.74%
Power Generation & Distribution	5.22%	6.13%
Others	20.47%	40.3%
Total	100.00%	100.00%

## Fund Performance

The Fund earned and incurred a total income and net loss of Rs. 202.32 million and Rs. 282.03 million respectively during the year ended June 30, 2018. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 121.4498 per unit as on June 30, 2017. The NAV of the Fund was Rs 107.0620 per unit as on June 30, 2018, thereby giving a negative return of 11.85%. During the same year the benchmark KSE 30 index yielded a negative return of 10.03%. The size of Fund was Rs 5.96 billion as on June 30, 2018.

## Market Review

Pakistan Equities witnessed a topsy-turvy ride during outgoing year with disappointing foreign flows (after MSCI upgrade), political uncertainty following the ouster of ex-PM, macroeconomic challenges and ongoing speculation about the upcoming general elections.

KSE100 Index shed by 4,654 points to close at 41,911 points, reflecting a decline of 10%. Despite market expectation of strong foreign inflows following Pakistan's inclusion in the MSCI Emerging Markets, foreign investors continued to remain net sellers and sold stocks of worth USD289mn. Within local investors, insurance companies and corporates bought equities of USD204mn and USD100mn respectively while Mutual funds divested equities of USD35mn during the year. On the political front, Ex-Prime Minister Nawaz Sharif was disqualified by Supreme Court in Jul-17 which further marred investor sentiment. Moreover, economic concerns increased due to rising twin deficits followed by stringent policy measures by policy makers (16% PKR depreciation and 75bps increase in interest rates).

The Cement and Banking sector led the rout in the benchmark index, causing attrition of 2,288 points and 1,083 points respectively. Decline in cements was caused owing to the fears of a price war in the segment as upcoming expansions could lead to an oversupply situation particularly in the Southern region as can be grasped from price performance of DGKC and LUCK which fell 44% and 37% YoY respectively. In the banking sector, large banks caused underperformance where HBL, UBL and NBP fell 37%, 23% and 20% owing to regulatory concerns, pension and other legal issues. Meanwhile mid-tier banks outperformed the index buoyed by rising interest rate environment which is expected to lead to margin expansion.

Oil & Gas Exploration and Production sector defied overall trend during FY18 and posted strong gains where the sector contributed 1,628 points to the market owing to 66% increase in International Oil Prices and 16% PKR depreciation. The outperformance was led by POL and PPL posting returns of 58% and 53% against SPLY.

Going forward, we expect Pakistan equities to rebound with restoration of political stability (after General Elections), gradual improvement in macroeconomic trends and potential revival of foreign investor interest after steep PKR depreciation. Moreover, we highlight that Pakistan market's discount to emerging as well as frontier peers has increased to 30% and 28% against 5-year averages of 25% and 19% respectively reflecting a good entry point.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

## Significant Changes in the State of Affairs

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

## Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	72	4,128
101 – 500	45	13,372
501 – 1,000	20	15,329
1,001 – 10,000	104	456,193
10,001 – 100,000	44	1,323,501
100,001 – 500,000	12	3,026,697
500,001 – 1,000,000	3	2,478,764
1,000,001 – 5,000,000	2	3,455,366
5,000,001 and above	2	44,880,089
<b>Total</b>	<b>304</b>	<b>55,653,439</b>

## Unit Splits

There were no unit splits during the year.

## Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

## Soft Commission

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

**PERFORMANCE TABLE –  
HBL STOCK FUND**  
As at June 30, 2018

	2018	2017	2016	2015	2014	2013
Net assets at the period end (Rs'000)	5,958,370	6,354,672	4,519,241	4,385,904	4,075,082	3,229,692
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	107.0620	121.4498	103.6764	102.5537	105.1183	135.8501
Offer	110.0865	124.8822	107.1039	105.9441	108.7203	140.4201
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	124.9877	149.3050	112.7096	119.6740	150.9164	147.8408
Lowest offer price per unit	98.8279	107.4647	92.6803	99.2063	107.9699	99.7215
Highest redemption price per unit	121.5538	145.2030	109.1027	115.8117	145.9164	144.2349
Lowest redemption price per unit	96.1127	104.5122	89.7143	96.0045	104.4560	97.2893
<b>RETURN ( % )</b>						
Total return	-11.85%	23.89%	2.43%	8.04%	27.40%	44.42%
Income distribution	0.00%	7.00%	1.50%	25.00%	36.00%	25.00%
Capital growth	-11.85%	16.89%	0.93%	-16.96%	-8.60%	19.42%
<b>DISTRIBUTION</b>						
Final dividend distribution (Rs)	-	7.00	1.50	25.00	36.00	25.00
Date of Income Distribution	-	20-Jun-17	27-Jun-16	30-Jun-15	27-Jun-14	08-Jul-13
Total dividend distribution for the year/ period (Rs)	-	7.00	1.50	25.00	36.00	25.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-11.85%	23.89%	2.43%	8.04%	27.40%	44.42%
Average annual return 2 year	4.51%	12.67%	-	-	-	-
Average annual return 3 year	3.82%	11.15%	-	-	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	10%	8%	1%	7%	3%	4%
Stock / Equities	89%	87%	95%	93%	74%	96%
Placement with Banks and DFIs	0%	0%	4%	0%	0%	0%
Others Including Receivables	1%	6%	0%	0%	23%	0%

**Note:**

The Launch date of the Fund is August 29, 2007

**Disclaimer:**

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

## PROXY VOTING DISCLOSURE

Summary of Actual Proxy voted by CIS

HBL Energy Fund	Meetings	Resolutions	For	Against
Number	6	14	14	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Amreli Steels Limited	25-10-2017	5-7-2018
Bank Al-Falah Ltd	28-3-2018	27-5-2018
Bank Al-Habib Limited	27-3-2018	N-A
Bank of Punjab Ltd	N-A	30-5-2018
Cherat Cement Company Ltd.	16-10-2017	N-A
Crescent Steel & Allied Products Ltd	17-10-2017	29-1-2018
Engro Corporation Ltd	24-4-2018	N-A
Engro Fertilizers Limited	26-3-2018	N-A
Engro Polymer & Chemicals Ltd	29-3-2018	2-7-2018
Faysal Bank Limited	28-3-2018	(6-3-2018)(10-7-2018)
Habib Bank Ltd	27-4-2018	N-A
Hascol Petroleum Ltd	27-4-2018	N-A
Honda Atlas Cars (Pakistan) Ltd	28-6-2018	N-A
Hub Power Company Ltd	10-5-2017	22-6-2018
Indus Motor Company Limited	10-6-2017	N-A
International Industries Ltd	28-9-2017	21-5-2018
International Steels Limited	26-9-2017	N-A
Lucky Cement Ltd	(25-09-2017)(28-11-2017)	N-A
Mari Petroleum Company Ltd	26-9-2017	N-A
MCB Bank Ltd	27-3-2018	2-10-2018
Nishat Mills Ltd	N-A	28-3-2018
Oil & Gas Development Co Ltd	24-10-2017	N-A
Packages Ltd	19-4-2018	(28-08-2017)(26-2-2018)
Pak Elektron Ltd	25-4-2018	N-A
Pakistan Oilfields Ltd	19-10-2017	N-A
Pakistan Petroleum Ltd	27-10-2017	N-A
Pakistan State Oil Company Ltd	20-10-2017	N-A
Pioneer Cement Limited	26-10-2017	N-A
Service Industries Ltd	30-4-2018	28-7-2017
Sui Northern Gas Pipeline Ltd	27-11-2017	N-A
Systems Limited	26-4-2018	N-A
The Searle Company Ltd	N-A	31-7-2017
United Bank Limited	31-3-2018	N-A

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)




**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL STOCK FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Stock Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

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

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

Karachi, September 18, 2018



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL STOCK FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Stock Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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

S. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 5,442.731 million as at June 30, 2018.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and their valuation and existence is a significant area during our audit. There is a risk that appropriate quoted prices may not be used to determine fair value.</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>Independent testing of valuations by using the quoted market prices from the Pakistan Stock Exchange Limited and ensuring the existence of number of securities by comparing the internal records with Central Depository Company (CDC) account records;</li> </ul>



Member of  
Deloitte Yousof Ali Taximatu Limited

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>Further, the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<ul style="list-style-type: none"> <li>• performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of securities during the year; and</li> <li>• any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
<p><b>2</b></p>	<p><b><i>Impairment of available for sale investments</i></b></p> <p>The Fund invests a significant portion of its funds in financial instruments that comprise available for sale investments in equity securities. These investments are measured at fair value with the corresponding fair value changes recognized in other comprehensive income. The valuation is performed by the Management Company using the quoted market prices at the Pakistan Stock Exchange.</p> <p>The Management Company performs an impairment review of its available for sale investments at each reporting date and records impairment charge when there has been a significant or prolonged decline in the fair value of investments below their cost. In determining 'significant' or 'prolonged', Management Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.</p> <p>There is a high degree of judgement involved in determining 'significant' or 'prolonged' decline in value of investments and the resulting impairment charge.</p>	<p>In auditing the impairment of available for sale investments, we obtained understanding of the processes and key controls relating to valuation of available for sale investments. In addition, we performed valuation testing on investments held as at June 30, 2018, reviewed the Fund's impairment policy, and assessed the adequacy of impairment charge on available for sale investments at year-end.</p> <p>The Fund's disclosures related to financial investments are included in note 6.</p>
<p><b>3</b></p>	<p><b><i>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</i></b></p> <p>As disclosed in note 4.9, to the financial statements, on August 03, 2017, SECP issued SRD no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in income statement and statement of movement in unit holders' fund</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>• Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> <li>• Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit</li> </ul>

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<p>holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</p> <ul style="list-style-type: none"> <li>• Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

#### Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

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

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

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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



## Report on Other Legal and Regulatory Requirements

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

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

*Deloitte Yousof Adil*  
Chartered Accountants

Place: Karachi  
Date: September 19, 2018

**HBL Stock Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2018*

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	577,518	650,713
Investments	6	5,442,731	5,800,585
Dividend receivable and accrued mark-up	7	15,470	33,494
Receivable against sale of investment		43,063	2,159
Receivable against conversion of units		-	211,869
Advances and deposits	8	3,029	2,600
<b>Total assets</b>		<b>6,081,811</b>	<b>6,701,420</b>
<b>Liabilities</b>			
Payable to the Management Company	9	23,982	21,503
Payable to the Trustee	10	658	1,418
Payable to Securities and Exchange Commission of Pakistan	11	5,547	5,403
Payable against redemption of units		-	181,864
Payable against purchase of investment		17,010	52,836
Dividend payable		-	5,331
Accrued expenses and other liabilities	12	76,244	78,393
<b>Total liabilities</b>		<b>123,441</b>	<b>346,748</b>
<b>Net assets</b>		<b>5,958,370</b>	<b>6,354,672</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>5,958,370</b>	<b>6,354,672</b>
<b>Contingencies and commitments</b>	13	----- Number of units -----	
<b>Number of units in issue</b>	17	55,653,438	52,323,461
<b>Net assets value per unit</b>	4.10	107.0620	121.4498

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

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

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

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

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

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Dividend income		262,957	219,917
Profit on bank deposits		48,219	21,555
Mark-up / return on investments		761	3,626
Capital (loss) / gain on sale of investments - net		(34,660)	828,051
Unrealised diminution on re-measurement of investments classified 'at fair value through profit or loss - held-for-trading' - net		(74,961)	-
		202,316	1,073,149
Impairment loss on equity securities classified as available-for-sale		-	-
Impairment reversal on available-for-sale investments		(294,671)	(35,921)
<b>Total income</b>		<b>(92,355)</b>	<b>1,037,228</b>
<b>Expenses</b>			
Remuneration of the Management Company	9.1 & 9.2	131,917	128,436
Remuneration of the Trustee	10.2	7,726	7,558
Annual fee to Securities and Exchange Commission of Pakistan	11.1	5,547	5,403
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	5,837	5,722
Selling and marketing expenses	9.4	23,349	8,661
Securities transaction costs		10,936	65
Auditors' remuneration	14	611	550
Settlement and bank charges		2,065	1,320
Fee and subscription		1,448	194
Printing and stationary		174	258
Other advisory fee		62	22
<b>Total expenses</b>		<b>189,672</b>	<b>158,189</b>
<b>Net (loss) / income from operating activities</b>		<b>(282,027)</b>	<b>879,039</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net	4.9	-	180,639
Reversal of provision for Workers' Welfare Fund	12.2	-	56,825
Provision for Sindh Workers' Welfare Fund	12.2	-	(34,381)
		-	22,444
<b>Net (loss) / income for the year before taxation</b>		<b>(282,027)</b>	<b>1,082,122</b>
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<b>(282,027)</b>	<b>1,082,122</b>
<b>(Loss) / Earnings per unit</b>	16		

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

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

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

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

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

	2018	2017
	----- (Rupees in '000) -----	
<b>Net (loss) / income for the year after taxation</b>	<b>(282,027)</b>	1,082,122
<b>Other comprehensive income for the year</b>		
<b>Item that will be reclassified subsequently to Income Statement</b>		
Unrealised (diminution) / appreciation on re-measurement of investments classified as available-for-sale	(12,398)	980,729
Net reclassification adjustments relating to available-for-sale financial assets	(472,835)	(792,130)
	<b>(485,233)</b>	188,599
<b>Total comprehensive income for the year</b>	<b>(767,260)</b>	1,270,721

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

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

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

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

\_\_\_\_\_  
 Director



**HBL Stock Fund**  
**Cash Flow Statement**  
For the year ended June 30, 2018

	2018	2017
Note	------(Rupees in '000)-----	
<b>Cash flows from operating activities</b>		
Net (loss) / income for the year before taxation	(282,027)	1,082,122
<b>Adjustments for:</b>		
Impairment loss on investments classified as available-for-sale	294,671	35,921
Profit on bank deposits	(48,219)	(21,555)
Dividend income	(262,957)	(219,917)
Mark-up / return on investments	(761)	
Capital gain on sale of investments - net	34,660	(828,051)
Unrealised diminution on re-measurement of investments classified 'at fair value through profit or loss - held-for-trading' - net	74,961	-
Element of income and capital gains included in prices of units issued less those in units redeemed - net	-	(180,639)
	<u>(189,672)</u>	<u>(132,119)</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	(608,401)	(233,518)
Advances and deposits	(429)	(424,931)
	<u>(608,830)</u>	<u>(658,449)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	2,479	12,424
Payable to the Trustee	(760)	902
Payable to Securities and Exchange Commission of Pakistan	144	1,293
Accrued expenses and other liabilities	(2,149)	30,074
	<u>(286)</u>	<u>44,693</u>
<b>Net cash used in operations</b>	<u>(798,787)</u>	<u>(745,875)</u>
Profit on bank deposits received	49,201	16,047
Dividend received	279,998	198,211
Mark-up / return on investments received	761	-
	<u>329,960</u>	<u>214,258</u>
<b>Net cash used in operating activities</b>	<u>(468,828)</u>	<u>(531,617)</u>
<b>Cash flows from financing activities</b>		
Amount received on issue of units	2,048,014	2,960,700
Payments against redemption of units	(1,647,051)	(1,483,501)
Cash dividend paid	(5,331)	(333,275)
<b>Net cash generated from financing activities</b>	<u>395,632</u>	<u>1,143,924</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<u>(73,195)</u>	<u>612,307</u>
Cash and cash equivalents at beginning of the year	650,713	38,406
<b>Cash and cash equivalents at end of the year</b>	<u>577,518</u>	<u>650,713</u>

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

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

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

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

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

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Stock Fund (the Fund) was established under a Trust Deed, dated August 09, 2007, executed between HBL Asset Management Limited (the Management Company) and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on August 21, 2007.

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

The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par from August 29, 2007 to August 31, 2007.

The principal activity of the Fund is to provide long-term capital growth by investing primarily in a diversified pool of equities and equities related instruments.

JCR-VIS Credit Rating Agency has assigned an asset manager rating of 'AM2+' (AM Two Plus) to the Management Company.

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

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

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

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except that investments are measured at fair value.

### **2.3 Functional and presentation currency**

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

### **2.4 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various

other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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

- (i) classification and valuation of financial assets (notes 4.2.1, 6.1, 6.2 and 6.3); and
- (ii) impairment of financial assets (note 4.2.5, 6.4.1)

### **3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS**

#### **3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018**

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective for accounting periods beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs which are also not relevant to the Fund.

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

##### **3.2.1** The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments (except IFRS 9 'Financial Instruments') are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective for accounting periods beginning on or after:</b>
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	July 01, 2018
IFRS 9 'Financial Instruments'	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019

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

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

January 01, 2019

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.

January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement.

January 01, 2019

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.

January 01, 2018

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

January 01, 2018

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

**3.2.2 IFRS 9 'Financial Instruments' Impact Assessment**

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

**3.2.2.1 Key requirements of IFRS 9 are as follows;**

**Classification and measurement of financial assets**

- All recognized financial assets that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

**Classification and measurement of financial liabilities**

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

### **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.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Listed equity securities classified as financial assets at fair value through profit or loss - held for trading will continue to be measured at fair value through profit or loss upon application of IFRS 9 with value changes continue to be recognised in profit or loss.

Listed equity securities classified as financial assets at 'available-for-sale' are to be measured at fair value through profit or loss upon application of IFRS 9 with value changes to be recognised in income statement instead of other comprehensive income. The change in fair value attributed to these financial assets amounting to Rs. 66.474 million during the current year would be recognised in income statement under IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principle outstanding. These financial assets will qualify to be measured initially at fair value and subsequently measured at amortized cost upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

### **3.3 Change in policy in relation to preparation of income statement and statement of comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

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

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Cash and cash equivalents**

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

##### **4.2 Financial assets**

###### **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 purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

###### **a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading. Currently, there are no investments of the Fund classified as at fair value through profit or loss - held for trading.

###### **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**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

###### **4.2.2 Regular way contracts**

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

###### **4.2.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held for trading", in which case the transaction costs are charged off to the income statement and statement of comprehensive income.

###### **4.2.4 Subsequent measurement**

###### **a) Financial assets 'at fair value through profit or loss - held for trading' and 'available for sale'**

Subsequent to initial measurement, financial assets 'at fair value through profit or loss' and 'available for sale' are valued as follows:

###### **Basis of valuation of equity securities**

Equity securities are valued on the basis of closing quoted market prices available at the stock exchange. A security listed on the stock exchange for which no sale is reported on the reporting date is valued at its last sale price on the next preceding date on which such exchange is open and if no sale is reported for such date, the security is valued at an amount neither higher than the closing asked price nor lower than the closing bid price.

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

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

Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012.

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

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

#### **b) Loans and receivables**

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

Gains or losses are also recognised in the income statement and other comprehensive income when financial assets carried at amortised cost are derecognised or impaired.

#### **4.2.5 Impairment**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

#### **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 the Fund has transferred substantially all risks and rewards of ownership.

#### **4.3 Financial liabilities**

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

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

#### **4.4 Offsetting of financial assets and liabilities**

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

#### **4.5 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.

#### **4.6 Taxation**

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

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

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

#### **4.7 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared and approved.

#### **4.8 Issue and redemption of units**

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

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

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

The Fund has followed the requirements of SRO 756 (I) 2017 dated August 3, 2017 read with NBFC regulations, 2008 in the preparation of these financial statements as follows:

- element of income has been determined as the difference between net assets value on the issuance or redemption date, as the case maybe, of units and the net asset value at the beginning of the accounting period;
- presented distributable income in statement of movement In unitholders' fund ; and
- presented allocation of net income available for distribution relating to capital gains and excluding capital gains in statement of movement In unitholders' fund.

#### **Amendment in the NBFC Regulations subsequent to the year end**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of loss been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs 33.467 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

#### 4.10 Net assets value per unit

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

#### 4.11 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income from equity securities is recognised when the right to receive dividend is established.
- Mark-up / return on government securities, bank profits and investment in debt securities are recognised on a time apportionment basis using the effective interest method.

#### 4.12 Expenses

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

	Note	2018	2017
		----- (Rupees in '000) -----	
<b>5. BANK BALANCES</b>			
Balances with banks in:			
Savings accounts	5.1	575,068	648,263
Current account		2,450	2,450
		<u>577,518</u>	<u>650,713</u>

5.1 This represent bank accounts held with different banks. Mark-up rates on these accounts range between 4% - 8.25% (June 30, 2017: 5.00% - 6.60%) per annum.

	Note	2018	2017
		----- (Rupees in '000) -----	
<b>6. INVESTMENTS</b>			
Available for sale			
- Listed equity securities	6.1	887,003	5,800,585
Held-For-Trading			
- Listed equity securities	6.2	<u>4,555,728</u>	<u>-</u>
		<u>5,442,731</u>	<u>5,800,585</u>

### 6.1 Listed equity securities - Available-for-sale

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

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Holding as a % of paid-up capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>Commercial Banks</b>									
Habib Bank Limited *	942,619	-	-	942,619	-	-	-	-	-
MCB Bank Limited	1,234,700	-	-	787,100	447,600	88,522	9.98	1.49	0.04%
Allied Bank Limited	1,251,700	-	-	1,251,700	-	-	-	-	-
United Bank Limited	1,341,500	-	-	1,079,900	261,600	44,205	4.98	0.74	0.02%
	<u>4,770,519</u>	<u>-</u>	<u>-</u>	<u>4,061,319</u>	<u>709,200</u>	<u>132,727</u>	<u>14.96</u>	<u>2.23</u>	
<b>Textile Composite</b>									
Nishat Mills Limited	1,169,200	-	-	953,100	216,100	30,453	3.43	0.51	0.06%
	<u>1,169,200</u>	<u>-</u>	<u>-</u>	<u>953,100</u>	<u>216,100</u>	<u>30,453</u>	<u>3.43</u>	<u>0.51</u>	
<b>Cement</b>									
D. G. Khan Cement Limited	1,184,100	-	-	1,184,100	-	-	-	-	-
Lucky Cement Limited	415,100	-	-	414,850	250	127	0.01	0.00	0%
Pioneer Cement Limited	1,417,800	46,500	-	1,464,300	-	-	-	-	-
Cherat Cement Limited	724,100	-	-	724,100	-	-	-	-	-
	<u>3,741,100</u>	<u>46,500</u>	<u>-</u>	<u>3,787,350</u>	<u>250</u>	<u>127</u>	<u>0.01</u>	<u>0.00</u>	
<b>Power Generation and Distribution</b>									
The Hub Power Company Limited	2,616,700	-	-	1,212,000	1,404,700	129,457	14.59	2.17	0.12%
K-Electric Limited (Rs. 3.5 each)	15,000,000	-	-	15,000,000	-	-	-	-	-
	<u>17,616,700</u>	<u>-</u>	<u>-</u>	<u>16,212,000</u>	<u>1,404,700</u>	<u>129,457</u>	<u>14.59</u>	<u>2.17</u>	
<b>Oil and Gas</b>									
Oil and Gas Development Company Limited									
	1,752,900	-	-	1,392,400	360,500	56,101	6.32	0.94	0.01%
Pakistan Oilfields Limited	347,900	-	-	310,600	37,300	25,058	2.82	0.42	0.02%
Pakistan Petroleum Limited	856,300	141,600	-	872,700	125,200	26,905	3.03	0.45	0.01%
Pakistan State Oil Company Limited (Note 6.2.2)									
	436,800	50,700	48,640	412,500	123,640	39,356	4.44	0.66	0.04%
Hascol Petroleum Limited	580,900	-	-	447,500	133,400	41,856	4.72	0.70	0.11%
Sui Northern Gas Pipelines Limited	1,466,000	100	-	1,275,300	190,800	19,122	2.16	0.32	0.03%
Mari Petroleum Limited	170,140	-	-	68,440	101,700	153,179	17.27	2.57	0.09%
	<u>5,610,940</u>	<u>192,400</u>	<u>48,640</u>	<u>4,779,440</u>	<u>1,072,540</u>	<u>361,577</u>	<u>40.76</u>	<u>6.06</u>	
<b>Automobile Assembler</b>									
Pak Suzuki Motor Company Limited	189,200	-	-	189,200	-	-	-	-	-
Indus Motor Company Limited	66,180	-	-	57,540	8,640	12,281	1.38	0.21	0.01%
Honda Atlas Cars Pakistan Limited	126,550	-	-	126,550	-	-	-	-	-
	<u>381,930</u>	<u>-</u>	<u>-</u>	<u>373,290</u>	<u>8,640</u>	<u>12,281</u>	<u>1.38</u>	<u>0.21</u>	

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Holding as a % of paid-up capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>Chemicals</b>									
Engro Corporation Limited	1,064,000	100,000	-	798,100	365,900	114,841	12.95	1.93	0.07%
Engro Fertilizers Limited	315,500	-	-	315,500	-	-	-	-	-
Engro Polymer & Chemicals Limited	3,101,000	-	-	3,101,000	-	-	-	-	-
	<u>4,480,500</u>	<u>100,000</u>	<u>-</u>	<u>4,214,600</u>	<u>365,900</u>	<u>114,841</u>	<u>12.95</u>	<u>1.93</u>	
<b>Cable and Electronic Goods</b>									
Pak Elektron Limited	1,726,000	200,000	-	1,926,000	-	-	-	-	-
	<u>1,726,000</u>	<u>200,000</u>	<u>-</u>	<u>1,926,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Pharmaceutical</b>									
Searle Company Limited (Note 6.2.2)	361,804	10,000	57,730	374,650	54,884	18,633	2.10	0.31	0.03%
	<u>361,804</u>	<u>10,000</u>	<u>57,730</u>	<u>374,650</u>	<u>54,884</u>	<u>18,633</u>	<u>2.10</u>	<u>0.31</u>	
<b>Automobile Parts and Accessories</b>									
Millat Tractors Limited	82,750	-	-	9,600	73,150	86,907	9.80	1.46	0.17%
	<u>82,750</u>	<u>-</u>	<u>-</u>	<u>9,600</u>	<u>73,150</u>	<u>86,907</u>	<u>9.80</u>	<u>1.46</u>	
<b>General Industrials</b>									
Packages Limited **	239,700	-	-	239,700	-	-	-	-	-
	<u>239,700</u>	<u>-</u>	<u>-</u>	<u>239,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Engineering</b>									
Mughal Iron & Steel Industries Limited	18,165	-	-	18,165	-	-	-	-	-
Crescent Steel and Allied Products Limited	534,800	15,800	-	550,600	-	-	-	-	-
International Steels Limited **	1,056,000	-	-	1,056,000	-	-	-	-	-
International Industries Limited	360,100	-	-	360,100	-	-	-	-	-
	<u>1,969,065</u>	<u>15,800</u>	<u>-</u>	<u>1,984,865</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Leather and Tanneries</b>									
Service Industries Limited	40,800	-	-	40,800	-	-	-	-	-
	<u>40,800</u>	<u>-</u>	<u>-</u>	<u>40,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u><b>42,191,008</b></u>	<u><b>564,700</b></u>	<u><b>106,370</b></u>	<u><b>38,956,714</b></u>	<u><b>3,905,364</b></u>	<u><b>887,003</b></u>	<u><b>100</b></u>	<u><b>15</b></u>	
<b>Cost of investment as at June 30, 2018</b>						<u><b>899,401</b></u>			

\* Sponsor of the Management Company

\*\*Related party due to common directorship

## 6.2 Listed equity securities - Held-for-trading

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

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Holding as a % of paid-up capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>Commercial Banks</b>									
Bank Al Habib Limited	-	2,468,000	-	582,500	1,885,500	148,634	3.26	2.48	0.17%
Habib Bank Limited *	-	3,051,800	-	1,240,181	1,811,619	301,526	6.62	5.03	0.12%
MCB Bank Limited	-	1,126,700	-	-	1,126,700	222,827	4.89	3.72	0.10%
Allied Bank Limited	-	64,000	-	64,000	-	-	-	-	-
Bank of Punjab	-	13,916,500	-	4,250,000	9,666,500	116,675	2.56	1.95	1.83%
Bank Alfalah Limited	-	6,063,500	-	1,069,000	4,994,500	261,162	5.73	4.36	0.31%
Meezan Bank Limited	-	556,000	-	119,000	437,000	35,712	0.78	0.60	0.04%
Faysal Bank Limited (Note 6.2.2)	-	5,219,000	520,350	3,441,000	2,298,350	59,757	1.31	1.00	0.25%
United Bank Limited	-	1,504,900	-	5,000	1,499,900	253,453	5.56	4.23	0.12%
	-	33,970,400	520,350	10,770,681	23,720,069	1,399,746	30.71	23.36	
<b>Textile Composite</b>									
Nishat Chunian Limited	-	1,032,500	-	1,032,500	-	-	-	-	-
Nishat Mills Limited	-	842,500	-	-	842,500	118,725	2.61	1.98	0.24%
	-	1,875,000	-	1,032,500	842,500	118,725	2.61	1.98	
<b>Cement and matverial</b>									
D. G. Khan Cement Limited	-	959,500	-	959,500	-	-	-	-	-
Fauji Cement Company Limited	-	5,210,500	-	5,210,500	-	-	-	-	-
Lucky Cement Limited	-	360,800	-	-	360,800	183,261	4.02	3.06	0.11%
Pioneer Cement Limited	-	514,500	-	26,000	488,500	22,891	0.50	0.38	0.22%
Shabbir Tiles and Ceremics Limited	-	481,500	-	-	481,500	10,140	0.22	0.17	0.20%
Kohat Cement Limited	-	222,800	-	500	222,300	27,358	0.60	0.46	0.17%
	-	7,749,600	-	6,196,500	1,553,100	243,651	5.34	4.07	
<b>Power Generation and Distribution</b>									
The Hub Power Company Limited	-	1,688,700	-	-	1,688,700	155,631	3.42	2.60	0.15%
K-Electric Limited (Rs. 3.5 each)	-	13,559,500	-	7,835,000	5,724,500	32,515	0.71	0.54	0.02%
	-	15,248,200	-	7,835,000	7,413,200	188,146	4.13	3.14	
<b>Oil and Gas</b>									
Oil and Gas Development Company Limited	-	1,558,900	-	-	1,558,900	242,596	5.33	4.05	0.04%
Pakistan Oilfields Limited	-	411,500	-	-	411,500	276,442	6.07	4.61	0.17%
Pakistan Petroleum Limited	-	1,533,400	-	-	1,533,400	329,528	7.23	5.50	0.08%
Pakistan State Oil Company Limited	-	537,500	-	-	537,500	171,092	3.76	2.85	0.16%
Hascol Petroleum Limited	-	112,800	-	-	112,800	35,392	0.78	0.59	0.09%
Hascol Petroleum Limited LOR	-	90,960	-	90,960	-	-	-	-	-
Sui Northern Gas Pipelines Limited	-	1,020,100	-	-	1,020,100	102,234	2.24	1.70	0.16%
Mari Petroleum Limited	-	97,260	-	-	97,260	146,491	3.22	2.44	0.09%
	-	5,362,420	-	90,960	5,271,460	1,303,775	28.63	21.74	
<b>Automobile Assembler</b>									
Millat Tractors Limited	-	28,520	-	-	28,520	33,883	0.74	0.57	0.06%
Indus Motor Company Limited	-	46,520	-	-	46,520	66,126	1.45	1.10	0.06%
Honda Atlas Cars Pakistan Limited	-	177,150	-	72,200	104,950	33,205	0.73	0.55	0.07%
	-	252,190	-	72,200	179,990	133,214	2.92	2.22	
<b>Chemicals</b>									
Engro Corporation Limited	-	606,200	-	-	606,200	190,262	4.18	3.17	0.12%
Engro Fertilizers Limited	-	4,969,000	-	1,530,000	3,439,000	257,615	5.65	4.30	0.26%
Fauji Fertilizes Company limited	-	1,624,000	-	414,000	1,210,000	119,657	2.63	2.00	0.10%
Engro Polymer & Chemicals Limited LOR	-	640,655	-	76	640,579	5,650	0.12	0.09	0.26%
Engro Polymer & Chemicals Limited	-	4,564,500	-	2,508,000	2,056,500	64,492	1.42	1.08	0.17%
	-	12,404,355	-	4,452,076	7,952,279	637,676	14.00	10.64	

Name of the Investee Company	Number of shares					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Holding as a % of paid-up capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>Cable &amp; Electronic Goods</b>									
Pak Elektron Limited	-	2,259,200	-	639,400	1,619,800	57,438	1.26	0.96	0.33%
	-	2,259,200	-	639,400	1,619,800	57,438	1.26	0.96	
<b>Leather &amp; Tanneries</b>									
Service Industries Limited	-	1,500	-	1,500	-	-	-	-	-
	-	1,500	-	1,500	-	-	-	-	-
<b>Pharmaceutical</b>									
Searle Company Limited (Note 6.2.2)	-	106,900	6,200	-	113,100	38,397	0.84	0.64	0.06%
	-	106,900	6,200	-	113,100	38,397	0.84	0.64	
<b>Engineering</b>									
Mughal Iron & Steel Industries Limited	-	1,436,000	-	452,835	983,165	60,386	1.33	1.01	0.39%
International Steels Limited **	-	1,021,100	-	434,100	587,000	59,698	1.31	1.00	0.13%
Crescent Steel & Allied Products Limited	-	92,800	-	92,800	-	-	-	0.00	0.00%
International Industries Limited	-	456,100	-	204,800	251,300	58,374	1.28	0.97	0.21%
Amreli Steels Limited	-	1,869,200	-	1,022,000	847,200	59,770	1.31	1.00	0.29%
	-	4,875,200	-	2,206,535	2,668,665	238,228	5.23	3.98	
<b>Automobile Parts and Accessories</b>									
Thal Limited (Rs. 5 each)	-	278,650	-	-	278,650	133,064	2.92	2.22	0.34%
	-	278,650	-	-	278,650	133,064	2.92	2.22	
<b>Technology and Communication</b>									
Systems Limited	-	639,000	-	10,000	629,000	63,667	1.40	1.06	0.57%
	-	639,000	-	10,000	629,000	63,667	1.40	1.06	
<b>Total</b>	<b>-</b>	<b>85,022,615</b>	<b>526,550</b>	<b>33,307,352</b>	<b>52,241,813</b>	<b>4,555,728</b>	<b>100.00</b>	<b>76.02</b>	
<b>Cost of investment as at June 30, 2018</b>						<b>4,630,690</b>			

\* Sponsor of the Management Company

\*\* Related party due to common directorship

**6.2.1** Investments include shares having market value aggregating to Rs. 324.348 million (June 30, 2017: Rs. 408.55 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

**6.2.2** This includes 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 Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption available to mutual funds under clause 99 of Part I and clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having fair market value of Rs. 4.7 million at June 30, 2018 (June 30, 2017: Rs. 2.8 million) and not yet deposited on CDC account of department of Income tax. Management Company is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in Fund's investments at year end.

**6.3 Investment in government securities- Available-for-sale**

Issue Date	Tenure	Face value				Market Value as at June 30, 2018	Market value as a percentage of	
		As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets
----- (Rupees in '000) -----								
<b>Treasury bill</b>								
May 12, 2016	3 months	-	500,000	500,000	-	-	-	-
<b>Cost of investment at June 30, 2018</b>							-	

	Note	2018	2017
----- (Rupees in '000) -----			
<b>6.4 Net unrealised appreciation on remeasurement of investments classified as available-for-sale</b>			
Market value of investments	6.1	<b>887,003</b>	5,800,585
Cost of investments	6.1	<b>899,401</b>	5,293,873
Provision against equity securities	6.4.1	<b>(78,872)</b>	(44,995)
		<b>820,529</b>	5,248,878
		<b>66,474</b>	551,707

**6.4.1 Movement in impairment against equity securities**

Opening balance		<b>44,995</b>	81,273
Add: Charge for the year		<b>294,671</b>	35,921
Less: Reversals made during the year (capital gain)		<b>(260,794)</b>	(72,199)
Net charge / (reversal)		<b>33,877</b>	(36,278)
Closing balance		<b>78,872</b>	44,995

**7. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP**

Dividend receivable		<b>10,944</b>	27,986
Mark-up accrued on deposits with banks		<b>4,526</b>	5,508
		<b>15,470</b>	33,494

**8. ADVANCES AND DEPOSITS**

Security deposit with:			
- National Clearing Company of Pakistan Limited		<b>2,500</b>	2,500
- Central Depository Company of Pakistan Limited		<b>100</b>	100
Advance tax		<b>429</b>	-
Advance against subscription of Term Finance Certificates (TFC) 27		<b>25,000</b>	25,000
		<b>28,029</b>	27,600
Less: Provision in respect of advance against subscription of term finance certificates	8.1	<b>25,000</b>	25,000
		<b>3,029</b>	2,600

**8.1** The Fund had subscribed towards the Term Finance Certificates of Dewan Cement Limited as Pre-IPO investor on January 9, 2008. Under the agreement, the issuer was required to complete the public offering by October 9, 2008. However, no public offering has been carried out by the issuer till June 30, 2018. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As at June 30, 2018, the advance against subscription has been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the Management Company.

	Note	2018 ------(Rupees in '000)-----	2017
<b>9. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee	9.1	<b>10,009</b>	10,522
Sindh Sales Tax	9.2	<b>1,301</b>	1,368
Sales load payable		<b>77</b>	426
Selling and marketing payable	9.4	<b>12,094</b>	8,661
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	<b>501</b>	526
		<u><b>23,982</b></u>	<u>21,503</u>

**9.1** Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding two percent of average annual net assets. The Management Company has charged its remuneration at the rate of two percent per annum (June 30, 2017: two percent per annum) of the average annual net assets of the Fund for the current year.

**9.2** The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2017: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

**9.3** As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

**9.4** SECP vide its circular No.SCD/PRDD/Circular/361/2016 dated December 30, 2016 prescribed certain conditions on Asset Management Companies (AMCs) for charging of selling and marketing expenses to collective investment schemes managed by them. According to said circular, the selling and marketing expenses have been allowed initially for a period of three years (from January 01, 2017 till December 31, 2019) being chargeable to open end equity, asset allocation and index funds. Maximum cap on the expenses has been set at 0.4% per annum of net assets of fund or actual expenses, whichever being lower. The Fund has started accruing expense on this account at 0.4% per annum of net assets of the Fund effective from March 21, 2017.

		2018 ------(Rupees in '000)-----	2017
<b>10. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	10.1	<b>582</b>	1,255
Sindh Sales Tax		<b>76</b>	163
		<u><b>658</b></u>	<u>1,418</u>

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

**10.2** **The tariff structure applicable to the Fund is as follows:**

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Up to Rs. One billion	Rs 0.7 million or 0.2% p.a. of NAV, whichever is higher
Exceeding Rs. One billion	Rs 2.0 million plus 0.10% of NAV, exceeding Rs. 1,000 million

The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2017: 13%) on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011.

	Note	2018 ------(Rupees in '000)-----	2017
<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	<u>5,547</u>	<u>5,403</u>
<b>11.1</b>			
Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as as equity scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.			
	Note	2018 ------(Rupees in '000)-----	2017
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Federal Excise Duty	12.1	<b>37,838</b>	37,838
Provision for Sindh Workers' Welfare Fund	12.2	<b>34,381</b>	34,381
Withholding tax payable		<b>849</b>	5,178
Auditors' remuneration		<b>543</b>	530
Payable to brokers		<b>1,764</b>	-
Others		<b>870</b>	466
		<u><b>76,244</b></u>	<u>78,393</u>

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

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

The finance act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of the Management Company with effect from June 13, 2013 till June 30, 2016, aggregating to Rs. 37.838 million (June 30, 2017:37.838). Had the provision not been made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.68 (June 30, 2017: Rs. 0.72) per unit.

12.2 The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law *ibid*.

The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Honorable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

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

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

- The Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 56.825 million and started recognising provision provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 34.381 million (2017: Rs. 34.381 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.6178 (June 30, 2017: Rs. 0.6571) per unit.

### **13. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

	2018	2017
	----- (Rupees in '000) -----	
<b>14. AUDITORS' REMUNERATION</b>		
Annual audit fee	460	455
Fee for half yearly review	55	55
Review of compliance with the requirements of the Code of Corporate Governance	-	5
Out of pocket	96	35
	<u>611</u>	<u>550</u>

**15. TAXATION**

No provision for taxation has been made as the Fund has incurred a net loss and as such is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the income statement and statement of comprehensive income.

**16. (LOSS) / EARNING PER UNIT**

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

	2018	2017
	----- (Rupees in '000) -----	
<b>17. NUMBER OF UNITS IN ISSUE</b>		
Opening units in issue	52,323,461	43,589,869
Units issued during the year	16,694,964	21,624,269
Less: Units redeemed	(13,364,987)	(12,890,677)
Total units in issue at the end of the year	<u>55,653,438</u>	<u>52,323,461</u>

**18. FINANCIAL INSTRUMENTS BY CATEGORY**

	----- As at June 30, 2018 -----			
	Loans and receivables	Available for sale	Held-for- trading	Total
	----- Rupees in '000 -----			
<b>Financial Assets</b>				
Bank balances	577,518	-	-	577,518
Investments	-	887,003	4,555,728	5,442,731
Dividend and profit receivable	15,470	-	-	15,470
Receivable against sale of Investment	43,063	-	-	43,063
Receivable against conversion of units	-	-	-	-
Deposits	2,600	-	-	2,600
	<u>638,651</u>	<u>887,003</u>	<u>4,555,728</u>	<u>6,081,382</u>

	----- As at June 30, 2018 -----			
	Loans and receivables	Available for sale	Other financial liabilities	Total
	----- Rupees in '000 -----			
<b>Financial Liabilities</b>				
Payable to the Management Company	-	-	23,982	23,982
Payable to Trustee	-	-	658	658
Accrued expenses and other liabilities	-	-	3,177	3,177
Payable against redemption of units	-	-	-	-
Payable against purchase of investment	-	-	17,010	17,010
Unit holders' fund	-	-	5,958,370	5,958,370
Dividend payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>6,003,197</u>	<u>6,003,197</u>

	----- As at June 30, 2017 -----			
	Loans and receivables	Available for sale	Held-for-trading	Total
	----- Rupees in '000 -----			
<b>Financial Assets</b>				
Bank balances	650,713	-	-	650,713
Investments	-	5,800,585	-	5,800,585
Dividend and profit receivable	33,494	-	-	33,494
Receivable against sale of Investment	2,159	-	-	2,159
Receivable against conversion of units	211,869	-	-	211,869
Deposits	2,600	-	-	2,600
	<u>900,835</u>	<u>5,800,585</u>	<u>-</u>	<u>6,701,420</u>

	----- As at June 30, 2017 -----			
	Loans and receivables	Available for sale	Other financial liabilities	Total
	----- Rupees in '000 -----			
<b>Financial Liabilities</b>				
Payable to the Management Company	-	-	21,503	21,503
Payable to Trustee	-	-	1,418	1,418
Accrued expenses and other liabilities	-	-	996	996
Dividend payable	-	-	5,331	5,331
Payable against redemption of units	-	-	181,864	181,864
Payable against purchase of investment	-	-	52,836	52,836
Unit holders' fund	-	-	6,354,672	6,354,672
	<u>-</u>	<u>-</u>	<u>6,618,620</u>	<u>6,618,620</u>

## 19. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	2018	2017
	----- (Rupees in '000) -----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee including sales tax thereon	<u>131,917</u>	<u>128,436</u>
Selling and marketing expenses	<u>23,349</u>	<u>8,661</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>5,837</u>	<u>5,722</u>

	2018	2017
	------(Rupees in '000)-----	
<b>Habib Bank Limited - Sponsor</b>		
Dividend on units	-	249,887
Bank charges paid	30	7
Mark-up earned during the year	3,582	2,836
Dividend income earned	3,530	19,799
Dividend income received	3,530	19,799
<b>Directors and Executives of the Management Company and their relatives</b>		
Issue of 65,710 units (2017: 14,436 units)	6,863	1,955
Redemption of 21,599 units (2017: 2,547 units)	2,304	2,547
Dividend paid	-	1,426
<b>HBL Employees Provident Fund - Associated entity</b>		
Issue of Nil Units (2017: 388,125 units)	-	47,161
<b>MCBFSL Trustee HBL Financial Planning Fund Active Allocation Plan - Associate</b>		
Issue of 2,387,508 units (2017: Nil units)	257,133	-
Redemption of 582,385 units (2017: Nil units)	64,000	-
<b>MCBFSL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Associate</b>		
Issue of 370,166 units (2017: Nil units)	37,700	-
Redemption of 76,351 units (2017: Nil units)	8,210	-
<b>MCBFSL Trustee HBL Financial Planning Fund Strategic Allocation Plan - Associate</b>		
Issue of 1,326,349 units (2017: Nil units)	141,300	-
Redemption of 363,022 units (2017: Nil units)	40,000	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	7,726	7,558
Service charges	-	419
<b>19.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	10,009	10,522
Sindh Sales Tax	1,301	1,368
Sales load payable	77	426
Selling and marketing	12,094	8,661
Allocation of expenses related to registrar services, accounting, operation and valuation services	501	526
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 37,754,700 units (2017: 37,754,700 units)	4,042,095	4,585,301
Bank balances	14,079	57,148
Mark-up receivable	107	219



**a) Cash flow interest rate risk**

Presently, the Fund holds balances in savings bank accounts as at June 30, 2018, that could expose the Fund to cash flow interest rate risk. The net income for the year would have increased / (decreased) by Rs. 5.8 million (2017: Rs.6.5 million) had the interest rates on savings accounts with the banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit and loss - held for trading and available for sale. Therefore, a change in interest rates at the reporting date would not affect net income for the year.

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

	2018				Not exposed to Yield / Interest rate risk
	Total	Exposed to Yield / Interest rate risk			
		Upto three months	More than three months and upto one year	More than one year	
----- Rupees in '000 -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	577,518	577,518	-	-	-
Investments	5,442,731	-	-	-	5,442,731
Dividend receivable and accrued mark-up	15,470	-	-	-	15,470
Receivable against sale of investment	43,063	-	-	-	43,063
Advances and deposits	3,029	-	-	-	3,029
Receivable against conversion of units	-	-	-	-	-
	<b>6,081,811</b>	<b>577,518</b>	<b>-</b>	<b>-</b>	<b>5,504,293</b>
<b>Financial liabilities</b>					
Payable to the Management Company	23,982	-	-	-	23,982
Payable to the Trustee	658	-	-	-	658
Accrued expenses and other liabilities	3,177	-	-	-	3,177
Dividend payable	-	-	-	-	-
Payable against redemption of units	-	-	-	-	-
Payable against purchase of investment	17,010	-	-	-	17,010
Unit holders' fund	5,958,370	-	-	-	5,958,370
	<b>6,003,197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,003,197</b>
<b>On-balance sheet gap</b>	<b>78,614</b>	<b>577,518</b>	<b>-</b>	<b>-</b>	<b>(498,904)</b>
<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	2017				
	Exposed to Yield / Interest rate risk				
	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk
	----- Rupees in '000 -----				
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	650,713	650,713	-	-	-
Investments	5,800,585	-	-	-	5,800,585
Dividend receivable and accrued mark-up	33,494	-	-	-	33,494
Advances and deposits	2,600	-	-	-	2,600
Receivable against sale of investment	2,159	-	-	-	2,159
Receivable against conversion of units	211,869	-	-	-	211,869
	<u>6,701,420</u>	<u>650,713</u>	<u>-</u>	<u>-</u>	<u>6,050,707</u>
<b>Financial liabilities</b>					
Payable to the Management Company	21,503	-	-	-	21,503
Payable to the Trustee	1,418	-	-	-	1,418
Accrued expenses and other liabilities	996	-	-	-	996
Dividend payable	5,331	-	-	-	5,331
Payable against redemption of units	181,864	-	-	-	181,864
Payable against purchase of investment	52,836	-	-	-	52,836
Unit holders' fund	6,354,672	-	-	-	6,354,672
	<u>6,618,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,618,620</u>
<b>On-balance sheet gap</b>	<u>82,800</u>	<u>650,713</u>	<u>-</u>	<u>-</u>	<u>(567,913)</u>
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-

### 20.1.3 Price risk

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

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

In case of 5% increase / decrease in the fair value of the Fund's equity securities on June 30, 2018, net assets of the Fund would increase / decrease by Rs. 272.137 million (2017: Rs. 290.029 million) as a result of gains / losses on equity securities in "available for sale" and 'held for trading' category.

### 20.2 Credit risk

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

The Fund's credit risk is primarily attributable to balances with banks, deposits with and other receivables from National Clearing Company of Pakistan Limited and Central Depository Company of Pakistan Limited, respectively. The Fund also carries credit risk in respect of dividend receivable (if any) on equity securities. The credit risk of the Fund with respect to bank accounts is limited as the balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Further, credit risk in respect of deposits and other receivables is also minimal as the counter parties are well reputed and financially sound. Credit risk on dividend receivable is also minimal due to the statutory protection.

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

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets as follows:

	2018	2017
	------(Rupees in '000)-----	
<b>Bank balances by rating category</b>		
AA- (PACRA)	410,234	650,713
AA+ (PACRA)	151,769	-
AAA (JCR-VIS)	14,079	-
AAA (PACRA)	1,436	-
	<u>577,518</u>	<u>650,713</u>
<b>Dividend and profit receivable</b>	<u>15,470</u>	<u>33,494</u>
<b>Deposits</b>	<u>2,600</u>	<u>2,600</u>

**Concentration of credit risk**

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

**20.3 Liquidity risk**

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

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

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

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

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

	----- As at June 30, 2018 -----			
	Number of unit holders	Upto three months	Over three months and upto one year	Over one year
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company	23,982	-	-	23,982
Payable to the Trustee	658	-	-	658
Accrued expenses and other liabilities	3,177	-	-	3,177
Payable against purchase of investment	17,010	-	-	17,010
Dividend payable	-	-	-	-
Payable against redemption of units	-	-	-	-
Unit Holder's Fund	5,958,370	-	-	5,958,370
	<u>6,003,197</u>	<u>-</u>	<u>-</u>	<u>6,003,197</u>

	----- As at June 30, 2017 -----			
	Number of unit holders	Upto three months	Over three months and upto one year	Over one year
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company	21,503	-	-	21,503
Payable to the Trustee	1,418	-	-	1,418
Accrued expenses and other liabilities	996	-	-	996
Dividend payable	5,331	-	-	5,331
Payable against redemption of units	181,864	-	-	181,864
Payable against purchase of investment	52,836	-	-	52,836
Unit Holder's Fund	6,354,672	-	-	6,354,672
	<u>6,618,620</u>	<u>-</u>	<u>-</u>	<u>6,618,620</u>

## 21. FAIR VALUE AND CATAGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

		June 30, 2018								
		Carrying amount				Fair Value				
		Available -for-sale	Held-for- trading	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----										
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
	Investments - Listed equity securities	887,003	4,555,728	-	-	5,442,731	5,442,731	-	-	5,442,731
		<u>887,003</u>	<u>4,555,728</u>	<u>-</u>	<u>-</u>	<u>5,442,731</u>	<u>5,442,731</u>	<u>-</u>	<u>-</u>	<u>5,442,731</u>
<b>Financial assets not measured at fair value</b>										
21.1	Bank balances	-	-	577,518	-	577,518				
	Dividend receivable and accrued mark-up	-	-	15,470	-	15,470				
	Receivable against sale of investment	-	-	43,063	-	43,063				
	Receivable against conversion of units	-	-	-	-	-				
	Deposits	-	-	2,600	-	2,600				
		<u>-</u>	<u>-</u>	<u>638,651</u>	<u>-</u>	<u>638,651</u>				
<b>Financial liabilities not measured at fair value</b>										
21.1	Payable to Management Company	-	-	-	23,982	23,982				
	Payable to Trustee	-	-	-	658	658				
	Accrued expenses and other liabilities	-	-	-	3,177	3,177				
	Payable against redemption of units	-	-	-	-	-				
	Payable against purchase of investment	-	-	-	17,010	17,010				
	Dividend payable	-	-	-	-	-				
	Unit Holder's Fund	-	-	-	5,958,370	5,958,370				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>6,003,197</u>	<u>6,003,197</u>				

		June 30, 2017								
		Carrying amount				Fair Value				
		Available -for-sale	Held-for- trading	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----										
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
	Investments - Listed equity securities	5,800,585	-	-	-	5,800,585	5,800,585	-	-	5,800,585
		<u>5,800,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,800,585</u>	<u>5,800,585</u>	<u>-</u>	<u>-</u>	<u>5,800,585</u>
<b>Financial assets not measured at fair value</b>										
21.1	Bank balances	-	-	650,713	-	650,713				
	Dividend receivable and accrued mark-up	-	-	33,494	-	33,494				
	Receivable against sale of investment	-	-	2,159	-	2,159				
	Receivable against conversion of units	-	-	211,869	-	211,869				
	Deposits	-	-	2,600	-	2,600				
		<u>-</u>	<u>-</u>	<u>900,835</u>	<u>-</u>	<u>900,835</u>				
<b>Financial liabilities not measured at fair value</b>										
21.1	Payable to Management Company	-	-	-	21,503	21,503				
	Payable to Trustee	-	-	-	1,418	1,418				
	Payable against redemption of units	-	-	-	181,864	181,864				
	Payable against purchase of investment	-	-	-	52,836	52,836				
	Accrued expenses and other liabilities	-	-	-	996	996				
	Dividend payable	-	-	-	5,331	5,331				
	Unit Holder's Fund	-	-	-	6,354,672	6,354,672				
		<u>-</u>	<u>-</u>	<u>-</u>	<u>6,618,620</u>	<u>6,618,620</u>				

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

**21.2 Transfers during the year**

There were no transfers between various levels of fair value hierarchy during the year.

**22. UNIT HOLDERS' FUND RISK MANAGEMENT**

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

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

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

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

**Top ten brokers during the year ended June 30, 2018**

- 1 Intermarket Securities Ltd.
- 2 AL Falah Securities (Pvt) Ltd.
- 3 EFG Hermes Pakistan Limited
- 4 Optimus Capital Management (Pvt.) Ltd.
- 5 Next Capital Limited
- 6 JS Global Capital Ltd
- 7 DJM Securities (Pvt) Ltd
- 8 BMA Capital Management Limited
- 9 Insight Securities (Pvt) Ltd
- 10 Shajar Capital Pakistan (Pvt) Ltd

**Top ten brokers during the year ended June 30, 2017**

- 1 Arif Habib Limited
- 2 BMA Capital Management Limited
- 3 Elixir Securities Pakistan (Private) Limited
- 4 Global Securities Pakistan Limited
- 5 Habib Metropolitan Financial Services
- 6 KASB Securities Limited
- 7 Optimus Capital Management (Private) Limited
- 8 Pearl Securities Limited
- 9 Shehzad Chamdia Securities (Private) Limited
- 10 Topline Securities (Private) Limited

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

Details of members of the Investment Committee of the Fund as on June 30, 2018 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	MBA , CFA	25+ years
2	Muhammad Imran	Chief Investment Officer	MBA - Finance	18+ years
3	Jawad Naeem	Specialist - Equity	MBA, CFA Level 1	10+ years
4	Adeel Abdul Wahab	Specialist - Equity	ACCA	10+ years
5	Noman Ameer	Manager Risk	MBA - Finance	11+ years
6	Sateesh Balani	Head of Research	MBA, CFA	7+ years

**25. PATTERN OF UNIT HOLDING**

	2018			
	Number of unit holders	Number of units held	Investment amount	Percentage investment
	----- Rupees in '000 -----			
Individuals	281	2,405,837	257,574	4.32%
Associated companies	5	47,942,354	5,132,806	86.14%
Directors	1	67,338	7,209	0.12%
Insurance companies	8	1,644,850	176,101	2.96%
Banks	1	1,604,623	171,794	2.88%
Retirement Funds	3	583,051	62,423	1.05%
Trust	1	962,735	103,072	1.73%
Others corporate	2	442,650	47,391	0.80%
	<b>302</b>	<b>55,653,438</b>	<b>5,958,370</b>	<b>100.0%</b>

	2017			
	Number of unit holders	Number of units held	Investment amount	Percentage investment
	----- Rupees in '000 -----			
Individuals	241	2,633,370	319,826	5.03%
Associated companies	2	44,880,089	5,450,741	85.77%
Directors	2	19,486	2,367	0.04%
Insurance companies	2	690,873	83,907	1.32%
Banks	2	3,920,668	476,170	7.49%
Retirement Funds	1	16,967	2,061	0.03%
Others	3	162,008	19,601	0.31%
	<b>253</b>	<b>52,323,461</b>	<b>6,354,672</b>	<b>100.00%</b>

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

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Agha Sher Shah <sup>1</sup>	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23, 2017 & April 23, 2018
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27, 2017
6	Mr. Shabbir Hussain Hashmi <sup>2</sup>	1	1	-	-
7	Mr. Shahid Ghaffar <sup>3</sup>	2	1	1	February 26, 2018
8	Mr. Nadeem Abdullah <sup>4</sup>	4	4	-	-
9	Mr. Towfiq Habib Chinoy <sup>5</sup>	3	3	-	-
10	Mr. Salahuddin Manzoor <sup>6</sup>	3	3	-	-

1 Appointed on November 23, 2017.

2 Appointed on February 26, 2018.

3 Appointed on December 04, 2017.

4 Resigned on February 26, 2018.

5 Resigned on November 23, 2017.

6 Resigned on November 30, 2017.

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

The Securities and Exchange Commission of Pakistan vide circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorization criteria laid down in the circular. HBL Asset Management Limited (Management Company) classified HBL Stock Fund (the Fund) as 'Equity Scheme' in accordance with the said circular. As at June 30, 2018, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than the investment grade.

Name of Non-Complaint Investment	Type of Investment	Value of Investment before Provision	Provision held (if any)	Value of Investment after Provision	% of Gross Assets
Dewan Cement Limited	TFC	25,000	25,000	-	-

**28. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 3.25% (YTD) which includes 0.37% representing Sindh Worker's Welfare Fund, government levy and SECP fee.

**29. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on **August 31, 2018** by the Board of Directors of the Management Company.

**30. CORRESPONDING FIGURES**

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

**31. 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** Cash Fund

HBL AML annual report 2017-18

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Cash Fund</b>
<b>NAME OF AUDITORS</b>	Deloitte Yousuf Adil, Chartered Accountants.
<b>NAME OF BANKERS</b>	Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied Bank Limited MCB Bank Limited United Bank Limited Samba Bank Limited Zarai Taraqiati Bank Limited JS Bank Limited Sindh Bank Limited
<b>FUND RATING</b>	'AA(f)' (JCR-VIS)

**Type and Category of Fund**

Open end Money Market Fund

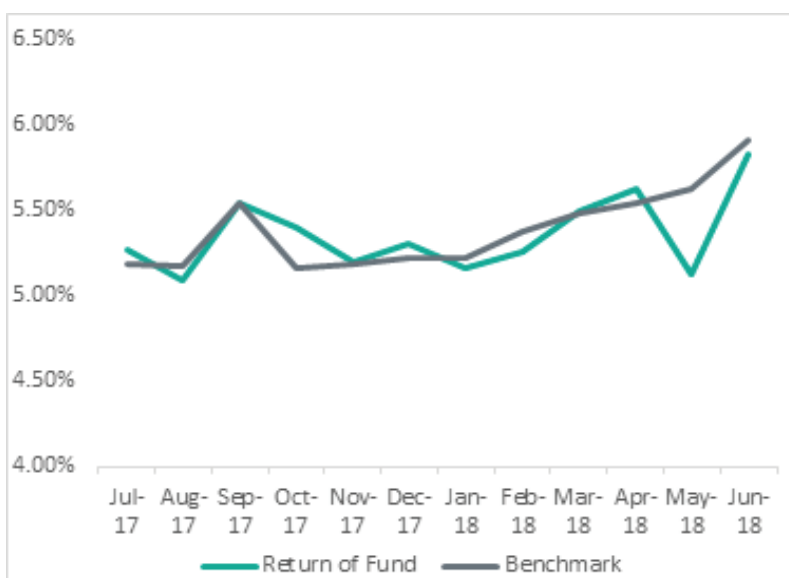
**Investment Objective and Accomplishment of Objective**

The investment objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity. The Fund will aim to maximize returns through efficient utilization of investment and liquidity management tools. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is 70% (3Month PKRV) + 30% (3Month Avg. Deposit Rate of 3 AA rated Banks) as per MUFAP. The comparison of the fund return with benchmark is given below:

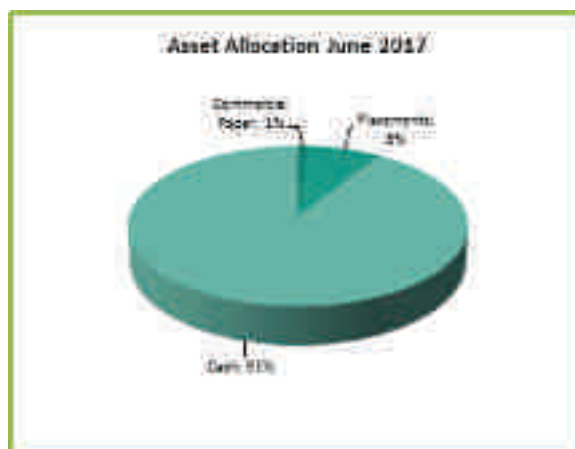
Month	Return of Fund	Benchmark
Jun-18	5.83%	5.91%
May-18	5.13%	5.63%
Apr-18	5.62%	5.54%
Mar-18	5.49%	5.48%
Feb-18	5.26%	5.38%
Jan-18	5.16%	5.22%
Dec-17	5.30%	5.22%
Nov-17	5.20%	5.19%
Oct-17	5.40%	5.16%
Sep-17	5.54%	5.54%
Aug-17	5.09%	5.17%
Jul-17	5.27%	5.19%



**Strategies and Policies employed during the Year**

In line with the investment policy of the Fund, the Fund continued to hold major investments in the form of short maturity T-Bills and placements with Commercial Banks and DFIs in Daily Product Accounts, TDRs and LOPs. However on quarter and year end, better opportunities were offered in Placements which were utilized to optimize Fund returns.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

No major changes were made in asset allocation during the year due to nature of the fund. The investment in Government Securities was trimmed and the exposure was diverted towards Bank Deposits and Placements in June 2018. At the end of the year, 81% assets were deployed in Cash at bank and 19% were deployed as placement with banks as they were offering better returns.

## Fund Performance

The total income and net income of the Fund was Rs.668.63 million and Rs.566.77 million respectively during the year ended June 30, 2018. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs.100.4888 per unit as on June 30, 2017. The NAV of the Fund was Rs.106.0021 per unit as on June 30, 2018, thereby giving an annualized return of 5.49%. During the same year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 5.35%. The size of Fund was Rs.12.04 billion as on June 30, 2018.

## Market Review

Interest rate cycle reversed in FY18 as central bank focus diverted towards containing rising twin deficits and in anticipation of increase in inflation due to lack of fiscal discipline in election times. During the year, secondary market yields of 3, 5 and 10-year PIBs increased by 180, 171 and 86 bps respectively while yields of 3, 6 and 12 month T-Bills increased by 79, 90 and 116 bps respectively. Government of Pakistan raised only PKR 96bn through the PIB auction against a target of PKR 900bn as eight PIB auctions were scrapped in the year due to lack of interest. The last cut-off yields stood at 7.5000%, 8.4795% and 8.6999% p.a. for 3, 5 and 10-year PIBs respectively. Overall trading in longer tenures remained lackluster due to market participants' consensus of increase in interest rates.

During FY18, Government retired PKR 77bn from scheduled banks against borrowing of PKR 179bn during same period last year due to multiple scrapped PIB Auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,439bn during the period against PKR 908bn during same period last year. Government largely managed its borrowing requirements through domestic sources, and raised PKR 16,894bn via T-bills (excluding NCB) compared to the cumulative target of PKR 16,925bn and maturities of PKR 15,971bn. In the last T-Bill Auction held in Jun-18 no amount was accepted in the 6 and 12 month T-Bills. The cutoff yield was 6.7596% for the 3 month T-Bills. SBP increased the policy rate by 25bps in January and a further 50bps in May to 6.50% to control aggregate demand and the current account deficit. Since then the SBP has further increased policy rate by 100bps in Jul-18 MPS. Going forward, we foresee another interest rate hike of 50bps in the calendar year on the back of increasing inflation expectation and sustainability of current account risks.

## Distribution

Subsequent to the year end, the Fund has distributed cash dividend upto Rs. 5.25 per unit for the year ended June 30, 2018, which reduced the cum-NAV of the Fund as of June 30, 2018 by amount of distribution to Rs. 100.7521 per unit.

## Significant Changes in the State of Affairs

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

## Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	141	10,332
101 – 500	101	27,545
501 – 1,000	40	32,544
1,001 – 10,000	301	1,531,561
10,001 – 100,000	179	5,484,411
100,001 – 500,000	37	8,667,032
500,001 – 1,000,000	11	8,294,513
1,000,001 – 5,000,000	14	26,003,222
5,000001 and more	7	63,528,969
<b>Total</b>	<b>831</b>	<b>113,580,129</b>

### **Unit Splits**

There were no unit splits during the year.

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

Investments are subject to market risk.

### **Soft Commission**

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

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**PERFORMANCE TABLE –**  
**HBL CASH FUND**  
*As at June 30, 2018*

	2018	2017	2016	2015	2014	2013
<b>Net assets at the period end (Rs'000)</b>	12,039,734	5,954,130	2,103,956	3,249,017	4,287,916	2,381,011
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	106.0021	100.4888	100.5696	100.3250	100.1304	100.4067
Offer - Class C	105.9823	100.4801	100.5696	100.3250	100.1304	100.4067
Offer - Class D	107.1799	101.6155	101.5753	101.3283	101.1317	101.4108
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit - Class C	106.0021	106.0546	106.1453	108.7769	101.3126	101.1499
Lowest offer price per unit - Class C	100.5287	100.3862	100.3425	100.1000	100.0249	100.1444
Highest offer price per unit - Class D	107.1999	107.2530	107.2068	109.8647	102.3257	102.1614
Lowest offer price per unit - Class D	101.6647	101.5206	101.3459	101.1010	101.0251	101.1458
Highest redemption price per unit	106.0021	106.0546	106.1453	108.7769	101.3126	101.1499
Lowest redemption price per unit	100.5287	100.3862	100.3425	100.1000	100.0249	100.1444
<b>RETURN ( % )</b>						
Total return	5.49%	7.18%	6.06%	10.51%	8.36%	9.07%
Income distribution	5.25%	7.15%	5.87%	10.31%	8.37%	8.45%
Capital growth	0.24%	0.03%	0.19%	0.20%	-0.01%	0.62%
<b>DISTRIBUTION</b>						
Date of Income Distribution	-	-	-	-	24-Jul-13	24-Jul-12
Income Distribution (Rs. Per unit)	-	-	-	-	0.47	0.65
Date of Income Distribution	-	-	-	-	25-Aug-13	24-Aug-12
Income Distribution (Rs. Per unit)	-	-	-	-	0.55	0.90
Date of Income Distribution	-	-	-	-	24-Sep-13	24-Sep-12
Income Distribution (Rs. Per unit)	-	-	-	-	0.60	0.75
Date of Income Distribution	-	-	-	-	24-Oct-13	24-Oct-12
Income Distribution (Rs. Per unit)	-	-	-	-	0.60	0.75
Date of Income Distribution	-	-	-	-	22-Nov-13	21-Nov-12
Income Distribution (Re. Per unit)	-	-	-	-	0.65	0.70
Date of Income Distribution	-	-	-	-	24-Dec-13	24-Dec-12
Income Distribution (Rs. Per unit)	-	-	-	-	0.70	0.75
Date of Income Distribution	-	-	-	-	24-Jan-14	24-Jan-13
Income Distribution (Re. Per unit)	-	-	-	-	0.75	0.75
Date of Income Distribution	-	-	-	-	24-Feb-14	22-Feb-13
Income Distribution (Re. Per unit)	-	-	-	-	0.75	0.60
Date of Income Distribution	-	-	-	-	24-Mar-14	22-Mar-13
Income Distribution (Re. Per unit)	-	-	-	-	0.75	0.60
Date of Income Distribution	-	-	-	-	24-Apr-14	24-Apr-13
Income Distribution (Re. Per unit)	-	-	-	-	0.75	0.60
Date of Income Distribution	-	-	-	-	23-May-14	24-May-13
Income Distribution (Re. Per unit)	-	-	-	-	0.75	0.70
Date of Income Distribution	-	-	24-Jun-16	15-Jun-15	25-Jun-14	26-Jun-13
Income Distribution (Rs. Per unit)	-	-	5.85	10.31	1.05	0.70
Date of Income Distribution	04-Jul-18	20-Jun-17	26-Aug-16	-	-	-
Income Distribution (Re. Per unit)	5.25	7.15	0.02	-	-	-
Total dividend distribution for the year/ period (Rs)	5.25	7.15	5.87	10.31	8.37	8.45
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	5.49%	7.18%	6.06%	10.51%	8.36%	9.07%
Average annual return 2 year	6.32%	6.62%	8.27%	9.44%	8.72%	10.25%
Average annual return 3 year	6.24%	7.90%	8.30%	9.32%	9.62%	10.61%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Net Assets as at 30 June:						
Bank Balances	81.03%	90.86%	75%	13%	4%	4%
T-Bills	0.00%	0.00%	5%	55%	51%	67%
Placement with Banks and DFIs	18.61%	7.50%	20%	31%	45%	25%
Commercial Paper	0.00%	1.35%	0%	0%	0%	0%
Corporate Sukuks / TFCs	0.00%	0.00%	0%	0%	0%	5%
MTS / Spread Transactions	0.00%	0.00%	0%	0%	0%	0%
Others Including receivables	0.36%	0.29%	0%	1%	0%	-
Weighted average portfolio during (No. of days)	6.00	16.00	24	83	85	85

**Note:**

The Launch date of the Fund is December 14, 2010

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL CASH FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Cash Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

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

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

Karachi, September 18, 2018



## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL CASH FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Cash Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matter

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

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</b></p> <p>As disclosed in note 4.7, to the financial statements, on August 03, 2017, SECP issued SRQ no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</li> </ul>

*PA*

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>definition of Element of Income, and required certain additional disclosures in Income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

#### Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

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

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

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

*YIA*

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

# Deloitte.

Deloitte Young Adil  
Chartered Accountants

consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

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

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

*Deloitte Young Adil*  
Chartered Accountants

Place: Karachi

Date: September 19, 2018

Member of  
Deloitte Touche Tohmatsu Limited

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Balances with banks	5	<b>10,899,252</b>	6,537,316
Investments	6	<b>1,150,000</b>	637,309
Profit receivable	7	<b>43,554</b>	20,561
Deposits and prepayments	8	<b>199</b>	192
<b>Total assets</b>		<b><u>12,093,005</u></b>	<u>7,195,378</u>
<b>Liabilities</b>			
Payable to Management Company	9	<b>7,830</b>	3,457
Payable to Trustee	10	<b>981</b>	974
Payable to Securities and Exchange Commission of Pakistan (SECP)	11	<b>7,921</b>	3,270
Payable against redemption of units		-	1,183,625
Accrued expenses and other liabilities	12	<b>36,539</b>	49,922
<b>Total liabilities</b>		<b><u>53,271</u></b>	<u>1,241,248</u>
<b>Net assets</b>		<b><u>12,039,734</u></b>	<u>5,954,130</u>
<b>Unit Holders' Fund (as per statement attached)</b>		<b><u>12,039,734</u></b>	<u>5,954,130</u>
<b>Contingencies and Commitments</b>	13		
		----- Number of units -----	
<b>Number of units in issue</b>	25	<b><u>113,580,129</u></b>	<u>59,251,693</u>
		----- Rupees -----	
<b>Net assets value per unit</b>	4.8	<b><u>106.0021</u></b>	<u>100.4888</u>

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

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

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

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

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

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Net realised loss on sale of investments		(3,025)	(628)
Income from government securities		226,501	60,211
Income from money market transactions and other placements		129,962	55,229
Profit on bank deposits		315,195	154,864
<b>Total income</b>		<b>668,633</b>	<b>269,676</b>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	53,337	21,958
Sindh Sales Tax on remuneration of the Management Company	9.2	6,934	2,855
Remuneration of the Trustee	10.1	9,607	4,541
Annual fee to Securities and Exchange Commission of Pakistan	11.1	7,921	3,270
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	10,561	4,375
Auditors' remuneration	15	443	469
Fee and subscription		456	308
Securities transaction cost		487	159
Settlement and bank charges		374	145
Printing charges		177	73
<b>Total expenses</b>		<b>90,297</b>	<b>38,153</b>
<b>Net income from operating activities</b>		<b>578,336</b>	<b>231,523</b>
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	4.7	-	(214,877)
Reversal of provision for Workers' Welfare Fund	12.1	-	15,093
Provision for Sindh Workers' Welfare Fund	12.1	(11,567)	(1,602)
		(11,567)	13,491
<b>Net income for the year before taxation</b>		<b>566,769</b>	<b>30,137</b>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<b>566,769</b>	<b>30,137</b>
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		283,210	
Accounting income available for distribution:			
- Relating to capital gains		-	
- Excluding capital gains		283,559	
		283,559	
		566,769	
<b>Earnings per unit</b>	17		

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

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

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

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

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

	2018	2017
	----- (Rupees in '000) -----	
<b>Net income for the year after taxation</b>	<b>566,769</b>	30,137
<b>Other comprehensive income for the year</b>	-	-
<b>Total comprehensive income for the year</b>	<u><u>566,769</u></u>	<u><u>30,137</u></u>

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

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

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

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

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

**HBL Cash Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2018

	For the year ended June 30,					
	2018			2017		
	(Rupees in '000)					
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
<b>Net assets at the beginning of the year</b>	5,925,167	28,963	5,954,130	-	-	2,103,956
Issuance of 271,002,487 units (2017: 164,584,054 units)						
- Capital value (at net asset value per unit at the beginning of the year)	27,232,715	-	27,232,715	-	-	
- Element of income	803,186	-	803,186	-	-	
Total proceeds on issuance of units	28,035,901	-	28,035,901	-	-	16,818,792
Redemption of 216,674,051 units (2017: 126,252,753 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(21,773,315)	-	(21,773,315)	-	-	
- Amount paid out of element of income	(460,541)	(283,210)	(743,751)	-	-	
Relating to net income for the year after taxation						
Total payment on redemption of units	(22,233,856)	(283,210)	(22,517,066)	-	-	(13,179,409)
Element of loss and capital losses included in prices of units issued less those in units redeemed	-	-	-	-	-	214,877
Total comprehensive income for the year	-	566,769	566,769	-	-	30,137
Distribution during the year	-	-	-	-	-	(34,223)
Total comprehensive income for the year less distribution	-	566,769	566,769	-	-	(4,086)
<b>Net assets at the end of the year</b>	<b>11,727,212</b>	<b>312,522</b>	<b>12,039,734</b>	<b>-</b>	<b>-</b>	<b>5,954,130</b>
Undistributed income brought forward						
- Realised		28,963			11,901	
- Unrealised		-			17	
		28,963			11,918	
Element of income and capital gains included in prices of units issued less those in units redeemed		-			21,131	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-			-	
- Excluding capital gains		283,559			-	
		283,559			30,137	
Distribution during the year		-			(34,223)	
Undistributed income carried forward		312,522			28,963	
<b>Undistributed income carried forward</b>						
- Realised		312,522			28,963	
- Unrealised		-			-	
		312,522			28,963	
				(Rupees)		
<b>Net assets value per unit at beginning of the year</b>			100.4888			100.5696
<b>Net assets value per unit at end of the year</b>			106.0021			100.4888

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

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

Chief Financial Officer

Chief Executive Officer

Director

2018  
------(Rupees in '000)-----  
2017

**Cash flow from operating activities**

Net income for the year before taxation	566,769	30,137
<b>Adjustments</b>		
Capital loss	3,025	628
Income from government securities	(226,501)	(60,211)
Profit from bank deposits	(315,195)	(154,864)
Income from money market transactions and other placements	(129,962)	(55,229)
Net Element of loss and capital losses included in prices of units less those in units redeemed - net	-	214,877
	<u>(101,864)</u>	<u>(24,662)</u>
<b>Increase in assets</b>		
Investments - net	(515,716)	(110,246)
Deposits and prepayments	(7)	(4)
	<u>(515,723)</u>	<u>(110,250)</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	4,373	2,073
Payable to the Trustee	7	732
Payable to Securities and Exchange Commission of Pakistan	4,651	808
Dividend payable	-	(490)
Accrued expenses and other liabilities	(13,383)	831
	<u>(4,352)</u>	<u>3,954</u>
<b>Net cash used in operations</b>	<u>(621,939)</u>	<u>(130,958)</u>
Income received on government securities	226,501	60,211
Profit received from bank deposits	298,135	141,897
Income received from money market placements	124,029	53,186
	<u>648,665</u>	<u>255,294</u>
<b>Net cash generated from operating activities</b>	<u>26,726</u>	<u>124,336</u>
<b>Cash flow from financing activities</b>		
Receipts from issue of units	28,035,901	16,818,792
Amount paid on redemption of units	(23,700,691)	(11,995,812)
Dividend paid	-	(34,223)
<b>Net cash generated from financing activities</b>	<u>4,335,210</u>	<u>4,788,757</u>
<b>Net increase in cash and cash equivalents during the year</b>	<u>4,361,936</u>	<u>4,913,093</u>
Cash and cash equivalents at the beginning of the year	<u>6,537,316</u>	<u>1,624,223</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>10,899,252</u></u>	<u><u>6,537,316</u></u>

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

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

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

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

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

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Cash Fund (the Fund) was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/NBFC-II/DD/PCF/844/2010 dated November 11, 2010 and the Trust Deed was executed on October 22, 2010.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016 HBL Asset Management Limited became Management Company of the fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

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

The Fund is an open-ended money market scheme and is listed on Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par value of Rs. 100 per unit from December 11, 2010 to December 13, 2010. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The Fund has been categorised as a money market scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+' to the Management Company and a stability rating of AA(f) to the Fund.

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

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except certain investments which are measured at fair value.

**2.3 Functional and presentation currency**

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

**2.4 Critical accounting estimates and judgments**

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

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

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

**3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS**

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018**

The following amendments are effective for the year ended June 30, 2018. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.

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

**3.2.1** The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments (except for IFRS 9 'Financial Instruments') are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting periods beginning on or after:</b>
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 9 'Financial Instruments'	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019

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

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture

Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

Amendments to IAS 28 'Investments in Associates and Joint Ventures'- Amendments regarding long-term interests in associates and joint ventures

January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement

January 01, 2019

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property

January 01, 2018

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

January 01, 2018

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

January 01, 2019

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

**3.2.2 IFRS 9 'Financial Instruments' Impact Assessment**

**3.2.2.1** IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

Key requirements of IFRS 9 are as follows;

**Classification and measurement of financial assets**

- All recognized financial assets that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

#### **Classification and measurement of financial liabilities**

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

#### **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.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 considering facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Market treasury bills classified as financial assets at fair value through profit or loss - held for trading will be classified as measured at fair value through profit or loss upon application of IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. These financial assets will be classified as measured at amortised cost and will continue to be subsequently measured at amortised cost upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **3.3 Change in policy in relation to preparation of income statement and statement of comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

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

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Cash and cash equivalents**

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

##### **4.2 Financial instruments**

###### **4.2.1 Financial assets**

###### **4.2.1.1 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 purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired.

The financial assets of the Fund are currently categorised as follows:

###### **a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as a financial asset at fair value through profit or loss - held-for-trading. Currently, there are no investments of the Fund classified as investments at fair value through profit or loss - held-for-trading.

###### **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**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, there are no investments of the Fund classified as available for sale.

###### **4.2.1.2 Regular way contracts**

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

###### **4.2.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held for trading", in which case the transaction costs are charged off to the income statement.

###### **4.2.1.4 Subsequent measurement**

###### **a) Financial assets 'at fair value through profit or loss held for trading' and 'available for sale'**

Subsequent to initial measurement, financial assets 'at fair value through profit or loss held for trading' and 'available for sale' are valued as follows:

#### **Basis of valuation of government securities**

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012.

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

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the Income Statement until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

#### **b) Loans and receivables**

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

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

#### **4.2.1.5 Impairment**

Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

#### **4.2.1.6 Derecognition**

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

#### **4.2.2 Financial liabilities**

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

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

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 Provisions**

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

#### **4.4 Taxation**

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

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

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

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed**

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

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the income statement and statement of comprehensive income and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the "Statement of Movement in Unitholders' Fund".

#### **Amendment in the NBFC Regulations in the current year**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss)

and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs 59.435 million. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these financial statements.

#### 4.8 Net assets value per unit

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

#### 4.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Mark-up / return on government securities, bank profits and investment in debt securities are recognised on a time apportionment basis using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

#### 4.10 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised in the income statement on a time apportionment basis.

	Note	2018 ------(Rupees in '000)-----	2017
<b>5. BALANCES WITH BANKS</b>			
PLS saving deposits under mark-up arrangements	5.1	9,799,252	6,537,316
Term deposit receipts	5.2	1,100,000	-
		<u>10,899,252</u>	<u>6,537,316</u>

5.1 These accounts carry mark-up at rates ranging between 3.75% and 7.5% (2017: 3.75% and 6.70%) per annum.

5.2 This carry return of 7.4% (June 30, 2017: Nil) per annum.

#### 6. INVESTMENTS

Financial assets at fair value through profit or loss - held-for-trading

Market treasury bills	6.1	-	-
Loans and receivables	6.2	1,150,000	637,309
		<u>1,150,000</u>	<u>637,309</u>

**6.1 Financial assets at fair value through profit or loss - held - for - trading: - Market treasury bills**

Issue Date	Tenure	Face value			Balance as at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018	Carrying Value	Market Value		
----- (Rupees in '000) -----									
July 21, 2016	12 Months	-	675,000	675,000	-	-	-	-	-
January 19, 2017	6 Months	-	2,800,000	2,800,000	-	-	-	-	-
May 11, 2017	3 Months	-	585,000	585,000	-	-	-	-	-
May 25, 2017	3 Months	-	700,000	700,000	-	-	-	-	-
July 6, 2017	3 Months	-	300,000	300,000	-	-	-	-	-
July 20, 2017	3 Months	-	4,053,500	4,053,500	-	-	-	-	-
August 3, 2017	3 Months	-	2,090,000	2,090,000	-	-	-	-	-
August 17, 2017	3 Months	-	700,000	700,000	-	-	-	-	-
August 31, 2017	3 Months	-	2,874,000	2,874,000	-	-	-	-	-
September 14, 2017	3 Months	-	3,350,000	3,350,000	-	-	-	-	-
October 12, 2017	3 Months	-	2,550,000	2,550,000	-	-	-	-	-
October 26, 2017	3 Months	-	4,250,000	4,250,000	-	-	-	-	-
November 9, 2017	3 Months	-	5,900,000	5,900,000	-	-	-	-	-
November 23, 2017	3 Months	-	8,100,000	8,100,000	-	-	-	-	-
January 18, 2018	3 Months	-	6,525,000	6,525,000	-	-	-	-	-
February 1, 2018	3 Months	-	6,330,000	6,330,000	-	-	-	-	-
February 15, 2018	3 Months	-	5,390,000	5,390,000	-	-	-	-	-
March 1, 2018	3 Months	-	829,000	829,000	-	-	-	-	-
March 15, 2018	3 Months	-	1,250,000	1,250,000	-	-	-	-	-
March 15, 2018	6 Months	-	100,000	100,000	-	-	-	-	-
April 12, 2018	3 Months	-	15,770,000	15,770,000	-	-	-	-	-
April 26, 2018	3 Months	-	700,000	700,000	-	-	-	-	-
June 7, 2018	3 Months	-	1,950,000	1,950,000	-	-	-	-	-
<b>Total - As at June 30, 2018</b>			<b>-</b>	<b>77,771,500</b>	<b>77,771,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total - As at June 30, 2017			100,000	17,732,000	17,832,000	-	-	-	-

**6.2 Loans and receivables**

	Note	2018 ----- (Rupees in '000) -----	2017
Term deposit receipts	6.2.1	-	540,000
Commercial paper	6.2.2	-	97,309
Letter of placement	6.2.3	<b>1,150,000</b>	-
		<b>1,150,000</b>	<b>637,309</b>

**6.2.1** This carry return of Nil (June 30, 2017: ranging between 6.25% to 6.50%) per annum.

**6.2.2** This carry return of Nil (June 30, 2017: 7.91%) per annum.

**6.2.3** This carry return of 6.7% (June 30, 2017: Nil) per annum.

**7. PROFIT RECEIVABLE**

Profit receivable on bank deposits	<b>34,640</b>	17,580
Profit receivable on certificates of investment and letter of placement	<b>8,022</b>	-
Profit receivable on term deposit receipt	<b>892</b>	2,981
	<b>43,554</b>	<b>20,561</b>

**8. DEPOSITS AND PREPAYMENTS**

Security deposits with: Central Depository Company of Pakistan Limited	<b>100</b>	100
Prepaid expenses	<b>99</b>	92
	<b>199</b>	<b>192</b>

**9. PAYABLE TO MANAGEMENT COMPANY**

Management fee	9.1	<b>5,922</b>	2,623
Sindh Sales Tax on Management Company's remuneration	9.2	<b>770</b>	341
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	<b>1,138</b>	493
		<b>7,830</b>	<b>3,457</b>

- 9.1** As per the offering document of the Fund, the Management Company charges a fee at the rate of 0.50% of the average annual net assets on daily basis of the Scheme subject to the guidelines issued by the SECP from time to time. Effective from June 29, 2017 the rate of fee is revised through amendment in the offering documents of the scheme as 7.5% of the gross earnings of the scheme, calculated on a daily basis subject to a cap of 1.00% and a floor of 0.50% of the average daily net assets. The fee is payable monthly in arrears.
- 9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (June 30, 2017: 13 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.
- 9.3** As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

	Note	2018 ------(Rupees in '000)-----	2017
<b>10. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	10.1	<b>868</b>	862
Sindh Sales Tax		<b>113</b>	112
		<b>981</b>	974

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

- 10.2** The tariff structure applicable to the Fund is as follows:

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Upto Rs 1,000 million	0.15% per annum of NAV
Exceeding Rs 1,000 million and upto Rs 10,000 million	Rs 1.5 million plus 0.075% per annum of NAV exceeding Rs 1,000 million
Over Rs 10,000 million	Rs 8.25 million plus 0.06% per annum of NAV, exceeding Rs 10,000 million

	Note	2018 ------(Rupees in '000)-----	2017
<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	<b>7,921</b>	3,270

- 11.1** Under the provisions of the NBFC and Notified Entities Regulations, 2008 a collective investment scheme categorised as a money market scheme is required to pay as annual fee to Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

	Note	2018 ------(Rupees in '000)-----	2017
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	12.1	-	-
Provision for Sindh Workers' Welfare Fund	12.1	<b>13,167</b>	1,602
Provision for Federal Excise Duty and additional sales tax on management fee	12.2	<b>7,528</b>	7,528
Withholding tax payable		<b>14,978</b>	39,405
Sales load-payable to related parties		<b>313</b>	948
Auditors' remuneration		<b>313</b>	315
Printing charges		<b>110</b>	80
Brokerage payable		<b>115</b>	44
Zakat payable		<b>15</b>	-
		<b>36,539</b>	49,922

## 12.1 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which were issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) has adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

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

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

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

- The Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 15.093 million and started recognising provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 13.167 million (2017: Rs. 1.602 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.12 (June 30, 2017: Rs. 0.03) per unit.

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

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

The Finance act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ending June 30, 2018 and June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of Management Company, aggregating to Rs. 7.528 million (June 30, 2017: Rs. 7.528 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 0.07 (June 30, 2017: Rs. 0.13) per unit.

**13. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017 except as disclosed elsewhere in the financial statements.

**14. NUMBER OF UNITS IN ISSUE**

	2018	2017
	------(Number of Units)-----	
Total units in issue at the beginning of the year	59,251,693	20,920,392
Units issued	271,002,487	164,584,054
Units redeemed	(216,674,051)	(126,252,753)
Total units in issue at the end of the year	<u>113,580,129</u>	<u>59,251,693</u>

**15. AUDITORS' REMUNERATION**

	2018	2017
	------(Rupees in '000)-----	
Annual audit fee	220	220
Fee for half yearly review	110	110
Review of compliance with the requirements of the Code of Corporate Governance	-	45
Other certifications and out of pocket expenses	113	94
	<u>443</u>	<u>469</u>

**16. TAXATION**

The Fund's income is exempt from Income Tax as per clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Subsequent to year end on July 4, 2018, Management Company has distributed cash dividend of atleast 90 percent of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

**17. EARNINGS PER UNIT**

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

**18. FINANCIAL INSTRUMENTS BY CATEGORY**

		----- As on June 30, 2018 -----		
		At fair value through profit or loss - held for trading	Loans and receivables	Total
		----- Rupees in '000 -----		
<b>Assets</b>				
Balances with Banks	-	10,899,252	10,899,252	10,899,252
Investments	-	1,150,000	1,150,000	1,150,000
Profit receivable	-	43,554	43,554	43,554
	-	<u>12,092,806</u>	<u>12,092,806</u>	<u>12,092,806</u>
		----- As on June 30, 2018 -----		
		At fair value through profit or loss	Other financial liabilities	Total
		----- Rupees in '000 -----		
<b>Liabilities</b>				
Payable to the Management Company	-	7,060	7,060	7,060
Payable to the Trustee	-	868	868	868
Accrued expenses and other liabilities	-	851	851	851
Unit holders' fund	-	12,039,734	12,039,734	12,039,734
	-	<u>12,048,513</u>	<u>12,048,513</u>	<u>12,048,513</u>
		----- As on June 30, 2017 -----		
		At fair value through profit or loss - held for trading	Loans and receivables	Total
		----- Rupees in '000 -----		
<b>Assets</b>				
Bank balances	-	6,537,316	6,537,316	6,537,316
Investments	-	637,309	637,309	637,309
Profit receivable	-	20,561	20,561	20,561
	-	<u>7,195,186</u>	<u>7,195,186</u>	<u>7,195,186</u>
		----- As on June 30, 2017 -----		
		At fair value through profit or loss	Other financial liabilities	Total
		----- Rupees in '000 -----		
<b>Liabilities</b>				
Payable to the Management Company	-	3,116	3,116	3,116
Payable to the Trustee	-	862	862	862
Redemption payable	-	1,183,625	1,183,625	1,183,625
Accrued expenses and other liabilities	-	1,387	1,387	1,387
Unit holders' fund	-	5,954,130	5,954,130	5,954,130
	-	<u>7,143,120</u>	<u>7,143,120</u>	<u>7,143,120</u>

**19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

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

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

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

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

	2018	2017
	------(Rupees in '000)-----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Company Limited</b>		
Issue of 2,119,510 (2017: 683,007) units	<u>220,000</u>	<u>70,105</u>
Redemption of 1,629,110 (2017: 7,315,712) units	<u>115,300</u>	<u>750,389</u>
Remuneration of Management Company	<u>53,337</u>	<u>21,958</u>
Sindh Sales Tax on remuneration of Management Company	<u>6,934</u>	<u>2,855</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>10,561</u>	<u>4,375</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<u>9,607</u>	<u>4,541</u>
CDC Connection charges	<u>7</u>	<u>6</u>
<b>Habib Bank Limited - Associated Company</b>		
Return on Deposit Accounts	<u>70,633</u>	<u>25,937</u>
<b>Directors and Executives of the Management Company</b>		
Issue of 913,621 (2017: 604,133) units	<u>94,000</u>	<u>61,576</u>
Redemption of 530,312 (2017: 461,761) units	<u>55,041</u>	<u>57,770</u>
<b>Attock Cement Pakistan Limited - Associated Company</b>		
Issue of 239,062 (2017: Nil) units	<u>25,000</u>	<u>-</u>
Redemption of 239,062 (2017: Nil) units	<u>25,332</u>	<u>-</u>
<b>Financial Planning Fund - Active Allocation Plan - Associated Company</b>		
Issue of 5,118,210 (2017: Nil) units	<u>530,511</u>	<u>-</u>
Redemption of 3,887,308 (2017: Nil) units	<u>406,294</u>	<u>-</u>
<b>Financial Planning Fund - Conservative Allocation Plan - Associated Company</b>		
Issue of 2,428,577 (2017: Nil) units	<u>251,762</u>	<u>-</u>
Redemption of 1,428,587 (2017: Nil) units	<u>150,607</u>	<u>-</u>
<b>Financial Planning Fund - Strategic Allocation Plan - Associated Company</b>		
Issue of 858,335 (2017: Nil) units	<u>90,271</u>	<u>-</u>
Redemption of 478,291 (2017: Nil) units	<u>50,412</u>	<u>-</u>

	2018	2017
	------(Rupees in '000)-----	
<b>Jubilee Life Insurance Company Limited - Associated Company due to common Directorship</b>		
Sales of T-Bills	<u>2,000,000</u>	<u>-</u>
<b>Maple Leaf Capital Limited - Connected person due to holding of more than 10% units</b>		
Issue of 10,660,693 (2017:20,527,657) units	<u>1,100,967</u>	<u>2,117,585</u>
Redemption of 8,227,764 (2017: 10,772,766) units	<u>850,000</u>	<u>1,179,682</u>
<b>Pakistan Telecommunication Company Limited - Connected person due to holding more than 10% units</b>		
Issue of 52,743,199 (2017: Nil) units	<u>5,534,506</u>	<u>-</u>
Redemption of 38,400,062 (2017: Nil) units	<u>4,043,196</u>	<u>-</u>
<b>19.2 Balances outstanding at the year end HBL Asset Management Limited</b>		
Outstanding 839,048 (June 2017: 348,649) units	<u>88,941</u>	<u>35,035</u>
Payable to the Management Company	<u>5,922</u>	<u>2,623</u>
Sindh Sales Tax on remuneration of Management Company	<u>770</u>	<u>341</u>
Sales load payable	<u>313</u>	<u>84</u>
Finance and operational cost	<u>1,138</u>	<u>493</u>
<b>Habib Bank Limited - Sponsor</b>		
Bank Balances	<u>13,521</u>	<u>1,283,033</u>
Profit receivable	<u>455</u>	<u>4,163</u>
Sales load payable	<u>-</u>	<u>864</u>
<b>Central Depository Company Of Pakistan Limited - Trustee</b>		
Trustee fee payable	<u>981</u>	<u>974</u>
Security deposit held	<u>100</u>	<u>100</u>
<b>Directors and Executives of the Management Company</b>		
Outstanding 502,978 (2017: 182,263) units	<u>53,317</u>	<u>18,315</u>
<b>Financial Planning Fund - Active Allocation Plan - Associated Company</b>		
Outstanding 1,230,903 (2017: Nil) units	<u>130,478</u>	<u>-</u>
<b>Financial Planning Fund - Conservative Allocation Plan - Associated Company</b>		
Outstanding 999,990 (2017: Nil) units	<u>106,001</u>	<u>-</u>
<b>Financial Planning Fund - Strategic Allocation Plan - Associated Company</b>		
Outstanding 380,044 (2017: Nil) units	<u>40,285</u>	<u>-</u>
<b>Maple Leaf Capital Limited - Connected person due to holding of more than 10% units</b>		
Outstanding 11,423,931 (2017:8,991,001) units	<u>1,210,961</u>	<u>903,495</u>



2018					
Exposed to Yield / Interest rate risk					
Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk	Total	
----- Rupees in '000 -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balances with banks	10,899,252	-	-	-	10,899,252
Investments					
Loans and receivables	-	1,150,000	-	-	1,150,000
Profit receivable on bank balances and investments	-	-	-	43,554	43,554
	<b>10,899,252</b>	<b>1,150,000</b>	<b>-</b>	<b>43,554</b>	<b>12,092,806</b>
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	7,060	7,060
Payable to the Trustee	-	-	-	868	868
Accrued expenses and other liabilities	-	-	-	851	851
Unit holder's fund				12,039,734	12,039,734
	-	-	-	12,048,513	12,048,513
<b>On-balance sheet gap</b>	<b>10,899,252</b>	<b>1,150,000</b>	<b>-</b>	<b>(12,004,959)</b>	<b>44,293</b>
<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

2017					
Exposed to Yield / Interest rate risk					
Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield / Interest rate risk	Total	
----- Rupees in '000 -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Balances with banks	6,537,316	-	-	-	6,537,316
Investments					
Loans and receivables	-	637,309	-	-	637,309
Profit receivable on bank balances and investments	-	-	-	20,561	20,561
	<b>6,537,316</b>	<b>637,309</b>	<b>-</b>	<b>20,561</b>	<b>7,195,186</b>
<b>Financial liabilities</b>					
Payable to the Management Company	-	-	-	3,116	3,116
Payable to the Trustee	-	-	-	862	862
Redemption Payable	-	-	-	1,183,625	1,183,625
Accrued expenses and other liabilities	-	-	-	1,387	1,387
Unit holders' fund				5,954,130	5,954,130
	-	-	-	7,143,120	7,143,120
<b>On-balance sheet gap</b>	<b>6,537,316</b>	<b>637,309</b>	<b>-</b>	<b>(7,122,559)</b>	<b>52,066</b>
<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 20.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk.

### 20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities, loans and receivables and bank balances. Risks attributable to investments in Market Treasury Bills is limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with a reasonably high credit rating.

The maximum exposure to credit risk before considering any collateral as at June 30, 2018 is the carrying amount of the financial assets.

The analysis below summarises the credit quality of the Fund's bank balances and Investments as at June 30, 2018 and June 30, 2017:

Name of Bank / Institutions	Balances held by the Fund as at June 30, 2018	Latest available published rating as at June 30, 2018	Rating agency
Balances with banks by rating category			
Bank Alfalah Limited	3,546	AA+	JCR-VIS
Bank Al Habib Limited	73	AA+	PACRA
Habib Metropolitan Bank Limited	719	AA+	PACRA
Habib Bank Limited	13,522	AAA	JCR-VIS
Allied Bank Limited	10,330,872	AA+	PACRA
NIB Bank Limited	694	AA-	PACRA
United Bank Limited	275	AAA	JCR-VIS
Samba Bank Limited	29	AA	JCR-VIS
Zarai Taraqiati Bank Limited	541,707	AAA	JCR-VIS
JS Bank	7,277	AA-	PACRA
Sindh Bank Ltd	538	AA	JCR-VIS
	<u>10,899,252</u>		
Letter of placement			
Pak Brunei Investment Company Ltd	<u>1,150,000</u>	AA+	JCR-VIS
Name of Bank / Institutions	Balances held by the Fund as at June 30, 2017	Latest available published rating as at June 30, 2018	Rating agency
Bank Alfalah Limited	7	AA+	JCR-VIS
Bank Al Habib Limited	72	AA+	PACRA
Habib Metropolitan Bank Limited	408	AA+	PACRA
Habib Bank Limited	1,283,033	AAA	JCR-VIS
Allied Bank Limited	2,556,300	AA+	PACRA
Faisal Bank Limited	107	AA	JCR-VIS
NIB Bank Limited	8,238	AA-	PACRA
United Bank Limited	24	AAA	JCR-VIS
Samba Bank Limited	28	AA	JCR-VIS
Zarai Taraqiati Bank Limited	2,689,086	AAA	JCR-VIS
JS Bank Limited	13	AA-	PACRA
	<u>6,537,316</u>		



**21 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS**

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

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

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

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

International Financial Reporting Standard (IFRS) 13, "Fair Value Measurement" requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

		June 30, 2018							
		Carrying amount			Fair Value				
		Available -for-sale	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
<b>On-balance sheet financial instruments</b>									
<b>Financial assets not measured at fair value</b>	21.1								
Bank balances	5	-	10,899,252	-	10,899,252	-	-	-	-
Profit receivable		-	43,554	-	43,554	-	-	-	-
Loans and receivable		-	1,150,000	-	1,150,000	-	-	-	-
		-	12,092,806	-	12,092,806				
<b>Financial liabilities not measured at fair value</b>	21.1								
Payable to the Management Company		-	-	7,060	7,060	-	-	-	-
Payable to the Trustee		-	-	868	868	-	-	-	-
Accrued expenses and other liabilities		-	-	851	851	-	-	-	-
Unit holder fund		-	-	12,039,734	12,039,734	-	-	-	-
		-	-	12,048,513	12,048,513				

		June 30, 2017							
		Carrying amount			Fair Value				
		Available -for-sale	Loans and receivables	Other financial assets/ liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
On-balance sheet financial instruments									
Financial assets not measured at fair value		21.1							
Bank balances	5	-	6,537,316	-	6,537,316	-	-	-	-
Profit receivable		-	20,561	-	20,561	-	-	-	-
Loans & receivable		-	637,309	-	637,309	-	-	-	-
		-	7,195,186	-	7,195,186	-	-	-	-
Financial liabilities not measured at fair value		21.1							
Payable to the Management Company		-	-	3,116	3,116	-	-	-	-
Payable to the Trustee		-	-	862	862	-	-	-	-
Payable against redemption of units		-	-	1,183,625	1,183,625	-	-	-	-
Accrued expenses and other liabilities		-	-	1,387	1,387	-	-	-	-
Unit holder fund		-	-	5,954,130	5,954,130	-	-	-	-
		-	-	7,143,120	7,143,120	-	-	-	-

**21.1** 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.

## **21.2 Valuation techniques**

For level 1 investments at fair value through profit or loss - held for trading investment in respect of Treasury Bills, Fund uses rates which are derived from PKRV rates at reporting date per certificate multiplied by the number of certificates held as at year end.

## **21.3 Transfers during the year**

During the year ended June 30, 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 financial instruments.

## **22. UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unit Holders' Fund. The Fund has no restrictions on the subscription and redemption of units except for maintaining minimum fund size of Rs.100 million at all times.

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

In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

## **23. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

### **Top ten brokers during the year ended June 30, 2018**

- 1 Bright Capital (Pvt) Ltd
- 2 Paramount Capital (Pvt) Ltd
- 3 Arif Habib Ltd
- 4 EFG Hermes Pakistan Limited
- 5 Invest Capital Markets Ltd
- 6 BMA Capital Management Limited
- 7 Pearl Securities Ltd
- 8 Optimus Markets (Pvt) Ltd.
- 9 Next Capital Limited
- 10 Vector Capital (Pvt) Ltd

Top ten brokers during the year ended June 30, 2017

- 1 Invest Capital Markets Limited
- 2 Icon Securities (Private) Limited
- 3 Magenta Capital (Private) Limited
- 4 Bright Capital (Private) Limited
- 5 Pearl Securities Limited
- 6 Optimus Markets (Private) Limited
- 7 Next Capital Limited
- 8 Invest One Markets (Private) Limited
- 9 Vector Capital (Pvt) Ltd.
- 10 BIPL Securities Ltd.

#### 24. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2018 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	25+
2	Muhammad Imran	Chief Investment Officer	MBA (Finance)	18+
3	Faizan Saleem	Head of Fixed Income	MBA (Finance)	10+
4	Noman Ameer	Manager Risk	MBA (Finance)	11+
5	Sateesh Balani	Head of Research	CFA, MBA	7+

#### 25. PATTERN OF UNITHOLDING

	2018			
	Number of unit holders	Number of units held	Unit holding or investment amount	Percentage investment
	----- Rupees in '000 -----			
Individuals	757	12,119,137	1,284,654	10.67%
Associated Companies and Directors	6	3,926,004	416,165	3.46%
Insurance Companies	6	1,448,449	153,539	1.28%
Retirement Funds	18	3,107,499	329,401	2.74%
Trust	5	2,197,805	232,972	1.94%
Others	39	90,781,235	9,623,003	79.91%
		<u>113,580,129</u>	<u>12,039,734</u>	<u>100.00%</u>
	----- Rupees in '000 -----			
	2017			
	Number of unit holders	Number of units held	Unit holding or investment amount	Percentage investment
	----- Rupees in '000 -----			
Individuals	303	6,594,412	662,664	11.13%
Associated Companies and Directors	2	472,127	47,443	0.80%
Insurance Companies	4	318,170	31,973	0.54%
Retirement Funds	6	646,433	64,959	1.09%
Trust	2	365,913	36,770	0.62%
Others	24	50,854,638	5,110,320	85.83%
		<u>59,251,693</u>	<u>5,954,130</u>	<u>100.00%</u>

#### 26. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Agha Sher Shah <sup>1</sup>	2	2	0	-
2	Mr. Farid Ahmed Khan	5	5	0	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23, 2017 & April 23, 2018
4	Mr. Rayomond H. Kotwal	5	5	0	-
5	Mr. Rizwan Haider	5	4	1	October 27, 2017
6	Mr. Shabbir Hussain Hashmi <sup>2</sup>	1	1	0	-
7	Mr. Shahid Ghaffar <sup>3</sup>	2	1	1	February 26, 2018
8	Mr. Nadeem Abdullah <sup>4</sup>	4	4	0	-
9	Mr. Towfiq Habib Chinoy <sup>5</sup>	3	3	0	-
10	Mr. Salahuddin Manzoor <sup>6</sup>	3	3	0	-

1 Appointed on November 23, 2017.

2 Appointed on February 26, 2018.

3 Appointed on December 04, 2017.

4 Resigned on February 26, 2018.

5 Resigned on November 23, 2017.

6 Resigned on November 30, 2017.

## 27. TOTAL EXPENSE RATIO

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 0.96% (2017: 0.88%) which includes 0.26% (2017: 0.16%) representing Government Levy and SECP fee.

## 28. NON ADJUSTING EVENT AFTER REPORTING DATE

The Board of Directors of the Management Company in its meeting held on July 4, 2018 has proposed a variable final cash distribution of upto Rs. 5.25 per unit amounting to PKR 277.114 million as cash dividend and Rs. 319.181 million as refund of capital. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

## 29. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on August 31, 2018 by the Board of Directors of the Management Company.

## 30. CORRESPONDING FIGURES

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

## 31. 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 Multi Asset Fund

HBL AML annual report 2017-18

## FUND INFORMATION

### NAME OF FUND

HBL Multi Asset Fund

### NAME OF AUDITORS

Deloitte Yousuf Adil, Chartered Accountants.

### NAME OF TRUSTEE

Central Depository Company of Pakistan Limited

### NAME OF BANKERS

Habib Bank Limited  
Allied Bank Limited  
JS Bank Limited  
MCB Bank Limited  
Zarai Tarakiyati Bank Limited  
Sindh Bank Limited

**Type and Category of Fund**

Open end Balanced Fund

**Investment Objective and Accomplishment of Objective**

The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes such as equity, equity-related instruments, fixed-income securities, continuous funding system, derivatives, money market instruments, etc.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is weighted average daily return of KSE100 and 6M average PKRV rates based on the actual proportion of investment in Equity and Fixed Income/Money Market component.

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

Month	Benchmark	Return of Fund
Jun - 18	- 1.05%	- 0.55%
May - 18	- 3.16%	- 2.38%
Apr - 18	0.14%	- 0.18%
Mar - 18	3.28%	3.38%
Feb - 18	- 0.91%	- 1.32%
Jan - 18	5.25%	5.98%
Dec - 17	0.69%	0.36%
Nov - 17	0.76%	1.08%
Oct - 17	- 3.60%	- 3.56%
Sep - 17	1.86%	0.73%
Aug - 17	- 6.36%	- 8.07%
Jul - 17	- 0.51%	- 1.25%

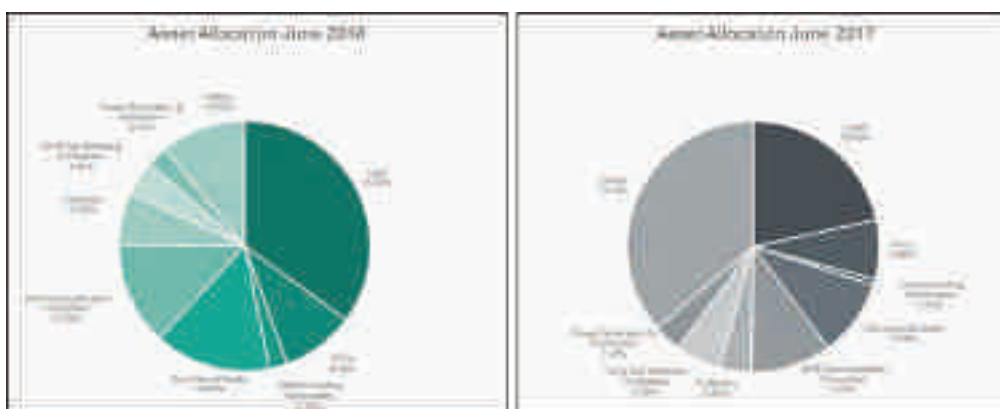


**Strategies and Policies employed during the Year**

During the year under review the Fund has reduced its exposure in equity securities from 64% as at June 30, 2017 to 53% as on June 30, 2018. The Fund gradually increased its exposure in debt securities from 7% to eventually 9% in same period. However, the Fund was invested more in Cash/placements with banks/DFIs as safe heavens.

Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in Automobile assemblers and Cement was reduced; however exposure in Power Generation & Distribution, Oil & Gas Marketing, Commercial Banks, Oil & Gas Exploration and Fertilizers was increased.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2017 and June 30, 2018:

Sector Name	As on Jun 2018	As on Jun 2017
Cash	35.02%	19.80%
TFCs	9.48%	6.98%
Others Including Receivables	2.35%	0.72%
Commercial Banks	14.98%	9.04%
Oil & Gas Exploration Companies	13.32%	9.53%
Fertilizers	6.79%	3.84%
Oil & Gas Marketing Companies	4.41%	5.30%
Power Generation & Distribution	2.73%	3.36%
Others	10.92%	33.19%
Total	100%	100%

## Fund Performance

The Fund incurred a total and net loss of Rs. 15.97 million and Rs. 41.66 million respectively during the year ended June 30, 2018. The ex-dividend Net Asset Value (NAV) per unit of the Fund was Rs 112.0924 per unit as on June 30, 2017. The NAV of the Fund was Rs 105.0519 per unit as on June 30, 2018, thereby giving a negative return of 6.28%. During the same year the benchmark index (Weighted average daily return KSE 100 and 6 Month PKRV rates) yielded a negative return of 4.08%. The size of Fund was Rs 0.32 billion as on June 30, 2018.

## Review of Market invested in

### Money Market Review

Interest rate cycle reversed in FY18 as central bank focus diverted towards containing rising twin deficits and in anticipation of increase in inflation due to lack of fiscal discipline in election times. During the year, secondary market yields of 3, 5 and 10-year PIBs increased by 180, 171 and 86 bps respectively while yields of 3, 6 and 12 month T-Bills increased by 79, 90 and 116 bps respectively. Government of Pakistan raised only PKR 96bn through the PIB auction against a target of PKR 900bn as eight PIB auctions were scrapped in the year due to lack of interest. The last cut-off yields stood at 7.5000%, 8.4795% and 8.6999% p.a. for 3, 5 and 10-year PIBs respectively. Overall trading in longer tenures remained lackluster due to market participants' consensus of increase in interest rates.

During FY18, Government retired PKR 77bn from scheduled banks against borrowing of PKR 179bn during same period last year due to multiple scrapped PIB Auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,439bn during the period against PKR 908bn during same period last year. Government largely managed its borrowing requirements through domestic sources, and raised PKR 16,894bn via T-bills (excluding NCB) compared to the cumulative target of PKR 16,925bn and maturities of PKR 15,971bn. In the last T-Bill Auction held in Jun-18 no amount was accepted in the 6 and 12 month T-Bills. The cutoff yield was 6.7596% for the 3 month T-Bills. SBP increased the policy rate by 25bps in January and a further 50bps in May to 6.50% to control aggregate demand and the current account deficit. Since then the SBP has further increased policy rate by 100bps in Jul-18 MPS. Going forward, we foresee another interest rate hike of 50bps in the calendar year on the back of increasing inflation expectation and sustainability of current account risks.

### Stock Market Review

Pakistan Equities witnessed a topsy-turvy ride during outgoing year with disappointing foreign flows (after MSCI upgrade), political uncertainty following the ouster of ex-PM, macroeconomic challenges and ongoing speculation about the upcoming general elections.

KSE100 Index shed by 4,654 points to close at 41,911 points, reflecting a decline of 10%. Despite market expectation of strong foreign inflows following Pakistan's inclusion in the MSCI Emerging Markets, foreign investors continued to remain net sellers and sold stocks of worth USD289mn. Within local investors, insurance companies and corporates bought equities of USD204mn and USD100mn respectively while Mutual funds divested equities of USD35mn during the year. On the political front, Ex-Prime Minister Nawaz Sharif was disqualified by Supreme Court in Jul-17 which further marred investor sentiment. Moreover, economic concerns increased due to rising twin deficits followed by stringent policy measures by policy makers (16% PKR depreciation and 75bps increase in interest rates).

The Cement and Banking sector led the rout in the benchmark index, causing attrition of 2,288 points and 1,083 points respectively. Decline in cements was caused owing to the fears of a price war in the segment as upcoming expansions could lead to an oversupply situation particularly in the Southern region as can be grasped from price performance of DGKC and LUCK which fell 44% and 37% YoY respectively. In the banking sector, large banks caused underperformance where HBL, UBL and NBP fell 37%, 23% and 20% owing to regulatory concerns, pension and other legal issues. Meanwhile mid-tier banks outperformed the index buoyed by rising interest rate environment which is expected to lead to margin expansion.

Oil & Gas Exploration and Production sector defied overall trend during FY18 and posted strong gains where the sector contributed 1,628 points to the market owing to 66% increase in International Oil Prices and 16% PKR depreciation. The outperformance was led by POL and PPL posting returns of 58% and 53% against SPLY.

Going forward, we expect Pakistan equities to rebound with restoration of political stability (after General Elections), gradual improvement in macroeconomic trends and potential revival of foreign investor interest after steep PKR depreciation. Moreover, we highlight that Pakistan market's discount to emerging as well as frontier peers has increased to 30% and 28% against 5-year averages of 25% and 19% respectively reflecting a good entry point.

### Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

### Significant Changes in the State of Affairs

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

### Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	11	505
101 – 500	33	7,178
501 – 1,000	12	8,877
1,001 – 10,000	32	154,627
10,001 – 100,000	38	877,908
1,000,001 – 5,000,000	3	677,919
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	1	1,358,343
5,000,001 and above	-	-
<b>Total</b>	<b>130</b>	<b>3,085,357</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

**PERFORMANCE TABLE**  
**HBL MULTI ASSET FUND**  
*As at June 30, 2018*

	2018	2017	2016	2015	2014	2013
Net assets at the period end (Rs'000)	324,123	966,784	765,506	767,249	743,692	571,607
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	105.0519	112.0924	98.0474	94.9833	95.4504	116.7121
Offer	107.4261	114.6255	100.6406	97.5175	98.7349	119.8531
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	114.9534	129.2935	105.6329	103.4804	131.3042	124.0914
Lowest offer price per unit	98.0981	100.7466	90.7024	91.2704	97.4165	88.7903
Highest redemption price per unit	112.4129	126.3704	102.9111	100.7913	127.8631	121.6582
Lowest redemption price per unit	95.9301	98.5200	88.3653	88.8986	94.8635	87.0493
<b>RETURN ( % )</b>						
Total return	-6.28%	18.40%	5.89%	4.83%	10.24%	37.60%
Income distribution	0	4.00%	2.50%	5.10%	29.80%	15.50%
Capital growth	-6.28%	14.40%	3.39%	-0.27%	-19.56%	22.10%
<b>DISTRIBUTION</b>						
Final dividend distribution (Rs)	0	4.00	2.50	5.10	29.80	15.50
Date of Income Distribution	-	20-Jun-17	27-Jun-16	30-Jun-15	27-Jun-14	8-Jul-13
Total dividend distribution for the year/ period (Rs)	0	4.00	2.50	5.10	29.80	15.50
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-6.28%	18.40%	5.89%	4.83%	10.24%	37.60%
Average annual return 2 year	5.34%	11.99%	5.36%	7.54%	23.92%	25.14%
Average annual return 3 year	5.54%	9.57%	6.99%	17.56%	20.17%	24.61%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	35.03%	19.79%	3.00%	7.00%	14.00%	8.00%
Placements with Banks & DFIs	0.00%	8.24%	5.00%	0.00%	0.00%	0.00%
TFC	9.48%	6.98%	0.00%	5.00%	6.00%	5.00%
Stock/Equities	53.14%	64.27%	66.00%	63.00%	52.00%	66.00%
Government Securities	0.00%	0.00%	23.00%	24.00%	13.00%	20.00%
Others Including receivables	2.35%	0.72%	3.00%	1.00%	15.00%	1.00%

**Note:**

The Launch date of the Fund is December 14, 2007

**Disclaimer:**

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

# PROXY VOTING DISCLOSURE

As at June 30, 2018

Summary of Actual Proxy voted by CIS

HBL Energy Fund	Meetings	Resolutions	For	Against
Number	5	9	9	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Amreli Steels Limited	25-10-2017	5-7-2018
Cherat Cement Company Ltd.	16-10-2017	N-A
Crescent Steel & Allied Products Ltd	17-10-2017	29-1-2018
DG Khan Cement Ltd	28-10-2017	N-A
Engro Polymer & Chemicals Ltd	29-3-2018	2-7-2018
Hub Power Company Ltd	10-5-2017	22-6-2018
Indus Motor Company Limited	10-6-2017	N-A
International Industries Ltd	28-9-2017	21-5-2018
International Steels Limited	26-9-2017	N-A
Lucky Cement Ltd	(25-09-2017)(28-11-2017)	N-A
Mari Petroleum Company Ltd	26-9-2017	N-A
MCB Bank Ltd	27-3-2018	2-10-2018
Mughal iron & Steel	28-10-2017	N-A
Millat Tractors Limited	27-10-2017	N-A
Nishat Mills Ltd	28-10-2017	28-3-2018
Oil & Gas Development Co Ltd	24-10-2017	N-A
Pakistan Oilfields Ltd	19-10-2017	N-A
Pakistan State Oil Company Ltd	20-10-2017	N-A
Pioneer Cement Limited	26-10-2017	N-A
Service Industries Ltd	30-4-2018	28-7-2017
Sui Northern Gas Pipeline Ltd	27-11-2017	N-A
The Searle Company Ltd	27-10-2017	31-7-2017

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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S.M.C.H.S. Main, Shahr-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111, 111-500  
Fax: (92-21) 34336020 - 23  
URL: [www.cdc-pakistan.com](http://www.cdc-pakistan.com)  
Email: [info@cdc-pakistan.com](mailto:info@cdc-pakistan.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL MULTI ASSET FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Multi Asset Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

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

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

Karachi, September 18, 2018



**INDEPENDENT AUDITORS' REPORT TO  
THE UNIT HOLDERS OF HBL MULTI ASSET FUND** [www.deloitte.com](http://www.deloitte.com)

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of HBL Multi Asset Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**Key Audit Matters**

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

S. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Valuation and existence of Investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 211.150 million as at June 30, 2018.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity securities and term finance certificates. Their valuation and existence is a significant area during our audit. There is a risk that appropriate quoted prices may not be used to determine fair value.</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>For listed equity securities: independent testing of valuations by using the quoted market prices from the Pakistan Stock Exchange Limited and ensuring the existence of number of securities by comparing the internal records with Central Depository Company (CDC) account records;</li> </ul>



S. No.	Key audit matters	How the matters were addressed in our audit
	Further, the Fund may have included investments in its financial statements which were not owned by Fund.	<ul style="list-style-type: none"> <li>For term finance certificates: independent testing of valuations by using the rates determined by the Mutual Fund Association of Pakistan and ensuring the existence of number of certificates by comparing the internal records with COC account records;</li> <li>performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of securities/certificates during the year; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
2	<p><b>Impairment of available for sale investments</b></p> <p>The Fund invests a significant portion of its funds in financial instruments that comprise available for sale investments in equity securities. These investments are measured at fair value with the corresponding fair value changes recognized in other comprehensive income. The valuation is performed by the Management Company using the quoted market prices at the Pakistan Stock Exchange.</p> <p>The Management Company performs an impairment review of its available for sale investments at each reporting date and records impairment charge when there has been a significant or prolonged decline in the fair value of investments below their cost. In determining 'significant' or 'prolonged', Management Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.</p> <p>There is a risk high degree of judgement involved in determining 'significant' or 'prolonged' decline in value of investments and the resulting impairment charge.</p>	<p>In auditing the impairment of available for sale investments, we obtained understanding of the processes and key controls relating to valuation of available for sale investments. In addition, we performed valuation testing on investments held as at June 30, 2018, reviewed the Fund's impairment policy, and assessed the adequacy of impairment charge on available for sale investments at year-end.</p> <p>The Fund's disclosures related to financial investments are included in note 6.</p>
3	<p><b>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</b></p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in</li> </ul>

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S. No.	Key audit matters	How the matters were addressed in our audit
	<p>As disclosed in note 4.7, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<p>the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments;</p> <ul style="list-style-type: none"> <li>• Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>• Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

#### Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

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

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

*PA*

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

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the



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

#### Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2006.

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

*Deloitte Yasuf Adil*  
Chartered Accountants

Place: Karachi  
Date: September 19, 2018

**HBL Multi Asset Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2018*

	Note	2018 ------(Rupees in '000)-----	2017
<b>Assets</b>			
Bank balances	5	118,090	194,333
Investments	6	211,150	781,227
Dividend receivable and accrued mark-up	7	1,216	3,616
Receivable against sale of investment		3,216	-
Advances and deposits	8	3,480	3,480
<b>Total assets</b>		<b>337,152</b>	<b>982,656</b>
<b>Liabilities</b>			
Payable to the Management Company	9	703	1,881
Payable to the Trustee	10	65	180
Payable to Securities and Exchange Commission of Pakistan	11	510	749
Accrued expenses and other liabilities	12	11,751	13,062
<b>Total liabilities</b>		<b>13,029</b>	<b>15,872</b>
<b>Net assets</b>		<b>324,123</b>	<b>966,784</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>324,123</b>	<b>966,784</b>
<b>Contingencies and commitments</b>	15	----- Number of units -----	
<b>Number of units in issue</b>	16	<b>3,085,357</b>	<b>8,624,879</b>
		----- Rupees -----	
<b>Net assets value per unit</b>	4.8	<b>105.0519</b>	<b>112.0924</b>

The annexed notes 1 to 33 form an integral part of these financial statements.

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

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

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

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

**HBL Multi Asset Fund**  
**Income Statement**  
For the year ended June 30, 2018

	Note	2018 ------(Rupees in '000)-----	2017
<b>Income</b>			
Mark-up / return on investments	13	5,812	11,876
Mark-up on deposits with banks	14	10,467	5,626
Dividend income		20,178	22,916
Capital gain on sale of investments - net		(50,260)	114,066
Unrealised diminution on re-measurement of investments classified 'at fair value through profit or loss - held-for-trading' - net		(2,192)	-
Other income		24	75
		<u>(15,971)</u>	<u>154,559</u>
Impairment loss on investments		(7,815)	(8,791)
<b>Total income</b>		<b>(23,786)</b>	<b>145,768</b>
<b>Expenses</b>			
Remuneration of the Management Company	9.1&9.2	13,550	19,919
Remuneration of the Trustee	10.1	1,383	2,002
Annual fee to Securities and Exchange Commission of Pakistan	11.1	510	749
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	599	881
Auditors' remuneration	17	395	388
Fees and subscription		28	229
Securities transaction costs		1,079	320
Settlement and bank charges		75	136
Legal and Professional charges		80	95
Printing Charges		172	205
<b>Total expenses</b>		<b>17,871</b>	<b>24,924</b>
<b>Net loss / income from operating activities</b>		<b>(41,657)</b>	<b>120,844</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net		-	13,639
Reversal of provision for Workers' Welfare Fund	12.2	-	9,496
Provision for Sindh Workers' Welfare Fund	12.2	-	(4,577)
		-	4,919
<b>Net (loss) / income for the year before taxation</b>		<b>(41,657)</b>	<b>139,402</b>
Taxation	18	-	-
<b>Net (loss) / income for the year after taxation</b>		<b>(41,657)</b>	<b>139,402</b>
<b>Loss / Earnings per unit</b>	19		

The annexed notes 1 to 33 form an integral part of these financial statements.

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

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

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

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

	2018	2017
	----- (Rupees in '000) -----	
Net (loss) / income for the year after taxation	(41,657)	139,402
<b>Other comprehensive income for the year</b>		
<b>Items that may be reclassified to income statement in subsequent periods</b>		
Unrealised gain / (Loss) on re-measurement of investments classified as available-for-sale	(12,694)	118,605
Net reclassification adjustments relating to available-for-sale financial assets	(49,665)	(105,275)
	(62,359)	13,330
<b>Total comprehensive income for the year</b>	(104,016)	152,732

The annexed notes 1 to 33 form an integral part of these financial statements.

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

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

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

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



**HBL Multi Asset Fund**  
**Cash Flow Statement**  
For the year ended June 30, 2018

Note	2018	2017
	------(Rupees in '000)-----	
<b>Cash flow from operating activities</b>		
Net income for the year after taxation	(41,657)	139,402
<b>Adjustments</b>		
Profit from bank deposits	(10,467)	(5,626)
Return from investments	(5,812)	(11,876)
Capital loss / (gain) on sale of investments - net	50,260	(114,066)
Dividend income	(20,178)	(22,916)
Impairment loss on investments	7,815	8,791
Unrealised diminution on re-measurement of investments classified 'at fair value through profit or loss - held-for-trading' - net	2,192	-
Element of (income) and capital (gains) included in prices of units issued less those in units redeemed - net	-	(13,639)
	(17,847)	(19,930)
<b>Decrease in assets</b>		
Investments - net	444,235	78,661
Advances, deposits and other receivables	-	14,777
	444,235	93,438
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(1,178)	367
Payable to the Trustee	(115)	34
Payable to Securities and Exchange Commission of Pakistan	(239)	120
Accrued expenses and other liabilities	(1,270)	(5,435)
	(2,802)	(4,914)
<b>Net cash generated from operations</b>	423,586	68,594
Profit received from bank deposits	11,072	4,342
Markup on investments received	7,022	15,503
Dividend income received	20,763	22,634
	38,857	42,479
<b>Net cash generated from operating activities</b>	462,443	111,073
<b>Cash flow from financing activities</b>		
Amount received on issue of units	71,489	184,463
Payment against redemption of units	(610,134)	(89,870)
Cash dividend paid	(41)	(32,408)
<b>Net cash (used in) / generated from financing activities</b>	(538,686)	62,185
<b>Net (decrease) / increase in cash and cash equivalents</b>	(76,243)	173,258
Cash and cash equivalents at beginning of the year	194,333	21,075
<b>Cash and cash equivalents at end of the year</b>	118,090	194,333

The annexed notes 1 to 33 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 Multi Asset Fund (the Fund) was established under a Trust Deed, dated October 08, 2007, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on September 28, 2007.

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

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange.

The fund has been categorized as a balanced fund as per the criteria laid down by SECP for categorization of open-end Collective Investment Scheme (CISs).

The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes, such as equity securities, government securities, fixed income securities, continuous funding system, derivatives, money market instruments and other asset classes / securities / instruments.

JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2+' (AM Two Plus) to the Management Company.

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

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

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

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except certain investments are measured at fair value.

### **2.3 Functional and presentation currency**

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

## 2.4 Critical accounting estimates and judgments

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

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

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

## 3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

### 3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018

The following amendments are effective for the year ended June 30, 2018. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs, which are also not relevant to the Fund.

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

#### 3.2.1 The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments (except for IFRS 9 'Financial Instruments') are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting periods beginning on or after:</b>
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions.	January 01, 2018
IFRS 9 'Financial Instruments'	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019

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

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.

Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures.

January 01, 2019

Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement.

January 01, 2019

Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property.

January 01, 2018

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

January 01, 2018

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

January 01, 2019

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

**3.2.2 IFRS 9 'Financial Instruments' Impact Assessment**

"IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

**3.2.2.1 Key requirements of IFRS 9 are as follows;**

**Classification and measurement of financial assets**

- All recognized financial assets that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at Fair value through other comprehensive income "FVTOCI".
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

### **Classification and measurement of financial liabilities**

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

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

### **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.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

#### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 and also considering facts and circumstances that exist at that date, the Management Company have assessed the impact of IFRS 9 on the financial statements as follows;

Listed equity securities and Term Finance Certificates classified as financial assets at fair value through profit or loss - held for trading qualify for designation as measured at fair value through profit or loss upon application of IFRS 9 with value changes continue to be recognised in profit or loss.

Listed equity securities and Term Finance Certificates classified as financial assets at 'available-for-sale' are to be measured at fair value through profit or loss upon application of IFRS 9 with value changes to be recognised in profit or loss instead of other comprehensive income. The change in fair value attributed to these financial assets amounting to Rs.62.359 million during the current year would have been recognised in income statement under IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principle outstanding. These financial assets will qualify for designation as measured at amortized cost and will continue to be subsequently measured at amortized cost upon application of IFRS 9.

Other financial assets and financial liabilities at amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **3.3 Change in policy in relation to preparation of income statement and statement of comprehensive income**

International Accounting Standard (IAS) 1 Presentation of Financial Statements allows an entity to prepare either two performance statements i.e. income statement and statement of comprehensive income, or one performance statement only i.e. income statement and statement of comprehensive income (showing both items of income or loss for the period and items of other comprehensive income). The Fund, with effect from July 01, 2017, has changed its policy with regard to preparation of income statement and other comprehensive income and opted to prepare two separate performance statements i.e. "income statement" and "statement of comprehensive income" showing separately both income or loss for the year and items of other comprehensive income in separate statements.

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

#### **4 SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Cash and cash equivalent**

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

##### **4.2 Financial instruments**

###### **4.2.1 Financial assets**

###### **4.2.1.1 Classification**

The management determines the appropriate classification of financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

###### **a) Investments at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as financial assets at fair value through profit or loss - held-for-trading.

###### **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**

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held-to-maturity investments, or (c) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, there are no investments of the fund classified as available for sale.

###### **4.2.1.2 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

###### **4.2.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss - held for trading", in which case the transaction costs are charged off to the income statement and statement of comprehensive income.

###### **4.2.1.4 Subsequent measurement**

###### **a) Financial assets 'at fair value through profit or loss held for trading' and 'available for sale'**

Subsequent to initial measurement, financial assets 'at fair value through profit or loss held for trading' and 'available for sale' are valued as follows:

#### **Basis of valuation of government securities**

The investment of the Fund in government securities is valued on the basis of PKRV rates published by Reuters in accordance with Circular no. 33 of 2012.

Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the income statement and statement of comprehensive income.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are recognised as 'other comprehensive income' in the Income Statement until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised as 'other comprehensive income' is transferred to income before taxation as capital gain / (loss).

#### **b) Loans and receivables**

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gains or losses are also recognised in the income statement and statement of comprehensive income when financial assets carried at amortised cost are derecognised or impaired.

#### **4.2.1.5 Impairment**

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

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 provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

#### **4.2.1.6 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

#### **4.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

#### **4.2.3 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### **4.3 Provisions**

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

#### **4.4 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the Provisions of Section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared before the reporting date.

#### **4.6 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net assets value per unit as of the close of the business day less any back-end load (if applicable), any duties, taxes, charges on redemption and any provision for transaction costs, if applicable. Redemption of units is recorded on acceptance of application for redemption.

#### **4.7 Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed**

The Fund has followed the requirements of SRO 756 (I) 2017 dated August 3, 2017 read with NBFC regulations, 2008 in the preparation of these financial statements as follows:

- element of income has been determined as the difference between net assets value on the issuance or redemption date, as the case maybe, of units and the net asset value at the beginning of the accounting period;
- presented distributable income in statement of movement In unitholders' fund ; and
- presented allocation of net income available for distribution relating to capital gains and excluding capital gains in statement of movement In unitholders' fund.

#### **Amendments in the NBFC Regulations in the current year**

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs 82.842 million. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these financial statements.

#### 4.8 Net assets value per unit

The net assets value (NAV) per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

#### 4.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income from equity securities is recognised when the right to receive dividend is established.
- Mark up / return on Term finance certificates, bank deposits and investment in debt securities are recognized on a time apportionment basis using effective interest method.

#### 4.10 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP) are recognised in the Income Statement on an accrual basis.

	Note	2018 ------(Rupees in '000)-----	2017
<b>5. BANK BALANCES</b>			
Balances with banks in:			
Saving Accounts	5.1	<u>118,090</u>	<u>194,333</u>
		<u>118,090</u>	<u>194,333</u>
5.1	This represents bank accounts held with different banks. Mark-up rates on these accounts range between 4.00% - 7.5% per annum (2017: 3.75% - 6.75% p.a).		
<b>6. INVESTMENTS</b>			
Listed equity securities			
- Available-for-sale	6.1	<b>28,198</b>	631,666
- Held-for-trading	6.2	<b>150,979</b>	-
Term finance certificates - Listed			
- Available-for-sale	6.3	-	-
Term finance certificates - Unlisted			
- Available-for-sale	6.4.1	<b>17,980</b>	68,561
- Held-for-trading	6.4.2	<b>13,993</b>	-
Loans and receivables			
- Term deposits and receipts	6.5	-	81,000
		<u>211,150</u>	<u>781,227</u>

**6.1 Listed equity securities - available for sale**

Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Holding as a % of paid-up capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>Automobile Assembler</b>									
Honda Atlas Cars (Pakistan) Limited	10,800	-	-	10,800	-	-	0.00%	0.00%	0.000%
Indus Motor Company Limited	6,840	-	-	6,840	-	-	0.00%	0.00%	0.000%
Millat Tractors Limited	9,850	-	-	8,400	1,450	1,723	0.82%	0.53%	0.003%
Pak Suzuki Motor Company Limited	23,500	-	-	23,500	-	-	0.00%	0.00%	0.000%
	<b>50,990</b>	-	-	<b>49,540</b>	<b>1,450</b>	<b>1,723</b>	<b>0.82%</b>	<b>0.53%</b>	
<b>Automobile Parts and Accessories</b>									
Thal Limited (Par value Rs. 5 per share)	10,000	-	-	10,000	-	-	0.00%	0.00%	0.000%
	<b>10,000</b>	-	-	<b>10,000</b>	-	-	<b>0.00%</b>	<b>0.00%</b>	
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	183,000	-	-	183,000	-	-	0.00%	0.00%	0.000%
	<b>183,000</b>	-	-	<b>183,000</b>	-	-	<b>0.00%</b>	<b>0.00%</b>	
<b>Cement</b>									
Cherat Cement Company Limited	95,000	-	-	95,000	-	-	0.00%	0.00%	0.000%
D G Khan Cement Company Limited	119,400	-	-	119,400	-	-	0.00%	0.00%	0.000%
Lucky Cement Limited	41,150	-	-	41,150	-	-	0.00%	0.00%	0.000%
Pioneer Cement Limited	152,000	-	-	152,000	-	-	0.00%	0.00%	0.000%
	<b>407,550</b>	-	-	<b>407,550</b>	-	-	<b>0.00%</b>	<b>0.00%</b>	
<b>Chemical</b>									
Engro Polymer & Chemicals Limited	328,000	-	-	328,000	-	-	0.00%	0.00%	0.000%
ICI Pakistan Limited	8,900	-	-	8,900	-	-	0.00%	0.00%	0.000%
	<b>336,900</b>	-	-	<b>336,900</b>	-	-	<b>0.00%</b>	<b>0.00%</b>	
<b>Commercial Banks</b>									
Allied Bank Limited	128,000	-	-	128,000	-	-	0.00%	0.00%	0.000%
Habib Bank Limited *	105,971	-	-	105,971	-	-	0.00%	0.00%	0.000%
MCB Bank Limited	109,900	-	-	109,900	-	-	0.00%	0.00%	0.000%
United Bank Limited	109,300	-	-	109,300	-	-	0.00%	0.00%	0.000%
	<b>453,171</b>	-	-	<b>453,171</b>	-	-	<b>0.00%</b>	<b>0.00%</b>	
<b>Engineering</b>									
Amreli Steels Limited	106,000	-	-	106,000	-	-	0.00%	0.00%	0.000%
Crescent Steel & Allied Product Limited	39,300	22,000	-	61,300	-	-	0.00%	0.00%	0.000%
International Industries Limited	34,500	-	-	34,500	-	-	0.00%	0.00%	0.000%
International Steels Limited	71,500	-	-	71,500	-	-	0.00%	0.00%	0.000%
Mughal Iron & Steel Inds Limited	2,500	-	-	2,500	-	-	0.00%	0.00%	0.000%
	<b>253,800</b>	<b>22,000</b>	-	<b>275,800</b>	-	-	<b>0.00%</b>	<b>0.00%</b>	
<b>Fertilizers</b>									
Engro Corporation Limited	90,500	25,000	-	99,500	16,000	5,022	2.38%	1.55%	0.003%
Engro Fertilizers Limited	149,000	-	-	149,000	-	-	0.00%	0.00%	0.000%
	<b>239,500</b>	<b>25,000</b>	-	<b>248,500</b>	<b>16,000</b>	<b>5,022</b>	<b>2.38%</b>	<b>1.55%</b>	
<b>Insurance</b>									
Adamjee Insurance Company Limited	6,500	-	-	6,500	-	-	0.00%	0.00%	0.000%
	<b>6,500</b>	-	-	<b>6,500</b>	-	-	<b>0.00%</b>	<b>0.00%</b>	

**HBL Multi Asset Fund**  
**Notes to the financial statements**  
For the year ended June 30, 2018

Name of the Investee Company	Note	-----Number of shares-----				Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Holding as a % of paid-up capital of the investee company
		As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sold during the year		Total Investments	Net Assets	
<b>Leather &amp; Tanneries</b>									
Service Industries Limited		5,900	-	-	5,900	-	0.00%	0.00%	0.000%
		<u>5,900</u>	<u>-</u>	<u>-</u>	<u>5,900</u>	<u>-</u>	<u>0.00%</u>	<u>0.00%</u>	
<b>Oil &amp; Gas Exploration</b>									
Mari Petroleum Company Limited		17,600	-	-	13,820	3,780	2.70%	1.76%	0.003%
Oil & Gas Development Company Limited	6.2.1	193,700	-	-	165,000	28,700	2.12%	1.38%	0.001%
Pakistan Oilfields Limited		36,000	-	-	36,000	-	0.00%	0.00%	0.000%
Pakistan Petroleum Limited	6.2.1	150,000	-	-	126,300	23,700	2.41%	1.57%	0.001%
		<u>397,300</u>	<u>-</u>	<u>-</u>	<u>341,120</u>	<u>56,180</u>	<u>7.22%</u>	<u>4.71%</u>	
<b>Oil &amp; Gas Marketing Companies</b>									
Hascol Petroleum Limited		57,500	6,500	-	56,500	7,500	2.35%	0.73%	0.006%
Pakistan State Oil Company Limited	6.2.2	31,100	-	2,820	33,920	-	0.00%	0.00%	0.000%
Sui Northern Gas Pipeline Limited		137,500	-	-	137,500	-	0.00%	0.00%	0.000%
		<u>226,100</u>	<u>6,500</u>	<u>2,820</u>	<u>227,920</u>	<u>7,500</u>	<u>1.11%</u>	<u>0.73%</u>	
<b>Paper &amp; Board</b>									
Packages Limited		20,450	-	-	20,450	-	0.00%	0.00%	0.000%
		<u>20,450</u>	<u>-</u>	<u>-</u>	<u>20,450</u>	<u>-</u>	<u>0.00%</u>	<u>0.00%</u>	
<b>Pharmaceuticals</b>									
Abbott Laboratories (Pak) Limited		8,300	-	-	8,300	-	0.00%	0.00%	0.000%
The Searle Company Limited	6.2.2	34,512	-	5,102	39,614	-	0.00%	0.00%	0.000%
		<u>42,812</u>	<u>-</u>	<u>5,102</u>	<u>47,914</u>	<u>-</u>	<u>0.00%</u>	<u>0.00%</u>	
<b>Power Generation and Distribution</b>									
Hub Power Company Limited		281,000	-	-	281,000	-	0.00%	0.00%	0.000%
		<u>281,000</u>	<u>-</u>	<u>-</u>	<u>281,000</u>	<u>-</u>	<u>0.00%</u>	<u>0.00%</u>	
<b>Sugar &amp; Allied Industries</b>									
Faran Sugar Mills Limited		57,100	-	-	57,100	-	0.00%	0.00%	0.000%
		<u>57,100</u>	<u>-</u>	<u>-</u>	<u>57,100</u>	<u>-</u>	<u>0.00%</u>	<u>0.00%</u>	
<b>Textile Composite</b>									
Nishat Mills Limited		129,300	-	-	102,000	27,300	1.82%	1.19%	0.008%
		<u>129,300</u>	<u>-</u>	<u>-</u>	<u>102,000</u>	<u>27,300</u>	<u>1.82%</u>	<u>1.19%</u>	
<b>Transport</b>									
Pakistan National Shipping Corporation Limited		82,300	-	-	82,300	-	0.00%	0.00%	0.000%
		<u>82,300</u>	<u>-</u>	<u>-</u>	<u>82,300</u>	<u>-</u>	<u>0.00%</u>	<u>0.00%</u>	
		<u>3,183,673</u>	<u>53,500</u>	<u>7,922</u>	<u>3,136,665</u>	<u>108,430</u>	<u>28,198</u>	<u>113.35%</u>	<u>108.70%</u>
<b>Cost of investments at June 30, 2018</b>						<u>25,550</u>			

\* Sponsor of the Management Company

## 6.2 Listed equity securities - held-for-trading

Shares of listed companies - fully paid up ordinary shares of Rs. 10 each unless stated otherwise

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Holding as a % of paid-up capital of the investee company
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2018		Total Investments	Net Assets	
<b>Automobile Assembler</b>									
Honda Atlas Cars (Pakistan) Limited	-	17,500	-	13,500	4,000	1,266	0.60%	0.39%	0.00%
Indus Motor Company Limited	-	1,640	-	-	1,640	2,331	1.10%	0.72%	0.21%
Millat Tractors Limited	-	2,180	-	-	2,180	2,590	1.23%	0.80%	0.49%
	-	<b>21,320</b>	-	<b>13,500</b>	<b>7,820</b>	<b>6,187</b>	<b>2.93%</b>	<b>1.91%</b>	
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>									
Thal Limited (Par value Rs. 5 per share)	-	5,000	-	-	5,000	2,388	1.13%	0.74%	0.10%
	-	<b>5,000</b>	-	-	<b>5,000</b>	<b>2,388</b>	<b>1.13%</b>	<b>0.74%</b>	
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	-	59,000	-	11,000	48,000	1,702	0.81%	0.53%	0.96%
	-	<b>59,000</b>	-	<b>11,000</b>	<b>48,000</b>	<b>1,702</b>	<b>0.81%</b>	<b>0.53%</b>	
<b>Cement</b>									
D G Khan Cement Company Limited.	-	78,000	-	78,000	-	-	0.00%	0.00%	0.00%
Lucky Cement Limited 6.2.1	-	13,500	-	350	13,150	6,679	3.16%	2.06%	0.41%
Pioneer Cement Limited	-	40,000	-	30,000	10,000	469	0.22%	0.14%	0.44%
Fauji Cement Limited	-	320,000	-	320,000	-	-	0.00%	0.00%	0.00%
Kohat Cement Ltd	-	5,000	-	-	5,000	615	0.29%	0.19%	0.00%
	-	<b>456,500</b>	-	<b>428,350</b>	<b>28,150</b>	<b>7,763</b>	<b>3.39%</b>	<b>2.21%</b>	
<b>Chemicals</b>									
Engro Polymer & Chemicals Limited	-	143,000	-	143,000	-	-	0.00%	0.00%	0.00%
	-	<b>143,000</b>	-	<b>143,000</b>	-	-	<b>0.00%</b>	<b>0.00%</b>	
<b>Commercial Banks</b>									
Allied Bank Limited	-	19,500	-	19,500	-	-	0.00%	0.00%	0.00%
Bank Alfalah Limited 6.2.1	-	273,000	-	104,000	169,000	8,837	4.19%	2.73%	1.05%
Bank Al-Habib Limited	-	184,000	-	117,000	67,000	5,282	2.50%	1.63%	0.60%
Bank of Punjab Limited	-	485,000	-	318,000	167,000	2,016	0.95%	0.62%	0.63%
Faysal Bank Limited 6.2.2	-	100,000	15,000	28,000	87,000	2,262	1.07%	0.70%	0.66%
Habib Bank Limited * 6.2.1	-	125,500	-	60,029	65,471	10,897	5.16%	3.36%	0.45%
MCB Bank Limited 6.2.1	-	74,700	-	16,900	57,800	11,431	5.41%	3.53%	0.52%
United Bank Limited 6.2.1	-	93,000	-	35,200	57,800	9,767	4.63%	3.01%	0.47%
	-	<b>1,354,700</b>	<b>15,000</b>	<b>698,629</b>	<b>671,071</b>	<b>50,492</b>	<b>23.91%</b>	<b>15.58%</b>	
<b>Engineering</b>									
Amreli Steels Limited	-	157,500	-	137,800	19,700	1,390	0.66%	0.43%	0.66%
International Industries Limited	-	41,500	-	33,000	8,500	1,974	0.93%	0.61%	0.20%
International Steels Limited	-	77,500	-	57,800	19,700	2,003	0.95%	0.62%	1.64%
Mughal Iron & Steel Industries Limited	-	35,000	-	2,500	32,500	1,996	0.95%	0.62%	1.29%
	-	<b>311,500</b>	-	<b>231,100</b>	<b>80,400</b>	<b>7,363</b>	<b>3.49%</b>	<b>2.27%</b>	
<b>Fertilizers</b>									
Engro Corporation Limited	-	16,000	-	-	16,000	5,022	2.38%	1.55%	0.31%
Engro Fertilizers Limited	-	263,500	-	167,000	96,500	7,229	3.42%	2.23%	0.72%
Fauji Fertilizers Limited	-	161,000	-	104,000	57,000	5,637	2.67%	1.74%	0.45%
	-	<b>440,500</b>	-	<b>271,000</b>	<b>169,500</b>	<b>17,888</b>	<b>8.47%</b>	<b>5.52%</b>	

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2018 (Rupees in '000)	Market value as a percentage of		Holding as a % of paid-up capital of the investee company	
	As at July 1, 2017	Purchases during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2018		Total Investments	Net Assets		
<b>Oil &amp; Gas Exploration</b>										
Mari Petroleum Company Limited		-	3,500	-	-	3,500	5,272	2.50%	1.63%	0.32%
Oil & Gas Development Company Limited	6.2.1	-	30,900	-	-	30,900	4,809	2.28%	1.48%	0.07%
Pakistan Oilfields Limited	6.2.2	-	28,350	-	12,000	16,350	10,984	5.20%	3.39%	0.69%
Pakistan Petroleum Limited	6.2.1	-	40,000	-	-	40,000	8,596	4.07%	2.65%	0.20%
		-	<b>102,750</b>	-	<b>12,000</b>	<b>90,750</b>	<b>29,661</b>	<b>14.05%</b>	<b>9.15%</b>	
<b>Oil &amp; Gas Marketing Companies</b>										
Hascol Petroleum Limited - LoR		-	10,800	-	10,800	-	-	0.00%	0.00%	0.00%
Pakistan State Oil Company Limited	6.2.2	-	29,500	3,000	7,080	25,420	8,091	3.83%	2.50%	0.94%
Sui Northern Gas Pipeline Limited		-	73,000	-	29,000	44,000	4,410	2.09%	1.36%	0.69%
		-	<b>113,300</b>	<b>3,000</b>	<b>46,880</b>	<b>69,420</b>	<b>12,501</b>	<b>5.92%</b>	<b>3.86%</b>	
<b>Pharmaceuticals</b>										
The Searle Company Limited	6.2.2	-	6,500	1,300	1,486	6,314	2,144	1.02%	0.66%	0.41%
		-	<b>6,500</b>	<b>1,300</b>	<b>1,486</b>	<b>6,314</b>	<b>2,144</b>	<b>1.02%</b>	<b>0.66%</b>	
<b>Power Generation and Distribution</b>										
Hub Power Company Limited	6.2.1	-	109,400	-	31,100	78,300	7,216	3.42%	2.23%	0.68%
K-Electric Limited (Rs.3.5 par value)		-	350,000	-	-	350,000	1,988	0.94%	0.61%	0.36%
		-	<b>459,400</b>	-	<b>31,100</b>	<b>428,300</b>	<b>9,204</b>	<b>4.36%</b>	<b>2.84%</b>	
<b>Textile Composite</b>										
Nishat Mills Limited		-	10,000	-	-	10,000	1,409	0.67%	0.43%	0.28%
		-	<b>10,000</b>	-	-	<b>10,000</b>	<b>1,409</b>	<b>0.67%</b>	<b>0.43%</b>	
<b>TECHNOLOGY &amp; COMMUNICATION</b>										
Systems Limited		-	22,500	-	-	22,500	2,277	1.08%	0.70%	2.01%
		-	<b>22,500</b>	-	-	<b>22,500</b>	<b>2,277</b>	<b>1.08%</b>	<b>0.70%</b>	
		-	<b>3,505,970</b>	<b>19,300</b>	<b>1,888,045</b>	<b>1,637,225</b>	<b>150,979</b>	<b>71.21%</b>	<b>46.39%</b>	
<b>Cost of investments at June 30, 2018</b>						<b>153,079</b>				

\* Sponsor of the Management Company

**6.2.1** Investments include shares having market value aggregating to Rs. 46.031 million (2017: 54.286 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

**6.2.2** These include gross bonus shares as per Fund's entitlement declared by the investee companies. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 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 Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the mutual funds based on the premise of exemption available to mutual funds under clause 99 of Part I and clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee companies have withheld the bonus shares equivalent to 5% of bonus announcement of the Fund having fair market value of Rs. 514,988 at June 30, 2018 (2017: Rs.185,976) and not yet deposited in CDC account of Department of Income tax. Management Company is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in Fund's investments at year end.

### 6.3 Term Finance Certificates - Listed

#### Term Finance Certificates - Available-for-sale

All Term Finance Certificates have a face value of Rs. 5,000 each unless stated otherwise.

Name of the Investee Company	Number of certificates				Market value / Carrying value* as at June 30, 2018 (Rupees in '000)	Market value as a percentage of	
	As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets
----- (Rupees in '000) -----							
Saudi Pak Leasing Company Limited - (Note 6.3.1)	6,000	-	-	6,000	-	-	-
Cost of investment as at June 30, 2018					15,197		

\*In case of debt securities against which a provision has been made, these are carried at amortized cost less provision. For non-performing securities, market value / valuation by MUFAP is not available.

#### 6.3.1 Saudi Pak Leasing Company Limited defaulted towards payment falling due in September 2010. Accordingly, the exposure was classified as non-performing and provision was recognised in accordance with the SECP's provisioning guidelines.

Subsequently, on the request of the Issuer, TFC holders approved the restructuring of the facility by extending repayment period from 5 years to 9 years and by reducing mark-up rate to 6% for 24 months from restructuring date and 8% for next 24 months and thereafter fixing the mark-up rate at 1 month KIBOR. Further, half of the accrued mark-up is to be paid in cash and the balance is being deferred.

The issuer defaulted again in the payment of principal and mark-up due on September 13, 2011. In accordance with the requirements of Circular No. 33 of 2012 dated October 24, 2012 issued by the Securities Exchange Commission of Pakistan (SECP), the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non-performing exposure.

### 6.4 Term Finance Certificates - Unlisted

#### 6.4.1 Term Finance Certificates - available-for-sale

All Term Finance Certificates have a face value of Rs. 5,000 each unless stated otherwise.

Name of the Investee Company	Number of certificates				Market value / Carrying value* as at June 30, 2018 (Rupees in '000)	Market value as a percentage of	
	As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets
----- (Rupees in '000) -----							
Commercial Banks							
JS Bank Limited	10,000	-	10,000	-	-	-	-
The Bank of Punjab*	180	-	-	180	17,980	8.52%	5.55%
	<u>10,180</u>	<u>-</u>	<u>10,000</u>	<u>180</u>	<u>17,980</u>	<u>8.52%</u>	<u>5.55%</u>
Cost of investments at June 30, 2018					18,125		

\* Face value of Term Finance Certificate of the Bank of Punjab is Rs. 100,000 each.

#### 6.4.2 Term Finance Certificates - held-for-trading

All Term Finance Certificates have a face value of Rs. 100,000 each unless stated otherwise.

Name of the Investee Company	Number of certificates				Market value / Carrying value* as at June 30, 2018 (Rupees in '000)	Market value as a percentage of	
	As at July 1, 2017	Purchases during the year	Sales / Matured during the year	As at June 30, 2018		Total Investments	Net Assets
Commercial Banks ----- (Rupees in '000) -----							
The Bank of Punjab	-	120	30	90	8,990	4.26%	2.77%
Dawood Hercules Corporation Limited *	-	50	-	50	5,003	2.37%	1.54%
	-	<b>170</b>	<b>30</b>	<b>140</b>	<b>13,993</b>	<b>6.63%</b>	<b>4.32%</b>
<b>Cost of investments at June 30, 2018</b>					<b>14,080</b>		

\* Related party under common directorship

#### 6.4.3 Significant terms and conditions of Term Finance Certificates outstanding as at June 30, 2018 are:

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
<b>Term Finance Certificates - Listed</b>				
Saudi Pak Leasing Company Limited	2,533	6% Fixed rate	13-Mar-2008	13-Mar-2017
<b>Term Finance Certificates - Unlisted</b>				
Bank of Punjab	99,960	6 Month KIBOR + 0.5%	19-Feb-2016	19-Feb-2026
Dawood Hercules Corporation Limited	100,000	3 Month KIBOR + 1.0%	1-Mar-2018	1-Mar-2023

6.5 Term Deposit Receipt with Zarai Taraqiati Bank Limited had original maturity of 6 months and carried mark-up at the rate of nil (2017: 6.5%) per annum.

	Note	2018 ----- (Rupees in '000) -----	2017
<b>6.6 Net unrealised gain on re-measurement of investments classified as available for sale</b>			
Market value of investments	6.1, 6.3 & 6.4.1	<b>46,178</b>	781,227
Cost of investments	6.1, 6.3 & 6.4.1	<b>58,872</b>	739,282
Provision against equity securities	6.6.1	<b>(3,549)</b>	(11,269)
Provision against term finance certificates	6.6.1	<b>(15,197)</b>	(15,197)
		<b>40,126</b>	712,816
		<b>6,052</b>	68,411
<b>6.6.1 Movement in provision against investments</b>			
Opening balance		<b>26,466</b>	17,675
Add: Charge for the year		<b>7,815</b>	8,791
Less: Reversals made during the year		<b>(15,535)</b>	-
Net charge		<b>(7,720)</b>	8,791
Closing balance		<b>18,746</b>	26,466

7.	DIVIDEND RECEIVABLE AND ACCRUED MARK-UP	Note	2018 ------(Rupees in '000)-----	2017
	Dividend receivable		434	1,019
	Mark-up accrued on deposits with banks		703	1,308
	Mark-up accrued on Term Deposit Receipts		-	446
	Mark-up / return accrued on Term Finance Certificates	7.1	79	843
			<u>1,216</u>	<u>3,616</u>

7.1 This include Rs.32,055 receivable from related party under common directorship.

#### 8. ADVANCES AND DEPOSITS

	Security deposit with National Clearing Company of Pakistan Limited		3,016	3,016
	Security deposit with Central Depository Company of Pakistan Limited		100	100
	Advance against subscription of Term Finance Certificates (TFC)		25,000	25,000
	Advance tax		364	364
			<u>28,480</u>	<u>28,480</u>
	Less: Provision in respect of advance against subscription of Term Finance Certificates	8.1	(25,000)	(25,000)
			<u>3,480</u>	<u>3,480</u>

8.1 The Fund had subscribed towards the term finance certificates of an issuer as Pre-IPO investor on January 09, 2008. Under the agreement, the issuer was required to complete the public offering by October 09, 2008. However, no public offering has been carried out by the issuer as at June 30, 2018. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As at June 30, 2018, the advance against subscription has been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the Management Company.

9.	PAYABLE TO THE MANAGEMENT COMPANY	Note	2018 ------(Rupees in '000)-----	2017
	Management fee	9.1	528	1,594
	Sindh Sales Tax	9.2	79	207
	Sales load payable		69	132
	Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	27	80
			<u>703</u>	<u>2,013</u>

9.1 Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration of an amount equal to two percent of average annual net asset computed on daily basis of the Fund. The Management Company has charged its remuneration at the rate of two percent per annum for the current year (2017: two percent per annum).The fee is payable monthly in arrears

9.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (June 30, 2017: 13 percent) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

9.3 As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the year.

10.	PAYABLE TO THE TRUSTEE	Note	2018 ------(Rupees in '000)-----	2017
	Trustee's remuneration	10.1	57	159
	Sindh Sales Tax		8	21
			<u>65</u>	<u>180</u>

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified there in, based on the daily Net Asset Value (NAV) of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2018 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	Rs. 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% p.a. of NAV, exceeding Rs. 1,000 million

	Note	2018 ------(Rupees in '000)-----	2017 -----
<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	<u>510</u>	<u>749</u>

**11.1** Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as balanced scheme is required to pay as annual fee to the SECP, an amount equal to 0.085% (2017: 0.085%) of the average annual net assets of the scheme. The Fund has been categorised as a balanced scheme by the Management Company.

	Note	2018 ------(Rupees in '000)-----	2017 -----
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		<b>330</b>	320
Federal Excise Duty	12.1	<b>6,610</b>	6,610
Payable to brokers		<b>68</b>	629
Withholding tax payable		-	623
Provision for Sindh Workers' Welfare Fund	12.2	<b>4,597</b>	4,597
Dividend payable		-	41
Other payables		<b>146</b>	110
		<u><b>11,751</b></u>	<u>12,930</u>

**12.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan along-with Central Depository Company of Pakistan Limited with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The Finance Act 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the years ended June 30, 2018 and June 30, 2017.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 6.610 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 2.1424 (2017: Rs. 0.7664) per unit.

**12.2** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 1, 2015.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 15, 2010 clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section 4 of the WWF Ordinance. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter, reference was made to the clarification issued by the Ministry stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office to certain mutual funds for payment of levy under WWF were withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on mutual funds and issued show cause notices to certain mutual funds for collecting WWF. In respect of such show cause notices, certain mutual funds have been granted stay by Honorable High Court of Sindh on the basis of the pending constitutional petition in the said court as referred above.

"During the year ended June 30, 2013, the Larger Bench of the Sindh High Court (SHC) issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

During the year ended June 30, 2014, the Honorable Peshawar High Court on a petition filed by certain aggrieved parties (other than the mutual funds) have adjudicated that the amendments introduced in the Workers Welfare Fund Ordinance, 1971 through the Finance Acts of 1996 and 2009 lacks the essential mandate to be introduced and passed through the money bill under the Constitution of Pakistan and hence have been declared as ultra vires the Constitution.

However, in the current year, the Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

Further, the Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan, in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

Considering the above developments, the Management Company assessed the position of the Fund with regard to reversal of provision of WWF and recognition of provision of SWWF, and decided that:

- As an abundant caution, the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

As a result, the Management Company assessed that no further provision is required for SWWF and additional provision of WWF should be carried forward till the matter is cleared.

In the wake of the aforesaid developments, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognised earlier should be reversed in light of the decision made by the Supreme Court of Pakistan; and as an abundant caution, Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017, advised that the adjustment should be prospective and supported by adequate disclosures.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 9.496 million. Further, the Fund had started recognising provision for SWWF.

As at June 30, 2018, the provision in relation to SWWF amounted to Rs. 4.597 million (2017: Rs. 4.597 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2018 would have been higher by Rs. 1.49 (2017: Rs. 0.53) per unit.

	2018	2017
	------(Rupees in '000)-----	
<b>13. MARK-UP / RETURN ON INVESTMENTS</b>		
Term finance certificates	3,663	2,134
Government securities	-	6,624
Term deposit receipts	2,149	3,118
	<u>5,812</u>	<u>11,876</u>

<b>14. MARK-UP ON DEPOSITS WITH BANKS</b>		
Mark-up on savings accounts	<u>10,467</u>	<u>5,626</u>

**15. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments outstanding as at June 30, 2018 and June 30, 2017.

	2018	2017
	------(Number of Units)-----	
<b>16. NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	8,624,879	7,807,513
Units issued	664,875	1,613,656
Units redeemed	(6,204,397)	(796,290)
Total units in issue at the end of the year	<u>3,085,357</u>	<u>8,624,879</u>

	2018	2017
	------(Rupees in '000)-----	
<b>17. AUDITORS' REMUNERATION</b>		
Annual audit fee	280	275
Fee for half yearly review	55	55
Review of compliance with the requirements of the Code of Corporate Governance	-	5
Other certifications and out of pocket expenses	60	53
	<u>395</u>	<u>388</u>

**18. TAXATION**

No provision for taxation has been made as the Fund has incurred a net loss and as such is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the 'Income statement.

**19. LOSS / EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

**20. FINANCIAL INSTRUMENTS BY CATEGORY**

-----As on June 30, 2018-----			
Held for trading	Available for sale	Loans and receivables	Total
----- Rupees in '000 -----			
<b>Assets</b>			
Bank balances	-	118,090	118,090
Investments	164,973	46,177	211,150
Dividend receivable and accrued mark-up	-	1,216	1,216
Receivable against sale of investment	-	3,216	3,216
Deposits	-	3,116	3,116
	<u>164,973</u>	<u>46,177</u>	<u>125,638</u>
		<u>3,116</u>	<u>336,788</u>

-----As on June 30, 2018-----			
Number of unit holders	Upto three months	Other financial liabilities	Over one year
----- Rupees in '000 -----			
<b>Liabilities</b>			
Payable to the Management Company	-	703	703
Payable to the Trustee	-	65	65
Accrued expenses and other liabilities	-	544	544
Unit holders' fund	-	324,123	324,123
	<u>-</u>	<u>325,435</u>	<u>325,435</u>

-----As on June 30, 2017-----			
Held for trading	Available for sale	Loans and receivables	Total
----- Rupees in '000 -----			
<b>Assets</b>			
Bank balances	-	194,333	194,333
Investments	700,227	81,000	781,227
Dividend receivable and accrued mark-up	-	3,616	3,616
Receivable against sale of investment	-	-	-
Deposits	-	3,116	3,116
	<u>700,227</u>	<u>282,065</u>	<u>982,292</u>

-----As on June 30, 2017-----			
Number of unit holders	Upto three months	Other financial liabilities	Over one year
----- Rupees in '000 -----			
<b>Liabilities</b>			
Payable to the Management Company	-	2,013	2,013
Payable to the Trustee	-	180	180
Accrued expenses and other liabilities	-	1,100	1,100
Unit holders' fund	-	966,784	966,784
	<u>-</u>	<u>970,077</u>	<u>970,077</u>

**21. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company and directors of connected persons.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in these financial statements are shown on next page.

21.1	Transactions during the year	2018 ------(Rupees in '000)-----	2017
	<b>HBL Asset Management Limited - Management Company</b>		
	Management fee	13,550	19,919
	Allocation of expenses related to registrar services, accounting, operation and valuation services	599	881
	<b>Habib Bank Limited - Sponsor</b>		
	Issue of Nil units (2017: 240,718 units)	-	27,023
	Redemption of 5,638,231 units (2017: Nil units)	550,000	-
	Bank charges paid during the year	5	15
	Mark-up earned during the year	356	552
	Mark-up received during the year	367	540
	Dividend income earned during the year	407	1,878
	Dividend income received during the year	407	1,878
	<b>HBL Government Securities Fund</b>		
	Purchase of Bank of Punjab TFC	-	44,087
	Purchase of JS Bank TFC	-	20,520
	Purchase of Bank Al Habib TFC	-	63,564
	<b>HBL Energy Fund</b>		
	Sale of 5,108 shares of Mari Gas Petroleum (2017; Nil)	7,504	-
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Trustee remuneration	1,383	2,002
	Central Depository service charges	56	108
21.2	Amounts outstanding as at year end		
	<b>HBL Asset Management Limited - Management Company</b>		
	Management fee payable	528	1,594
	Sales tax payable	79	207
	Allocation of expenses related to registrar services, accounting, operation and valuation services	27	80
	Sales load payable	69	60
	<b>Habib Bank Limited - Sponsor</b>		
	Investment held in the Fund: 1,358,343 units (2017: 6,996,574 units)	142,696	774,433
	Bank balances	4,555	28,980
	Profit receivable on bank deposits	25	36
	Ordinary shares held in Habib Bank Limited: 65,471 ordinary shares (2017: 105,971 ordinary shares)	10,897	28,521
	Sales load payable	-	72
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Remuneration payable	57	159
	Sindh Sales Tax	8	21

**22. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

Details of members of the investment committee of the Fund are as follow:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	MBA , CFA	25+
2	Muhammad Imran	Chief Investment Officer	MBA - Finance	18+
3	Jawad Naeem	Specialist - Equity	MBA, CFA Level 1	10+
4	Adeel Abdul Wahab	Specialist - Equity	ACCA	10+
5	Faizan Saleem	Head of Fixed Income	MBA - Finance	10+
6	Noman Ameer	Manager Risk	MBA - Finance	11+
7	Sateesh Balani	Head of Research	MBA, CFA	7+

**23. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

**Top ten brokers during the year ended June 30, 2018**

- 1 BMA Capital Management Limited
- 2 Arif Habib Limited
- 3 JS Global Capital Limited
- 4 Optimus Markets (Pvt) Limited
- 5 Next Capital Limited
- 6 BIPL Securities Limited
- 7 Elixir Securities Pakistan (Pvt) Limited
- 8 EFG Hermes Pakistan Limited
- 9 Global Securities Pakistan Limited
- 10 Pearl Securities Limited

Top ten brokers during the year ended June 30, 2017

- 1 Arif Habib Limited
- 2 BIPL Securities Limited
- 3 Taurus Securities Limited
- 4 Pearl Securities Limited
- 5 AKD Securities Limited
- 6 Elixir Securities Pakistan (Private) Limited
- 7 JS Global Capital Limited
- 8 Optimus Capital Management (Private) Limited
- 9 IGI Finex Securities Limited
- 10 Next Capital Limited

**24. PATTERN OF UNIT HOLDING**

----- As at June 30, 2018 -----				
	Number of unit holders	Number of units held	Investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	124	1,596,909	167,758	51.76%
Associated companies	1	1,358,343	142,697	44.03%
Retirement funds	3	92,503	9,718	3.00%
Trust	1	12,997	1,365	0.42%
Others	1	24,605	2,585	0.80%
	<b>130</b>	<b>3,085,357</b>	<b>324,123</b>	<b>100.00%</b>

----- As at June 30, 2018 -----				
	Number of unit holders	Number of units held	Investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	149	1,568,268	175,793	18.18%
Associated companies	1	6,996,574	784,261	81.12%
Retirement funds	1	22,435	2,515	0.26%
Trust	1	12,997	1,457	0.15%
Others	1	24,605	2,758	0.29%
	<u>153</u>	<u>8,624,879</u>	<u>966,784</u>	<u>100.00%</u>

## 25. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 25, 2017, October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Agha Sher Shah <sup>1</sup>	2	2	-	-
2	Mr. Farid Ahmed Khan	5	5	-	-
3	Ms. Ava A. Cowasjee	5	3	2	November 23, 2017 & April 23, 2018
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	4	1	October 27, 2017
6	Mr. Shabbir Hussain Hashmi <sup>2</sup>	1	1	-	-
7	Mr. Shahid Ghaffar <sup>3</sup>	2	1	1	February 26, 2018
8	Mr. Nadeem Abdullah <sup>4</sup>	4	4	-	-
9	Mr. Towfiq Habib Chinoy <sup>5</sup>	3	3	-	-
10	Mr. Salahuddin Manzoor <sup>6</sup>	3	3	-	-

- 1 Appointed on November 23, 2017.
- 2 Appointed on February 26, 2018.
- 3 Appointed on December 04, 2017.
- 4 Resigned on February 26, 2018.
- 5 Resigned on November 23, 2017.
- 6 Resigned on November 30, 2017.

## 26. FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in a portfolio of equity and money market investments such as shares of listed companies, government securities and in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

### 26.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk; currency risk, interest rate risk and other price risk.

## 26.2 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as its full transactions are carried out in Pak Rupees.

## 26.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

### a) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts and the Term Finance Certificates. The net income for the year would have increased / (decreased) by Rs. 1.501 million (2017: Rs 2.63 million), had the interest rates would have been increased / (decreased) by 100 basis points.

### b) Fair value interest rate risk

assets and liabilities at fair value through profit and loss - held for trading and available for sale. Therefore, a change in interest rates at the reporting date would not affect net income for the year.

The composition of the Fund's investment portfolio, KIBOR and rates announced by Financial Markets Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets and net income due to future movements in interest rates.

Yield / Interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

	2018				Not exposed to Yield / Interest rate risk
	Total	Exposed to Yield / Interest rate risk Upto three months	More than three months and upto one year	More than one year	
----- Rupees in '000 -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	118,090	118,090	-	-	-
Investments	211,150	-	-	31,973	179,177
Dividend receivable and accrued mark-up	1,216	-	-	-	1,216
Receivable against sale of investment	3,216	-	-	-	3,216
Deposits	3,116	-	-	-	3,116
	336,788	118,090	-	31,973	186,725
<b>Financial liabilities</b>					
Payable to the Management Company	703	-	-	-	703
Payable to the Trustee	65	-	-	-	65
Accrued expenses and other liabilities	544	-	-	-	544
Unit holders' fund	324,123	-	-	-	324,123
	325,435	-	-	-	325,435
<b>On-balance sheet gap</b>	<b>11,353</b>	<b>118,090</b>	-	<b>31,973</b>	<b>(138,710)</b>
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-

	2017				
	Total	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
	----- Rupees in '000 -----				
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	194,333	194,333	-	-	-
Investments	781,227	81,000	68,561	-	631,666
Dividend receivable and accrued mark-up	3,616	-	-	-	3,616
Receivable against sale of investment	-	-	-	-	-
Deposits	3,116	-	-	-	3,116
	<u>982,292</u>	<u>275,333</u>	<u>68,561</u>	<u>-</u>	<u>638,398</u>
<b>Financial liabilities</b>					
Payable to the Management Company	2,013	-	-	-	2,013
Payable to the Trustee	180	-	-	-	180
Accrued expenses and other liabilities	1,100	-	-	-	1,100
Unit holders' fund	966,784	-	-	-	966,784
	<u>970,077</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>970,077</u>
<b>On-balance sheet gap</b>	<u>12,215</u>	<u>275,333</u>	<u>68,561</u>	<u>-</u>	<u>(331,679)</u>
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-

#### 26.4 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity and debt securities price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as financial assets 'at fair value through profit or loss held-for-trading' and 'available-for-sale'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive document / regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company, whichever is lower, and sector exposure limit to 30% of net assets.

In case of 5% increase / decrease in the fair value of the Fund's equity securities and debt securities on June 30, 2018, net assets of the Fund would have increased / decreased by Rs. 8.249 million (2017: Rs.Nil) as a result of gains / losses on equity securities in 'fair value through profit and loss - held-for-trading' category, with corresponding effect on income reported in 'Income statement'.

In case of 5% increase / decrease in the fair value of the Fund's equity securities and debt securities on June 30, 2018, net assets of the Fund would have increased / decreased by Rs. 2.309 million (2017: Rs.31.583 million) as a result of gains / losses on equity securities in 'available-for-sale' category, with corresponding effect on other comprehensive income reported in 'Statement of comprehensive income'.

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, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

## 26.5 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the counter party to fulfil its 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 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 Management Company.

The maximum exposure to credit risk before considering any collateral as at June 30, 2018 and June 30, 2017 is the carrying amount of the financial assets. Investments in equity securities and debt securities, however, are not exposed to credit risk.

The analysis below summarises the credit quality of the Fund's bank balances, accrued markup and other receivable as at June 30, 2018 and June 30, 2017:

### Balances with banks by rating category

Name of Bank / Institutions	Balances held by the Fund as at June 30, 2018	Latest available published rating as at June 30, 2018	Rating agency
Sindh Bank Limited	8	AA	JCR-VIS
Habib Bank Limited	5,922	AAA	JCR-VIS
MCB Bank Limited	883	AAA	PACRA
JS Bank Limited	110,671	AA-	PACRA
Zarai Taraqiati Bank Limited	191	AAA	JCR-VIS
Allied Bank Limited	415	AA+	PACRA
	<u>118,090</u>		
<b>Investment in Term Finance Certificates</b>	<u><b>31,973</b></u>		

Name of Bank / Institutions	Balances held by the Fund as at June 30, 2017	Latest available published rating as at June 30, 2018	Rating agency
Allied Bank Limited	128	AA+	PACRA
Askari Bank Limited	263	AA+	PACRA
Bank Alfalah Limited	5	AA+	PACRA
NIB Bank Limited	827	AA-	PACRA
Habib Bank Limited	28,980	AAA	JCR-VIS
MCB Bank Limited	196	AAA	PACRA
Zarai Taraqiati Bank Limited	19	AAA	JCR-VIS
JS Bank Limited	163,915	AA-	PACRA
	<u>194,333</u>		
<b>Investment in Term Finance Certificates</b>	<u><b>68,561</b></u>		

### 26.5.1 Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's major bank balance is held with one Bank. Management believes that such bank is a reputed institution.

## 26.6 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of units. The Management Company manages the liquidity risk by monitoring maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	-----As at June 30, 2018-----			
	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to the Management Company	703	703	-	-
Payable to the Trustee	65	65	-	-
Accrued expenses and other liabilities	544	544	-	-
	<u>1,312</u>	<u>1,312</u>	<u>-</u>	<u>-</u>
<b>Unit holder's fund</b>	<u>324,123</u>	<u>324,123</u>	<u>-</u>	<u>-</u>
	-----As at June 30, 2017-----			
	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to the Management Company	2,013	2,013	-	-
Payable to the Trustee	180	180	-	-
Accrued expenses and other liabilities	1,232	1,232	-	-
	<u>3,425</u>	<u>3,425</u>	<u>-</u>	<u>-</u>
<b>Unit holder's fund</b>	<u>966,784</u>	<u>966,784</u>	<u>-</u>	<u>-</u>

## 27. UNITS HOLDERS' FUND RISK MANAGEMENT

The units holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable on the Fund.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## 28. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the reporting date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	June 30, 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
	(Rupees in '000)								
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
<b>Investments</b>									
- Listed equity securities	150,979	28,198	-	-	179,177	179,177	-	-	179,177
- Term Finance Certificates - Listed	-	-	-	-	-	-	-	-	-
- Term Finance Certificates - Unlisted	13,993	17,980	-	-	31,973	-	31,973	-	31,973
	<u>164,972</u>	<u>46,178</u>	<u>-</u>	<u>-</u>	<u>211,150</u>	<u>179,177</u>	<u>31,973</u>	<u>-</u>	<u>211,150</u>
<b>Financial assets not measured at fair value</b>	28.1								
Bank balances		-	118,090	-	118,090				
Investments									
- Loans and receivables - Placements		-	-	-	-				
Dividend receivable and accrued mark-up		-	1,216	-	1,216				
Receivable against sale of investment		-	3,216	-	3,216				
Deposits			3,116	-	3,116				
		-	<u>125,638</u>	-	<u>125,638</u>				
<b>Financial liabilities not measured at fair value</b>	28.1								
Payable to the Management Company		-	-	703	703				
Payable to the Trustee		-	-	65	65				
Accrued expenses and other liabilities		-	-	544	544				
Unit holders' fund				324,123	324,123				
		-	-	<u>325,435</u>	<u>325,435</u>				

	June 30, 2017								
	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
	(Rupees in '000)								
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
- Listed equity securities	-	631,666	-	-	631,666	631,666	-	-	631,666
- Term Finance Certificates - Listed	-	-	-	-	-	-	-	-	-
- Term Finance Certificates - Unlisted	-	68,561	-	-	68,561	-	68,561	-	68,561
		<u>700,227</u>			<u>700,227</u>	<u>631,666</u>	<u>68,561</u>		<u>700,227</u>
Financial assets not measured at fair value	28.1								
Bank balances	-	-	194,333	-	194,333				
Investments									
- Loans and receivables - Placements'	-	-	81,000	-	81,000				
Dividend receivable and accrued mark-up	-	-	3,616	-	3,616				
Receivable against sale of investment	-	-	3,480	-	3,480				
Deposits	-	-	3,116	-	3,116				
	-	-	<u>285,545</u>	-	<u>285,545</u>				
Financial liabilities not measured at fair value	28.1								
Payable to the Management Company	-	-	-	2,013	2,013				
Payable to the Trustee	-	-	-	180	180				
Accrued expenses and other liabilities	-	-	-	1,100	1,100				
Unit holders' fund	-	-	-	966,784	966,784				
	-	-	-	<u>970,077</u>	<u>970,077</u>				

**28.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice frequently. Therefore, their carrying amounts are reasonable approximation of fair value.

**29. DISCLOSURE UNDER CIRCULAR 16 OF 2010 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - CATEGORISATION OF OPEN END SCHEME**

The Securities and Exchange Commission of Pakistan vide Circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the said circular. The Management Company classified the Fund as 'Balanced Scheme' in 'accordance with the said circular. As at June 30, 2018, the Fund is compliant with all the requirements of the said circular except for clause 2 (iv) which requires that the rating of any debt security in the portfolio shall not be lower than A- (A Minus) and AA (Double A) in case of funds placed with an NBFC and modaraba.

Name of Non-Complaint Investment	Type of Investment	Value of Investment before Provision	Provision held (if any)	Value of Investment after Provision	% of Net Assets	% of Gross Assets
Saudi Pak Leasing Company Limited	TFC	15197	15197	-	-	-
Dewan Cement Limited	Advance	25,000	25,000	-	-	-

**30. TOTAL EXPENSE RATIO**

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2018 is 2.98% (2017: 2.83%) which includes 0.37% (2017: 0.65%) representing Government Levy and SECP fee.

**31. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on August 31, 2018.

**32. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or re-classification was made in these financial statements during the current year.

**33. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**For HBL Asset Management Limited  
(Management Company)**

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



# HBL Financial Planning Fund

HBL AML annual report 2017-18

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL FINANCIAL PLANNING FUND</b>
<b>NAME OF TRUSTEE</b>	<b>MCB Financial Services Limited</b>
<b>NAME OF AUDITORS</b>	<b>Deloitte Yousuf Adil Chartered Accountants</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited JS Bank Limited</b>

**Category of Fund**

Open end Fund of Funds Scheme

**Investment Objective**

The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Mutual Funds in line with the risk tolerance of the Investor.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark for Conservative Allocation Plan, Active Allocation Plan and Strategic Allocation plan is as follows:

**Conservative Allocation Plan**

- a. 20% KSE 100 index
- b. Six(6) months KIBOR rates
- c. 70% Three(3) months PKRV rates and 30% three (3) months average deposit rate of three(3) AA rated scheduled banks as selected by MUFAP

B and C will be based on actual proportion of investment in Income and Money Market Funds / cash and near cash instruments.

**Active Allocation Plan & Strategic Allocation Plan**

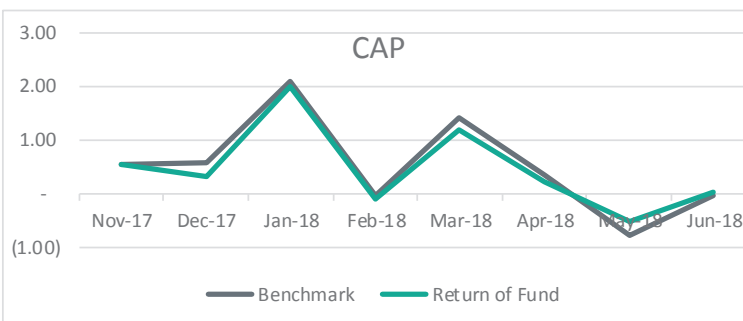
- a. KSE 100 index
- b. Six(6) months KIBOR rates
- c. 70% Three(3) months PKRV rates and 30% three (3) months average deposit rate of three(3) AA rated scheduled banks as selected by MUFAP

Based on actual proportion in Equity Fund and Income / Money Market Funds and/or in cash and/or near cash instruments in each allocation plan.

The comparison of the fund return with benchmark is given below:

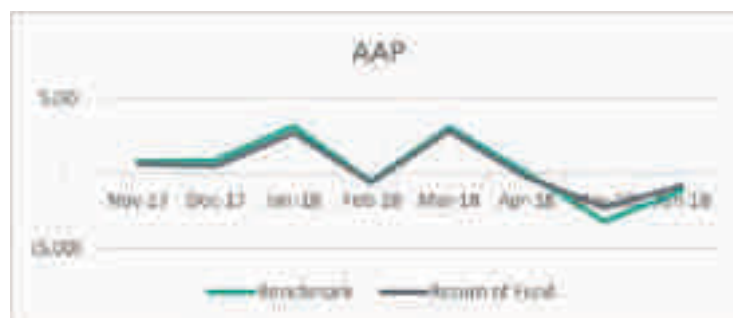
**Conservative Allocation Plan (CAP)**

Month	Benchmark	Return of Fund
Jun-18	(0.04)	0.03
May-18	(0.79)	(0.51)
Apr-18	0.35	0.23
Mar-18	1.42	1.20
Feb-18	(0.03)	(0.11)
Jan-18	2.11	2.01
Dec-17	0.58	0.33
Nov-17	0.55	0.56



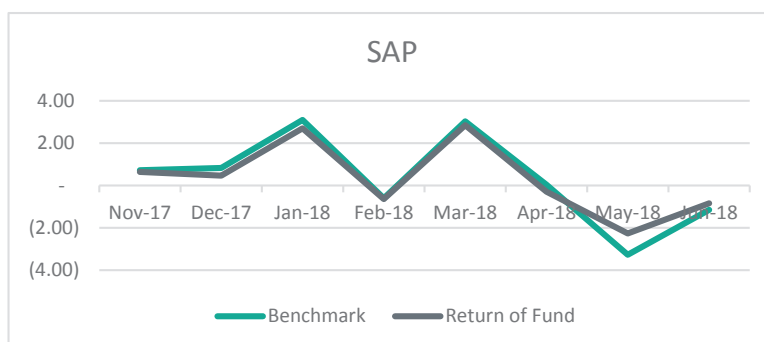
**Active Allocation Plan (AAP)**

Month	Benchmark	Return of Fund
Jun-18	(1.15)	(0.84)
May-18	(3.27)	(2.26)
Apr-18	0.04	(0.29)
Mar-18	3.03	2.85
Feb-18	(0.60)	(0.64)
Jan-18	3.10	2.70
Dec-17	0.83	0.47
Nov-17	0.72	0.64



## Strategic Allocation Plan (SAP)

Month	Benchmark	Return of Fund
Jun-18	(0.78)	(0.51)
May-18	(3.39)	(2.35)
Apr-18	0.03	(0.39)
Mar-18	3.44	2.91
Feb-18	(0.59)	(0.73)
Jan-18	3.02	2.67
Dec-17	0.91	0.44
Nov-17	0.60	0.50



## Strategies and Policies employed during the Year

HBL Financial Planning Funds were launched on 10th October, 2017. During this period, Active Allocation Plan asset allocation comprises of 59% investment in equity funds while cash assets, Income Funds and receivables represent 2%, 39% of total assets respectively. Conservative allocation plan invested the funds in equity fund, income fund and cash and receivables at 20%, 79% and 1% of the fund respectively. Strategic Allocation Plan asset allocation comprises of 49% investment in equity funds while Income Funds and cash assets and receivables represent 50%, and 1% of total assets respectively.

## Asset Allocation



## Fund Performance

HBL Financial Planning Fund commenced its operations from October 11, 2017. The Fund comprises of three sub funds (plans) namely Active allocation plan, Conservative allocation plan and Strategic allocation plan.

The Fund as a whole earned total and net income of Rs. 19.98 million and Rs. 16.72 million respectively during the period under review. The fund size of the fund stood at Rs. 0.67 billion. Performance review for plan is given below:

### Active Allocation Plan

During the period under review, the Active allocation plan earned total and net income of Rs. 6.60 million and Rs 5.42 million respectively. The net assets of the Active allocation plan stood at Rs. 0.33 billion representing Net Asset Value (NAV) of Rs. 102.6500 per unit as at June 30, 2018. The plan earned a return of 2.65% for the period under review. The plan is invested to the extent of 59% in equity funds & 39% in fixed income funds.

### Conservative Allocation Plan

During the period under review, the Conservative allocation plan earned total and net income of Rs. 6.98 million and Rs 6.16 million respectively. The net assets of the Conservative allocation plan stood at Rs. 0.13 billion representing Net Asset Value (NAV) of Rs. 103.7607 per unit as at June 30, 2018. The plan earned a return of 3.76% for the period under review. The plan is invested to the extent of 20% in equity funds & 79% in fixed income funds.

## Strategic Allocation Plan

During the period under review, the Strategic allocation plan earned total and net income of Rs. 6.40 million and Rs 5.13 million respectively. The net assets of the Strategic allocation plan stood at Rs. 0.21 billion representing Net Asset Value (NAV) of Rs. 102.5230 per unit as at June 30, 2018. The plan earned a return of 2.52% for the period under review. The plan is invested to the extent of 49% in equity funds & 50% in fixed income funds.

## Money Market Review

Interest rate cycle reversed in FY18 as central bank focus diverted towards containing rising twin deficits and in anticipation of increase in inflation due to lack of fiscal discipline in election times. During the year, secondary market yields of 3, 5 and 10-year PIBs increased by 180, 171 and 86 bps respectively while yields of 3, 6 and 12 month T-Bills increased by 79, 90 and 116 bps respectively. Government of Pakistan raised only PKR 96bn through the PIB auction against a target of PKR 900bn as eight PIB auctions were scrapped in the year due to lack of interest. The last cut-off yields stood at 7.5000%, 8.4795% and 8.6999% p.a. for 3, 5 and 10-year PIBs respectively. Overall trading in longer tenures remained lackluster due to market participants' consensus of increase in interest rates.

During FY18, Government retired PKR 77bn from scheduled banks against borrowing of PKR 179bn during same period last year due to multiple scrapped PIB Auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,439bn during the period against PKR 908bn during same period last year. Government largely managed its borrowing requirements through domestic sources, and raised PKR 16,894bn via T-bills (excluding NCB) compared to the cumulative target of PKR 16,925bn and maturities of PKR 15,971bn. In the last T-Bill Auction held in Jun-18 no amount was accepted in the 6 and 12 month T-Bills. The cutoff yield was 6.7596% for the 3 month T-Bills. SBP increased the policy rate by 25bps in January and a further 50bps in May to 6.50% to control aggregate demand and the current account deficit. Since then the SBP has further increased policy rate by 100bps in Jul-18 MPS. Going forward, we foresee another interest rate hike of 50bps in the calendar year on the back of increasing inflation expectation and sustainability of current account risks.

## Stock Market Review

Pakistan Equities witnessed a topsy-turvy ride during outgoing year with disappointing foreign flows (after MSCI upgrade), political uncertainty following the ouster of ex-PM, macroeconomic challenges and ongoing speculation about the upcoming general elections.

Pakistan Islamic Equities benchmark (KMI30 Index) fell 7,538 points to close at 71,060 points, reflecting a decline of 10%. Despite market expectation of strong foreign inflows following Pakistan's inclusion in the MSCI Emerging Markets, foreign investors continued to remain net sellers and sold stocks of worth USD289mn. Within local investors, insurance companies and corporates bought equities of USD204mn and USD100mn respectively while Mutual funds divested equities of USD35mn during the year. On the political front, Ex-Prime Minister Nawaz Sharif was disqualified by Supreme Court in Jul-17 which further marred investor sentiment. Moreover, economic concerns increased due to rising twin deficits followed by stringent policy measures by policy makers (16% PKR depreciation and 75bps increase in interest rates).

The Cement sector led the rout in the KMI index, causing attrition of where DGKC and LUCK fell 44% and 37% YoY. Decline in cements was caused owing to the fears of a price war in the segment as upcoming expansions could lead to an oversupply situation particularly in the Southern region as can be grasped from the poor price performance of DGKC and LUCK. Within the banking sector, MEBL returned 10% during the outgoing year buoyed by rising interest rate environment which is expected to lead to margin expansion.

FY18 experienced strong performance from the Oil & Gas Exploration Companies owing to 66% increase in International Oil Prices and 16% PKR depreciation. The outperformance was led by POL and PPL which increased 58% and 53% against SPLY.

Going forward, we expect Pakistan equities to rebound with restoration of political stability (after General Elections), gradual improvement in macroeconomic trends and potential revival of foreign investor interest after steep PKR depreciation. Moreover, we highlight that Pakistan market's discount to emerging as well as frontier peers has increased to 30% and 28% against 5-year averages of 25% and 19% respectively reflecting a good entry point.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2018.

### Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the year under review.

### Breakdown of Unit Holding by Size

From – To (Number of units)	Active Allocation Plan		Conservative Allocation Plan		Strategic Allocation Plan	
	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held
1 – 100	1	96	-	-	1	98
101 – 500	40	4,282	1	266	4	500
501 – 1,000	8	7,499	4	3,653	1	501
1,001 – 10,000	43	264,591	11	58,106	8	29,999
10,001 – 100,000	27	902,740	5	176,468	10	302,046
1,000,001 – 5,000,000	5	1,053,724	3	1,049,979	3	701,565
500,001 – 1,000,000	1	986,321	-	21	1	999,202
1,000,001 – 5,000,000	-	-	-	-	-	-
5,000,001 and above	-	-	-	-	-	-
<b>Total</b>	<b>95</b>	<b>3,219,253</b>	<b>24</b>	<b>1,288,493</b>	<b>28</b>	<b>2,033,911</b>

### Unit Splits

There were no unit splits during the period.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

The Management Company from time to time receives research reports and presentations from brokerage houses.

**PERFORMANCE TABLE –  
HBL FINANCIAL PLANNING FUND**  
As at June 30, 2018

		2018	
	Active Allocation Plan	Consevative Allocation Plan	Stragic Allocation Plan
Net assets at the period end (Rs'000)	330,457	133,695	208,522
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>			
Redemption	102.6500	103.7607	101.4978
Offer	104.9699	106.1057	N/A
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>			
Highest offer price per unit	110.2402	106.9356	N/A
Lowest offer price per unit	101.938	100.3622	N/A
Highest redemption price per unit	107.8038	104.5723	106.4632
Lowest redemption price per unit	99.6851	99.5899	98.5547
<b>RETURN ( % )</b>			
Total return	2.65%	3.76%	2.52%
Income distribution	0.00%	0.00%	0.00%
Capital growth	2.65%	3.76%	2.52%
<b>DISTRIBUTION</b>			
Final dividend distribution- Rs	-	-	-
Date of Income Distribution	-	-	-
Total dividend distribution for the year (Rs)	-	-	-
<b>AVERAGE RETURNS ( % )</b>			
Average annual return 1 year	2.65%	3.76%	2.52%
<b>PORTFOLIO COMPOSITION - ( % )</b>			
Percentage of Total Assets as at 30 June:			
Bank Balances	2.41%	0.33%	0.07%
Equity Funds	58.63%	19.82%	49.37%
Income Funds	38.59%	79.04%	50.10%
Others	0.38%	0.81%	0.46%

**Note:**

The Launch date of the Fund is October 11, 2017

**Disclaimer:**

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.



# MCB FINANCIAL SERVICES LIMITED

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### HBL FINANCIAL PLANNING FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

HBL Financial Planning Fund, an open-end Scheme established under a Trust Deed dated March 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund commenced its operations from October 11, 2017.

1. HBL Asset Management Company Limited, the Management Company of HBL Financial Planning Fund has, in all material respects, managed HBL Financial Planning Fund during the year ended 30<sup>th</sup> June 2018 in accordance with the provisions of the following:
- (i) investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

Karachi: August 30, 2018.

  
Khawaja Arwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF HBL FINANCIAL PLANNING FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Financial Planning Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the related income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, cash flows and transactions for the period then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund and Management Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S. No.	Key audit matters	How the matters were addressed in our audit
1	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 6 to the financial statements, investments amounted to Rs. 668,949 million as at June 30, 2018.</p> <p>These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in units of mutual funds. Their valuation and existence is a significant area during our audit. There is a risk that appropriate Net Asset</p>	<p>We performed the following steps during our audit of investments:</p> <ul style="list-style-type: none"> <li>independent testing of valuations by using the NAV per unit from the website of Mutual Funds Association of Pakistan and ensuring the existence of number of units from portfolio report with the units appearing in the statement of account;</li> </ul>

PKA

S. No.	Key audit matters	How the matters were addressed in our audit
	<p>Value (NAV) may not be used to determine fair value.</p> <p>Further, the Fund may have included investments in its financial statements which were not owned by Fund.</p>	<ul style="list-style-type: none"> <li>performing purchases and sales testing on a sample of trades made during the period to obtain evidence regarding movement of units during the period; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</li> </ul>
2	<p><b>Application of accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</b></p> <p>As disclosed in note 4.8, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments are significant to the Fund and require consideration of various factors in the calculation accounting, presentation and disclosure of the 'Element of Income' in the financial statements. Considering the significance of the amendments, we have treated these changes as Key Audit Matter.</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> <li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting implications on the financial statements;</li> <li>Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li> <li>Checked adequacy of presentation and disclosure requirements including element of Income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If,

*Signature*

Member of  
Deloitte Touche Tohmatsu Limited

based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management Company and Those Charged with Governance for the Financial Statements**

Management Company is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with Those Charged with Governance of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

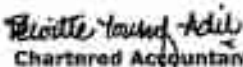
We also provide Those Charged with Governance of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

  
Chartered Accountants

Place: Karachi  
Date: September 19, 2018

		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- (Rupees in '000) -----					
<b>Assets</b>	<b>Note</b>				
Bank balances	5	1,278	443	149	1,870
Investments	6	328,586	132,536	207,827	668,949
Accrued mark-up		4	1	-	5
Preliminary expenses and flotation costs	7	1,144	989	860	2,993
Advances and prepayments		133	93	99	325
<b>Total assets</b>		<b>331,145</b>	<b>134,062</b>	<b>208,935</b>	<b>674,142</b>
<b>Liabilities</b>					
Payable to the Management Company	8	41	12	18	71
Payable to the Trustee	9	58	24	36	118
Payable to Securities and Exchange					
Commission of Pakistan	10	206	109	143	458
Accrued expenses and other liabilities	11	383	222	216	821
<b>Total liabilities</b>		<b>668</b>	<b>367</b>	<b>413</b>	<b>1,468</b>
<b>Net assets</b>		<b>330,457</b>	<b>133,695</b>	<b>208,522</b>	<b>672,674</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>330,457</b>	<b>133,695</b>	<b>208,522</b>	<b>672,674</b>
<b>Contingencies and commitments</b>	12				
<b>Number of units in issue</b>	13	<b>3,219,253</b>	<b>1,288,493</b>	<b>2,033,911</b>	<b>6,541,657</b>
<b>Net asset value per unit</b>		<b>102.6500</b>	<b>103.7607</b>	<b>102.5230</b>	

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

\_\_\_\_\_  
**Chief Executive Officer**

\_\_\_\_\_  
**Director**

# HBL FINANCIAL PLANNING FUND

## Income Statement

For the period from October 11, 2017 to June 30, 2018

		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
		----- (Rupees in '000) -----			
<b>Income</b>	<b>Note</b>				
Mark-up on deposits with bank		366	90	63	519
Capital gain on sale of investment - net		7,659	5,616	5,818	19,093
Unrealised (diminution) / appreciation on re-measurement of investments					
at 'fair value through profit or loss - held-for-trading' - net		(1,423)	1,275	515	367
Back-end load income		-	-	1	1
<b>Total income</b>		<b>6,602</b>	<b>6,981</b>	<b>6,397</b>	<b>19,980</b>
<b>Expenses</b>					
Remuneration of the Management Company	8.1	29	15	11	55
Sindh Sales Tax on remuneration of the Management Company	8.2	4	2	1	7
Remuneration of the Trustee	9.1	220	117	153	490
Annual fee to Securities and Exchange Commission of Pakistan	10	206	109	143	458
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	217	115	151	483
Amortisation of preliminary expenses and floatation costs		193	167	484	844
Auditors' remuneration	14	103	89	103	295
Fee and Subscription		40	36	65	141
Printing charges		38	33	38	109
Settlement and bank Charges		19	11	9	39
<b>Total expenses</b>		<b>1,069</b>	<b>694</b>	<b>1,158</b>	<b>2,921</b>
<b>Net income from operating activities</b>		<b>5,533</b>	<b>6,287</b>	<b>5,239</b>	<b>17,059</b>
Provision for Sindh Workers' Welfare Fund	11.1	(111)	(126)	(105)	(342)
<b>Net income for the period before taxation</b>		<b>5,422</b>	<b>6,161</b>	<b>5,134</b>	<b>16,717</b>
Taxation	15	-	-	-	-
<b>Net income for the period after taxation</b>		<b>5,422</b>	<b>6,161</b>	<b>5,134</b>	<b>16,717</b>
<b>Allocation of net income for the period</b>					
Income already paid on redemption of units		503	1,385	2	1,890
Accounting income available for distribution:					
- Relating to capital gains		4,919	4,776	5,132	14,827
- Excluding capital gains		-	-	-	-
<b>Earnings per unit</b>	16	<b>4,919</b>	<b>4,776</b>	<b>5,132</b>	<b>14,827</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
Chief Financial Officer

\_\_\_\_\_  
Chief Executive Officer

\_\_\_\_\_  
Director

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----			
<b>Net income for the period after taxation</b>	5,422	6,161	5,134	16,717
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<u>5,422</u>	<u>6,161</u>	<u>5,134</u>	<u>16,717</u>

Note

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
 (Management Company)**

\_\_\_\_\_  
 Chief Financial Officer

\_\_\_\_\_  
 Chief Executive Officer

\_\_\_\_\_  
 Director

**HBL FINANCIAL PLANNING FUND**  
**Statement of Movement In Unitholders' Fund**  
For the period from October 11, 2017 to June 30, 2018

	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation Plan		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)								
<b>Net assets at beginning of the period</b>	-	-	-	-	-	-	-	-	-
Issuance of 4,088,693 units									
- Capital value (at net asset value per unit at the par value)	408,869	-	408,869	-	-	-	-	-	-
- Element of Income	4,385	-	4,385	-	-	-	-	-	-
Issuance of 1,812,113 units									
- Capital value (at net asset value per unit at the par value)	-	-	-	181,211	-	181,211	-	-	-
- Element of Income	-	-	-	122	-	122	-	-	-
Issuance of 2,034,612 units									
- Capital value (at net asset value per unit at the par value)	-	-	-	-	-	-	203,461	-	203,461
- Element of Income	-	-	-	-	-	-	1	-	1
<b>Total proceeds on issuance of units</b>	<b>413,254</b>	<b>-</b>	<b>413,254</b>	<b>181,333</b>	<b>-</b>	<b>181,333</b>	<b>203,462</b>	<b>-</b>	<b>203,462</b>
Redemption of 869,440 units									
- Capital value (at net asset value per unit at the par value)	(86,944)	-	(86,944)	-	-	-	-	-	-
- Amount paid out of element of income	(772)	(503)	(1,275)	-	-	-	-	-	-
Relating to net income for the year after taxation									
Redemption of 523,620 units									
- Capital value (at net asset value per unit at the par value)	-	-	-	(52,362)	-	(52,362)	-	-	-
- Amount paid out of element of income	-	-	-	(52)	(1,385)	(1,437)	-	-	-
Relating to net income for the year after taxation									
Redemption of 701 units									
- Capital value (at net asset value per unit at the par value)	-	-	-	-	-	-	(70)	-	(70)
- Amount paid out of element of income	-	-	-	-	-	-	(2)	(2)	(4)
Relating to net income for the year after taxation									
<b>Total payments on redemption of units</b>	<b>(87,716)</b>	<b>(503)</b>	<b>(88,219)</b>	<b>(52,414)</b>	<b>(1,385)</b>	<b>(53,799)</b>	<b>(72)</b>	<b>(2)</b>	<b>(74)</b>
Total comprehensive income for the period	-	5,422	5,422	-	6,161	6,161	-	5,134	5,134
<b>Net assets at end of the period</b>	<b>325,538</b>	<b>4,919</b>	<b>330,457</b>	<b>128,919</b>	<b>4,776</b>	<b>133,695</b>	<b>203,390</b>	<b>5,132</b>	<b>208,522</b>
Undistributed income brought forward		-			-			-	
Accounting income available for distribution									
- Relating to capital gains	4,919			4,776			5,132		
- Excluding capital gains	-			-			-		
	4,919			4,776			5,132		
Undistributed income carried forward	4,919			4,776			5,132		
Undistributed income carried forward									
- Realised	6,342			3,501			4,617		
- Unrealised	(1,423)			1,275			515		
	4,919			4,776			5,132		
			(Rupees)			(Rupees)			(Rupees)
<b>Net assets value per unit at end of the period</b>			<b>102.6500</b>			<b>103.7607</b>			<b>102.5230</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

**HBL FINANCIAL PLANNING FUND**  
**Cash Flow Statement**  
For the period from October 11, 2017 to June 30, 2018

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----			
<b>Cash flows from operating activities</b>				
Net income for the period before taxation	5,422	6,161	5,134	16,717
<b>Adjustments for non-cash items</b>				
Mark-up on deposits with bank	(366)	(90)	(63)	(519)
Capital gain on sale of investments	(7,659)	(5,616)	(5,818)	(19,093)
Unrealised (diminution) / appreciation on re-measurement of investments at 'fair value through profit or loss - held-for-trading' - net	1,423	(1,275)	(515)	(367)
Back-end load income	-	-	(1)	(1)
Amortisation of preliminary expenses and floatation costs	193	167	484	844
	<u>(987)</u>	<u>(653)</u>	<u>(779)</u>	<u>(2,419)</u>
<b>Increase in assets</b>				
Investments - net	(322,350)	(125,645)	(201,494)	(649,489)
Preliminary expenses and floatation costs	(1,337)	(1,156)	(1,344)	(3,837)
Advances and prepayments	(133)	(93)	(99)	(325)
	<u>(323,820)</u>	<u>(126,894)</u>	<u>(202,937)</u>	<u>(653,651)</u>
<b>Increase in liabilities</b>				
Payable to the Management Company	41	12	18	71
Payable to the Trustee	58	24	36	118
Payable to Securities and Exchange Commission of Pakistan	206	109	143	458
Accrued expenses and other liabilities	383	222	216	821
	<u>688</u>	<u>367</u>	<u>413</u>	<u>1,468</u>
Bank profits received	362	89	63	514
Back-end load income received	-	-	1	1
<b>Net cash used in operating activities</b>	<u>(323,757)</u>	<u>(127,091)</u>	<u>(203,239)</u>	<u>(654,087)</u>
<b>Cash flows from financing activities</b>				
Receipts from issue of units	413,254	181,333	203,462	798,049
Amount paid on redemption of units	88,219	(53,799)	(74)	(142,092)
	<u>325,035</u>	<u>127,534</u>	<u>203,388</u>	<u>655,357</u>
<b>Net cash generated from financing activities</b>	<u>325,035</u>	<u>127,534</u>	<u>203,388</u>	<u>655,357</u>
<b>Net increase in cash and cash equivalents</b>	<u>1,278</u>	<u>443</u>	<u>149</u>	<u>1,870</u>
Cash and cash equivalents at the beginning of the period	-	-	-	-
<b>Cash and cash equivalents at the end of the period</b>	<u>1,278</u>	<u>443</u>	<u>149</u>	<u>1,870</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

\_\_\_\_\_  
**Chief Executive Officer**

\_\_\_\_\_  
**Director**

## 1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Financial Planning Fund (the Fund), was established under the Trust Deed executed between HBL Asset Management Limited as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Trust Deed was executed on March 22, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on April 14, 2017 in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton. The Fund commenced its operations from October 11, 2017.

The Fund is an open ended fund of fund scheme and the Fund is listed on Pakistan Stock Exchange Limited. The Fund has three different plans namely Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan (collectively referred as 'Plans'). The units of Conservative Allocation Plan and Active Allocation Plan were initially offered to public (IPO) on September 11, 2017 to October 10, 2017 whereas units of Strategic Allocation Plan were offered from August 07, 2017 to October 10, 2017. The units are transferable and can be redeemed by surrendering them to the Fund at the option of unit holder. The Fund is perpetual but the allocation plans may have a set time frame. Each Allocation Plan will announce separate NAVs which will rank pari passu inter se according to the number of units of the respective Allocation Plans. Units are offered for public subscription on a continuous basis. However, term-based plans, may be offered for a limited subscription period.

The Fund aims to generate returns on investment as per the respective Allocation Plan by investing in Mutual Funds in line with the risk tolerance of the Investor. Following is the description of three plans currently in operation:-

The "Active Allocation Plan" is an Allocation Plan under the "HBL Financial Planning Fund" with an objective to earn a potentially high return through active asset allocation between Equity scheme(s), Income scheme(s) and Money Market Schemes based on the Fund Manager's outlook on the asset classes.

The "Conservative Allocation Plan" is an Allocation Plan under the "HBL Financial Planning Fund" and primarily aims to provide stable returns with some capital appreciation through a pre-determined mix of investments in equity, income and money market funds. This Allocation Plan is suitable for Investors who have moderate risk tolerance and have a short to medium term investment horizon.

The "Strategic Allocation Plan" is an Allocation Plan under the "HBL Financial Planning Fund" with an objective to earn a potentially high return through active allocation of funds between Equity scheme(s), Income scheme(s) and Money Market Schemes based on fundamental analysis of economic indicators, underlying asset values and a strategy of risk aversion to market volatility. The duration of this plan is 24 months (Two Years). However, SECP or the Management Company may wind it up or revoke, on the occurrence of certain events as specified in the Regulations or clause no.10.4 of the offering document of the Fund.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+ (AM two plus)' to the Management Company while the Fund is currently not rated.

Title to the assets of the Fund are held in the name of MCB Financial Services Limited as trustee of the Fund.

No comparative figures / information have been disclosed in these financial statements as the fund commenced its operations on October 11, 2017.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIII A of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed

Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except certain investments which are measured at fair value.

**2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

**2.4 Use of judgments and estimates**

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

- (i) classification and valuation of financial assets (notes 4.2.1.1 and 4.2.1.4); and
- (ii) impairment of financial assets (note 4.2.1.5)

**3. APPLICATION OF NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS**

**3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2018**

The following standards, amendments and interpretations are effective for the year ended June 30, 2018. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative	January 01, 2017
Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses	January 01, 2017

Certain annual improvements have also been made to a number of IFRSs.

**3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective**

**3.2.1** The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments (except for IFRS 9 'Financial Instruments') are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
IFRS 15 'Revenue from contracts with customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018

	<b>Effective from accounting period beginning on or after:</b>
IFRS 16 'Leases' - This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 9 'Financial Instruments'	
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	July 01, 2018 January 01, 2019
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS	
28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures	
Amendments to IAS 19 'Employee Benefits' - Plan Amendment, Curtailment or Settlement	
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2019
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2018 January 01, 2019
<p>Certain annual improvements have also been made to a number of IFRSs which are also not expected to have material impact on financial reporting of the Fund.</p>	

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.

### **3.2.2 IFRS 9 'Financial Instruments' impact assessment**

IFRS 9 'Financial Instruments' was issued on July 24, 2017. This standard is adopted locally by the Securities and Exchange Commission of Pakistan and is effective from accounting periods beginning on or after July 1, 2018.

### **3.2.2.1 Key requirements of IFRS 9 are as follows;**

#### **Classification and measurement of financial assets**

- All recognized financial asset that are within the scope of IFRS9 are required to be subsequently measured at amortised cost or fair value.
- Debt investments that are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.
- Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at FVTOCI.
- All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.
- In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

#### **Classification and measurement of financial liabilities**

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires as follows;

- The amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.
- Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

#### **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.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above provision requirements in relation to debt securities for mutual funds.

### **3.2.2.2 Impact assessment**

Based on the analysis of Fund's financial assets and liabilities as at June 30, 2018 on the basis of facts and circumstances that exists at that date, the Management Company have assessed the impact of IFRS 9 to the Fund's financial statements as follows;

Units of other mutual funds classified as financial assets at fair value through profit or loss - held for trading qualify for designation as measured at fair value through profit or loss upon application of IFRS 9.

Financial assets classified as loans and receivables are held with a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. These financial assets will qualify for designation as measured at amortised cost and will continue to be subsequently measured at amortised cost upon application of IFRS 9.

Financial liabilities classified as amortised cost will continue to be subsequently measured at amortised cost upon application of IFRS 9.

**3.2.3** Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

##### **4.2 Financial instruments**

###### **4.2.1 Financial assets**

###### **4.2.1.1 Classification**

Management Company of the Fund determines the appropriate classification of financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), "Financial Instruments: Recognition and Measurement" at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Fund are currently categorised as follows:

The Fund classifies its financial assets in the following categories:

###### **a) Financial assets at fair value through profit or loss - held-for-trading**

An investment that is acquired principally for the purpose of generating profit from short-term fluctuations in prices is classified as a "fair value through profit or loss - held-for-trading".

###### **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. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price. Currently, there are no investment of the Fund classified as available-for-sale.

###### **4.2.1.2 Regular way contracts**

All regular purchases / sales of investments are recognized on the trade date i.e. the date that the Fund commits to purchase / sell the investments.

###### **4.2.1.3 Initial recognition and measurement**

All financial assets are initially recognised at cost, being the fair value of the consideration given including the transaction cost associated with the acquisition, except in case of "financial assets at fair value through profit or loss", in which case the transaction costs are charged off to the Income Statement.

###### **4.2.1.4 Subsequent measurement**

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss - held-for-trading' and 'available for sale' are valued as follows:

**a) Basis of valuation of units of mutual funds**

The investment of the Fund in mutual funds is valued on the basis of closing Net Asset Value (NAV) of the underlying mutual funds at the reporting date without any deduction for estimated future selling costs.

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from changes in the fair value of available for sale financial assets are taken to the statement of comprehensive income until these are derecognized or impaired. At the time of impairment or derecognized, the cumulative gain or loss previously recognized in the statement of comprehensive income is taken to the income statement.

**b) Loans and receivables**

Subsequent to initial recognition, financial assets classified as loans and receivables are carried at amortised cost using effective interest rate method.

Gains or losses are also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

**4.2.1.5 Impairment of financial assets**

The carrying value of the Fund's financial 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 recognized whenever, the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the Income Statement.

**a) Debt securities**

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 33 of 2012 dated October 24, 2012 issued by the SECP.

**b) Equity securities**

The Fund assess at each reporting date whether there is objective evidence that a financial asset or a group of financial asset is impaired. In case of investments classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If any such evidence exists for 'available-for-sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in income statement is reclassified from other comprehensive income and recognized in the income statement. However, the decrease in impairment loss 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 outflows, discounted at the original effective interest rate.

**4.2.1.6 Derecognition**

Financial assets are derecognized 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.

**4.2.2 Financial liabilities**

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortized cost.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

#### **4.2.3 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 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortized over a period of two years for strategic allocation plan and five years for active allocation plan and conservative allocation plan in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Rules.

#### **4.4 Provisions**

Provisions are recognised when the Fund has a present, legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

#### **4.5 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

The Fund is also exempt from the provisions of Section 113 (minimum tax) and section 113C (Alternative Corporate Tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.6 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

#### **4.7 Issue and redemption of units**

Units issued for each allocation plan are assigned offer price, prevalent on the day on which the applications for issuance of units are received, however, units are issued on the receipt of cash / realisation of cheques. The offer price represents the net asset value per unit as at the close of the business day plus the allowance for front-end sales load and provision of any duties and charges, if applicable.

Units redeemed of each allocation plan are recorded at the redemption price, applicable to units for which the Fund receives redemption applications during the business hours of that day. The redemption price represents the net asset value per unit as at the close of the business day less any back-end load and an amount that the management company may consider to be an appropriate provision of duties and charges. Redemption of units is recorded on acceptance of application for redemption.

#### **4.8 Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed**

The Fund has followed the requirements of SRO 756 (I) 2017 dated August 3, 2017 read with NBFC regulations, 2008 in the preparation of these financial statements as follows:

- element of income has been determined as the difference between net assets value on the issuance or redemption date, as the case maybe, of units and the net asset value at the beginning of the accounting period;
- presented distributable income in statement of movement In unitholders' fund ; and
- presented allocation of net income available for distribution relating to capital gains and excluding capital gains in statement of movement In unitholders' fund.

#### **4.9 Net assets value per unit**

The net asset value (NAV) per unit for each plan as disclosed in the statement of assets and liabilities is calculated

by dividing the net asset of the Fund by the number of units in issue at the period end.

#### 4.10 Revenue recognition

- Capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on revaluation of investments classified as 'financial assets at fair value through profit or loss - held-for-trading' are included in the Income Statement in the period in which they arise.
- Dividend income is recognized when the right to receive the dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Income on bank balances and term deposits is recognised on a time proportionate basis.

#### 4.11 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised in the income statement on a time apportion basis.

### 5 BANK BALANCES

		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	<b>Note</b>	----- (Rupees in '000) -----			
Savings accounts	5.1	<u>1,278</u>	<u>443</u>	<u>149</u>	<u>1,870</u>

### 6. INVESTMENTS - NET

		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
		----- (Rupees in '000) -----			
Investments by category					
<b>At fair value through profit or loss - held-for-trading</b>					
Units of mutual funds	6.1	<u>328,586</u>	<u>132,536</u>	<u>207,827</u>	<u>668,949</u>

Name of Investee Funds	Purchases during the Year	Redemptions during the year	As at June 30, 2018	Total carrying value as at June 30, 2018	Total market value as at June 30, 2018	Appreciation/ (diminution) as at June 30, 2018	Market value as a percentage of net assets	"Market value as a percentage of total value of Investment"
<b>Active Allocation Plan</b>	----- Number of Units -----		----- (Rupees in '000) -----					
HBL Cash Fund	4,925,468	3,694,565	1,230,903	130,431	130,431	-	39.47	39.69
HBL Stock Fund	2,387,508	536,765	1,850,743	199,578	198,155	(1,423)	59.96	60.31
	<u>7,312,976</u>	<u>4,231,330</u>	<u>3,081,646</u>	<u>330,009</u>	<u>328,586</u>	<u>(1,423)</u>	<u>99.43</u>	<u>100.00</u>
<b>Conservative Allocation Plan</b>								
HBL Cash Fund	2,428,577	1,428,587	999,990	105,962	105,962	-	79.26	79.95
HBL Stock Fund	370,166	121,971	248,195	25,299	26,574	1,275	19.88	20.05
	<u>2,798,743</u>	<u>1,550,558</u>	<u>1,248,185</u>	<u>131,261</u>	<u>132,536</u>	<u>1,275</u>	<u>99.14</u>	<u>100.00</u>
<b>Strategic Allocation Plan</b>								
HBL Cash Fund	858,335	478,291	380,044	40,271	40,271	-	19.31	19.38
HBL Income Fund	2,313,255	1,734,330	578,925	64,415	64,415	-	30.89	30.99
HBL Stock Fund	1,326,349	363,022	963,327	102,626	103,141	515	49.46	49.63
	<u>4,497,939</u>	<u>2,575,643</u>	<u>1,922,296</u>	<u>207,312</u>	<u>207,827</u>	<u>515</u>	<u>99.66</u>	<u>100.00</u>
<b>Total as at June 30, 2018</b>	<u>14,609,658</u>	<u>8,357,531</u>	<u>6,252,127</u>	<u>668,582</u>	<u>668,949</u>	<u>367</u>		

**7. Preliminary Expenses and Flotation Costs**

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- (Rupees in '000) -----				
Opening balance	-	-	-	-
Cost incurred during the period	1,337	1,156	1,344	3,837
Less: amortised during the period	(193)	(167)	(484)	(844)
Closing balance	<u>1,144</u>	<u>989</u>	<u>860</u>	<u>2,993</u>

**8. Payable to the Management Company**

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- (Rupees in '000) -----				
<b>Note</b>				
Management fee	2	1	1	4
Sindh Sales Tax on Management Company's remuneration	-	-	-	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	28	11	17	56
Sales load payable	11	-	-	11
	<u>41</u>	<u>12</u>	<u>18</u>	<u>71</u>

**8.1** As per offering document of the Fund, the Management Company of the Fund is entitled to a remuneration not exceeding 1% of average annual net assets (other than collective investment scheme managed by the Management Company) of each plan.

**8.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% on the services provided by the Management Company as required by Sindh Sales Tax on Services Act, 2011.

**8.3** As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets of each plan or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets of each plan, being lower amount, to the Fund during the period.

**9. PAYABLE TO THE TRUSTEE**

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- (Rupees in '000) -----				
<b>Note</b>				
Remuneration payable to the Trustee	51	21	32	104
Sindh Sales Tax on Trustee's remuneration	7	3	4	14
	<u>58</u>	<u>24</u>	<u>36</u>	<u>118</u>

**9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified 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, 2018 is as follows:

<b>Net assets</b>	<b>Tariff per annum</b>
Up to Rs. 1 billion	0.09% per annum of the daily average net assets
Over Rs. 1 billion	Rs 0.9 million plus 0.065% per annum of the daily average net assets exceeding one billion

**10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Under the provisions of the NBFC Regulations, 2008 a collective investment scheme categorised as a fund of fund scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

**11. ACCRUED EXPENSES AND OTHER LIABILITIES**

		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	Note	----- (Rupees in '000) -----			
Withholding tax		126	-	-	126
Provision for Sindh Workers' Welfare Fund	11.1	111	126	105	342
Zakat payable		50	-	-	50
Printing charges		25	26	29	80
Auditors' remuneration	14	71	70	82	223
		<u>383</u>	<u>222</u>	<u>216</u>	<u>821</u>

**11.1 SINDH WORKERS' WELFARE FUND**

The Government of Sindh has introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan (MUFAP), in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter which is pending.

In view of the above developments regarding applicability of SWWF, the MUFAP called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members, Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

Based on above, provision against SWWF amounting to Rs. 110,674 Rs. 125,754 and Rs. 104,744 million has been made during the period in Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively. Had the provision not been made, the net asset value per unit would have been higher by Rs. 0.034 per unit, Rs. 0.098 per unit and Rs. 0.051 per unit of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively.

**12. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2018.

**13. NUMBER OF UNITS IN ISSUE**

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----			
Units issued	4,088,693	1,812,113	2,034,612	7,935,418
Units redeemed	(869,440)	(523,620)	(701)	(1,393,761)
Total units in issue at the end of the period	<u>3,219,253</u>	<u>1,288,493</u>	<u>2,033,911</u>	<u>6,541,657</u>

**14. AUDITOR'S REMUNERATION**

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- (Rupees in '000) -----			
Annual audit fee	65	60	65	190
Fee for half yearly review	20	20	20	60
Other certifications and out of pocket	18	9	18	45
	<u>103</u>	<u>89</u>	<u>103</u>	<u>295</u>

**15. TAXATION**

The Fund has incurred tax loss during the year which has been computed based on requirement of Income Tax Ordinance, 2001. Accordingly, no provision for taxation has been recognized in these financial statements. Further, the Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the income statement.

**16. EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed as in the opinion of Management Company determination of cumulative weighted average number of outstanding units is not practicable.

**17. TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in the financial statements are as follows:

**17.1 Transactions during the period**

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- (Rupees in '000) -----				
<b>HBL Asset Management Limited - Management Company</b>				
Remuneration of the Management Company	33	17	12	62
Allocation of expenses related to registrar services, accounting, operation and valuation services	217	115	151	483
Issue of 999,202 units	-	-	99,920	99,920
<b>Habib Bank Limited - Sponsor</b>				
Bank Charges	19	11	9	39
Mark-up on deposits with bank	366	84	61	511
<b>MCB Financial Services Limited - Trustee</b>				
Remuneration of the Trustee	220	117	153	490
<b>HBL Cash Fund - CIS managed by the Management Company</b>				
Purchase of 4,925,468 units	510,511	-	-	510,511
Purchase of 2,428,577 units	-	251,762	-	251,762
Purchase of 858,335 units	-	-	90,271	90,271
Redemption of 3,694,565 units	386,294	-	-	386,294
Redemption of 1,428,587 units	-	150,607	-	150,607
Redemption of 478,291 units	-	-	50,412	50,412
<b>HBL Stock Fund- CIS managed by the Management Company</b>				
Purchase of 2,387,508 units	257,133	-	-	257,133
Purchase of 370,166 units	-	37,700	-	37,700
Purchase of 1,326,349 units	-	-	141,300	141,300

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- (Rupees in '000) -----				
Redemption of 536,765 units	59,000	-	-	59,000
Redemption of 121,971 units	-	13,210	-	13,210
Redemption of 363,022 units	-	-	40,000	40,000
<b>HBL Income Fund - CIS managed by the Management Company</b>				
Purchase of 2,313,255 units	-	-	250,415	250,415
Redemption of 1,734,330 units	-	-	190,080	190,080
<b>Executives of the Management Company</b>				
Issue of 38,992 units	4,000	-	-	4,000
<b>Patient Welfare Association - Connected person due to holding of 10%</b>				
Issue of 400,000 units	-	40,000	-	40,000
<b>Ferozsons Laboratories Limited - Employees Provident Fund Connected person due to holding of 10% or more</b>				
Issue of 500,000 units	50,000	-	-	50,000
<b>Mr. Mir Ghulam Ali Talpur - Connected person due to holding of 10% or more</b>				
Issue of 250,500 units	-	-	25,050	25,050
<b>Mr. Mudassar Iqbal - Connected person due to holding of 10% or more</b>				
Issue of 150,000 units	-	15,000	-	15,000
<b>Mr. Aamer Raza Ataulah Khan - Connected person due to holding of 10% or more</b>				
Issue of 196,811 units	-	-	20,012	20,012
<b>Mr. Farid Khan - Connected person due to holding of 10% or more</b>				
Issue of 500,000 units	-	50,000	-	50,000
<b>Mr. Towfiq H. Chinoy - Connected person due to holding of 10% or more</b>				
Issue of 986,321 units	100,000	-	-	100,000
<b>Sapphire Finishing Mills Limited - Employees Provident Fund Connected person due to holding of 10% or more</b>				
Issue of 254,254 units.	-	-	25,426	25,426

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
<b>17.2 Balances outstanding as at period end</b>	----- (Rupees in '000) -----			
<b>HBL Asset Management Limited - Management Company</b>				
Management fee	2	1	1	4
Allocation of expenses related to registrar services, accounting, operation and valuation services	28	11	17	56
Sales load payable	11	-	-	11
Units held 999,202 units	-	-	102,513	102,513
<b>Habib Bank Limited - Sponsor</b>				
Mark-up accrued on deposits with bank	4	1	-	5
Bank balances	1,268	387	137	8,651
<b>MCB Financial Services Limited - Trustee</b>				
Remuneration payable to the Trustee	58	24	36	118
<b>HBL Cash Fund - CIS managed by the Management Company</b>				
Units held 1,230,903 units	130,431	-	-	130,431
Units held 999,990 units	-	105,962	-	105,962
Units held 380,044 units	-	-	40,271	40,271
<b>HBL Stock Fund- CIS managed by the Management Company</b>				
Units held 1,850,743 units	198,155	-	-	198,155
Units held 248,195 units	-	26,574	-	26,574
Units held 963,327 units	-	-	103,141	103,141
<b>HBL Income Fund - CIS managed by the Management Company</b>				
Units held 578,925 units	-	-	64,415	64,415
<b>Executives of the Management Company</b>				
Units held 38,992 units	4,003	-	-	4,003
<b>Ferozsons Laboratories Limited - Employees Provident Fund Connected person due to holding of 10% or more</b>				
Units held 500,000 units	51,325	-	-	51,325
<b>Mr. Mir Ghulam Ali Talpur - Connected person due to holding of 10% or more</b>				
Units held 250,500 units	-	-	25,682	25,682
<b>Mr. Mudassar Iqbal - Connected person due to holding of 10% or more</b>				
Units held 150,000 units	-	15,564	-	15,564

**Mr. Aamer Raza Ataullah Khan - Connected person due to holding of 10% or more**

Units held 196,811 units	-	-	20,178	20,178
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**Mr. Farid Khan - Connected person due to holding of 10% or more**

Units held 500,000 units	-	51,880	-	51,880
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**Mr. Towfiq H. Chinoy - Connected person due to holding of 10% or more**

Units held 986,321 units	101,246	-	-	101,246
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**Sapphire Finishing Mills Limited - Employees Provident Fund  
 Connected person due to holding of 10% or more**

Units held 254,254 units	-	-	26,067	26,067
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**18. FINANCIAL INSTRUMENTS BY CATEGORY**

	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation Plan			Total
	At fair value through profit or loss held -for- trading	Loans and receivables	Total	At fair value through profit or loss held -for- trading	Loans and receivables	Total	At fair value through profit or loss held -for- trading	Loans and receivables	Total	
----- (Rupees in '000) -----										
<b>Financial Assets</b>										
Bank balances	-	1,278	1,278	-	443	443	-	149	149	1,870
Investments	328,586	-	328,586	132,536	-	132,536	207,827	-	207,827	668,949
Accrued mark-up	-	4	4	-	1	1	-	-	-	5
	328,586	1,282	329,888	132,536	444	132,980	207,827	149	207,976	670,824

	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- (Rupees in '000) -----				
<b>Financial liabilities - at amortised cost</b>				
Payable to the Management Company	41	12	18	71
Payable to the Trustee	58	24	36	118
Accrued expenses and other liabilities	96	96	111	303
Unit Holders' Fund	330,457	133,695	208,522	672,674
	330,652	133,827	208,687	673,166

## **19. FINANCIAL RISK MANAGEMENT**

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### **19.1 Market risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, interest rate risk and price risk.

#### **19.1.1 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk as its all transactions are carried out in Pak Rupees.

#### **19.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

##### **a) Cash flow interest rate risk**

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the period would have increased / (decreased) by Rs. 0.08137 million of Active Allocation Plan, Rs. 0.0043 million of Conservative Allocation plan and Rs. 0.00149 million of Strategic Allocation Plan, had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

##### **b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

#### **19.1.3 Price risk**

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the fund in which the investment is made, change in business circumstances of the fund, industry environment and / or the economy in general. The Fund's strategy on the management of investment risk is driven by the Fund's investment objective. The Fund's price risk is managed on a daily basis by the investment committee in accordance with the policies and procedures laid down by the SECP. The price risk is managed by monitoring exposure to marketable securities and by complying with the internal risk management policies and regulations laid down in NBFC Regulations, 2008.

In case of 5% increase / decrease in price of all units held by Funds at the period end, net income for the period would increase / decrease by Rs. 16.429 million of Active Allocation Plan, Rs. 6.626 million of Conservative Allocation Plan and Rs. 10.391 million of Strategic Allocation Plan and net assets of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan would increase / decrease by the same amount as a result of gains / losses on units of Fund at fair value through profit or loss.

**19.1.4 Credit risk**

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

**Management of credit risk**

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in units are settled / paid for upon delivery using the system of Trustee. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2018:

Name of bank	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Latest available published rating as at June 30, 2018	Rating agency
Habib Bank Limited	1,268	387	137	AAA	JCR-VIS
JS Bank Limited	10	56	12	AA-	PACRA
	<b>1,278</b>	<b>443</b>	<b>149</b>		

The maximum exposure to credit risk before considering any collateral as at June 30, 2018 is the carrying amount of the financial assets. Investments in units, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

**Concentration of credit risk**

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's bank balances are held with two banks. Management believes that such banks are reputed institutions.

**19.1.5 Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current period no borrowings were made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current period.

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:

	Active Allocation Plan				Conservative Allocation Plan				Strategic Allocation Plan				Total
	Upto three months	Over three months and up to one year	Over one year	Total	Upto three months	Over three months and up to one year	Over one year	Total	Upto three months	Over three months and up to one year	Over one year	Total	
------(Rupees in '000)-----													
<b>Financial Liabilities</b>													
Payable to the Management Company	41	-	-	41	12	-	-	12	18	-	-	18	71
Payable to the Trustee	58	-	-	58	24	-	-	24	36	-	-	36	118
Accrued expenses and other liabilities	96	-	-	96	96	-	-	96	111	-	-	111	303
	195	-	-	195	132	-	-	132	165	-	-	165	492
Unit Holders' Fund	330,457	-	-	330,457	133,695	-	-	133,695	208,522	-	-	208,522	672,674

## 20. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair value of financial assets and liabilities traded in active markets i.e. units of mutual funds are based on the quoted NAVs at the close of the reporting date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

		Active Allocation Plan								
		Carrying amount			Fair Value					
Note		Fair value through profit or loss - held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total	
------(Rupees in '000)-----										
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
	Investments	6	328,586	-	-	328,586	328,586	-	-	328,586
			<u>328,586</u>	-	-	<u>328,586</u>	<u>328,586</u>	-	-	<u>328,586</u>
<b>Financial assets not measured at fair value</b>										
	Bank balances	20.1	-	1,278	-	1,278				
	Accrued mark-up		-	4	-	4				
			-	<u>1,278</u>	-	<u>1,282</u>				
<b>Financial liabilities not measured at fair value</b>										
	Payable to the Management Company	20.1	-	41	-	-				
	Payable to the Trustee		-	58	-	-				
	Accrued expenses and other liabilities		-	96	-	-				
	Unit Holders' Fund		-	330,457	-	-				
			-	<u>330,652</u>	-	-				

		Conservative Allocation Plan								
		Carrying amount			Fair Value					
Note		Fair value through profit or loss - held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total	
------(Rupees in '000)-----										
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
	Investments	6	132,536	-	-	132,536	132,536	-	-	132,536
			<u>132,536</u>	-	-	<u>132,536</u>	<u>132,536</u>	-	-	<u>132,536</u>
<b>Financial assets not measured at fair value</b>										
	Bank balances	20.1	-	443	-	443				
	Accrued mark-up		-	1	-	1				
			-	<u>444</u>	-	<u>444</u>				
<b>Financial liabilities not measured at fair value</b>										
	Payable to the Management Company	20.1	-	12	-	-				
	Payable to the Trustee		-	24	-	-				
	Accrued expenses and other liabilities		-	96	-	-				
	Unit Holders' Fund		-	133,695	-	-				
			-	<u>133,827</u>	-	-				

		Strategic Allocation Plan								
		Carrying amount			Fair Value					
Note		Fair value through profit or loss - held for trading	Loans and receivables	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total	
------(Rupees in '000)-----										
<b>On-balance sheet financial instruments</b>										
<b>Financial assets measured at fair value</b>										
	Investments	6	207,827	-	-	207,827	207,827	-	-	207,827
			<u>207,827</u>	<u>-</u>	<u>-</u>	<u>207,827</u>	<u>207,827</u>	<u>-</u>	<u>-</u>	<u>207,827</u>
<b>Financial assets not measured at fair value</b>										
	Bank balances	20.1	-	149	-	149				
			<u>-</u>	<u>149</u>	<u>-</u>	<u>149</u>				
<b>Financial liabilities not measured at fair value</b>										
	Payable to the Management Company	20.1	-	18	-	-				
	Payable to the Trustee		-	36	-	-				
	Accrued expenses and other liabilities		-	111	-	-				
	Unit Holders' Fund		-	208,522	-	-				
			<u>-</u>	<u>208,687</u>	<u>-</u>	<u>-</u>				

**20.1** 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.

**21. Valuation techniques**

For level 1 investments at fair value through profit or loss - held for trading investment in respect of units of mutual funds, Fund uses daily NAVs which are taken from MUFAP at reporting date.

**22. Transfers during the period**

There were no transfers between various levels of fair value hierarchy during the period.

**23. UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown in the Statement of Movement in Unit Holders' Fund. The Fund has no restrictions on the subscription and redemption of units except for maintaining minimum fund size of Rs.100 million at all times. The Fund has maintained and complied with the requirements of minimum fund size during the period.

The Fund's objectives when managing unit holders' fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 19, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, which would be augmented by short-term borrowings or disposal of investments where necessary.

**24. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

There were no brokers during the period ended June 30, 2018.

**25. PATTERN OF UNITHOLDING**

**Active Allocation Plan**

Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
(Rupees in '000)				
Individuals	91	1,643,940	168,751	51.07%
Associated Companies and Directors	2	1,025,313	105,248	31.85%
Retirement Funds	2	550,000	56,458	17.08%
	<u>95</u>	<u>3,219,253</u>	<u>330,457</u>	<u>100%</u>

**Conservative Allocation Plan**

Individuals	23	888,493	41,504	68.96%
Other Corporate	1	400,000	92,191	31.04%
	<u>24</u>	<u>1,288,493</u>	<u>133,695</u>	<u>100%</u>

**Strategic Allocation Plan**

Individuals	25	760,582	77,977	37.40%
Associated Companies and Directors	1	999,202	102,441	49.13%
Retirement Funds	1	254,254	26,067	12.50%
Trust	1	19,873	2,037	0.98%
	<u>28</u>	<u>2,033,911</u>	<u>208,522</u>	<u>100%</u>

**26. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the investment committee of the Fund as on June 30, 2018 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Farid Ahmed Khan	Chief Executive Officer	CFA, MBA	25+ years
2	Muhammad Imran	Chief Investment Officer	MBA - Finance	18+ years
3	Jawad Naeem	Specialist - Equity	MBA	10+ years
4	Adeel Abdul Wahab	Specialist - Equity	ACCA	10+ years
5	Faizan Saleem	Head of Fixed Income	MBA - Finance	10+ years
6	Noman Ameer	Manager Risk	MBA - Finance	11+ years
7	Sateesh Balani	Head of Research	CFA, MBA	7+ years

**27. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS**

Four meetings of the Board of Directors were held on October 27, 2017, November 23, 2017, February 26, 2018 and April 23, 2018 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Agha Sher Shah <sup>1</sup>	2	2	-	-
2	Mr. Farid Ahmed Khan	4	4	-	-
3	Ms. Ava A. Cowasjee	4	2	2	November 23,2017 & April 23,2018
4	Mr. Rayomond H. Kotwal	4	4	-	-
5	Mr. Rizwan Haider	4	3	1	October 27,2017
6	Mr. Shabbir Hussain Hashmi <sup>2</sup>	1	1	-	-
7	Mr. Shahid Ghaffar <sup>3</sup>	2	1	1	February 26,2018
8	Mr. Nadeem Abdullah <sup>4</sup>	3	3	-	-
9	Mr. Towfiq Habib Chinoy <sup>5</sup>	2	2	-	-
10	Mr. Salahuddin Manzoor <sup>6</sup>	2	2	-	-

1 Appointed on November 23, 2017

2 Appointed on February 26, 2018

3 Appointed on December 04, 2017

4 Resigned on February 26, 2018

5 Resigned on November 23, 2017

6 Resigned on November 30, 2017

## 28. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio for the period ended June 30, 2018 is 0.39%, 0.51% and 0.60% (YTD) which includes 0.11%, 0.15% and 0.12% representing government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan respectively.

## 29. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 31, 2018 by the Board of Directors of the Management Company.

## 30. GENERAL

30.1 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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پنجاب حکومت  
Government of Punjab  
پنجاب حکومت

# HBL

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