

**HBL**

**ASSET MANAGEMENT LTD.**  
ایس ایٹ ایس ایٹ منیجمنٹ لمیٹڈ

AMC Rating : AM2+ by JCR-VIS

# HALF YEARLY REPORT 2018

For the period ended December 31, 2018

MOVING TOWARDS  
**EXCELLENCE**

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## CORPORATE INFORMATION

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### 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)

### Human Resource Committee

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

### Risk Management Committee

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

### Company Secretary &

### Chief Financial Officer

Mr. Noman Qurban

### AMC Rating

AM2+ (Positive Outlook)

### Legal Advisors

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

### Website

[www.hblasset.com](http://www.hblasset.com)

### Head Office & Registered Office

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

# REVIEW REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE THREE MONTH ENDED SEPTEMBER 30, 2018

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The Board of Directors of HBL Asset Management Limited is pleased to present its report together with Financial Statements for the half year ended December 31, 2018.

01. HBL Islamic Money Market Fund
02. HBL Islamic Income Fund
03. HBL Islamic Stock Fund
04. HBL Islamic Equity Fund
05. HBL Islamic Asset Allocation Fund
06. HBL Islamic Financial Planning Fund
07. HBL Islamic Dedicated Equity Fund

## Economic Review

Pakistan's economy continued to face challenges with sustained twin deficits, increasing inflationary pressures and depleting FX reserves. Due to persistent macroeconomic issues, central bank pursued monetary tightening and PKR depreciation to contain aggregate demand and external account pressures. These recent changes along with substantial financial flows and commitments by the friendly countries (Saudi Arabia, UAE and China) allowed breathing space to the government to plug external funding gap.

Policy makers allowed PKR depreciation of 15.0% during 1HFY19 to counter overvaluation of currency to improve overall trade balance of the country. After last round of PKR depreciation, Real Effective Exchange Rate reached to 106.4 (Nov-18), down 14.4% YoY, reflecting currency is close to its fair value. Central bank also pursued monetary tightening by raising benchmark interest rates by 350bps during 1HFY19. These drastic changes led to some respite in trade data (PBS) showed export growth of 2.2% in 1HFY19 compared to decline in import by 2.3%, dragging 1HFY19 trade deficit by 5.0% to USD 16.8bn. Remittances also showed encouraging trend as it witnessed an uptick of 10% in 1HFY19 clocking at USD 10.7bn. These factors led the Current Account Deficit (CAD) for 1HFY19 to decrease by 4.4% to USD 8.0bn (5.4% of GDP) compared to USD 8.4bn (5.2% of GDP) during same period last year. Slowdown in CAD was a welcome effect but it was coupled with overall slowdown in domestic economy with 0.9% decline in LSM during 5MFY19 compared to increase of 7.7% during 5MFY18. Foreign exchange reserves dropped to USD 13.8bn while SBP reserves depleted to USD 7.2bn.

Average headline CPI inflation was 6.0% in 1HFY19, much higher than the 3.8% recorded during the same period last year on account of higher average oil prices and currency depreciation. Headline inflation displayed some slowdown in the last quarter due to decline in oil prices and perishable food items. Core inflation (non-food & non-energy) continued to remain on the elevated side reaching 8.4% during Dec-18, taking 1HFY19 average to 8.0% compared to 5.5% during same period last year. While we expect headline inflation to remain moderate owing to adequate food supply, core inflation may remain sticky in the near term. The Government revised fiscal deficit target to 5.1% of GDP.

Going forward, we expect macroeconomic challenges to persist while Government would be eyeing foreign flows from friendly countries and target agreement with IMF to bridge external funding gap on sustainable basis. We also foresee that Government would pursue fiscal austerity measures after entry into IMF program.

## Money Market Review

SBP continued its monetary tightening policy in 1HFY19 to control the rising current account deficit and in anticipation of increasing inflationary pressures.

As per latest data available, Islamic Banking industry assets posted 18.0% growth and stood at PKR 2,458 billion by Sep-18. Similarly, deposits of Islamic banks also witnessed a sharp growth of 15.9% YoY and reached PKR 2,005 billion by Sep-18. Despite the massive growth in assets and deposits, SBP did not issue any fixed or floating rate GOP Ijarah Sukuk in FY18 and in 1HFY19. In Dec-18, GOP Ijara 16 of PKR117.7 billion matured thus government conducted "Bai-Muajjal" transaction of PKR 103bn with the banks so the banks could park their excess liquidity. The "Bai-Muajjal" was SLR Eligible which ensured that the Islamic banks continue to meet the SLR requirement. The government has also announced to launch Islamic Sukuk of PKR 200bn to partially retire the circular debt. This will be potentially SLR eligible. These developments has resulted in increase in investment avenues for the Islamic banks.

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During the half, Government shifted its borrowing from scheduled banks to central bank. Government retired PKR 606bn from scheduled banks against borrowing of PKR 315bn during same period last year due to lack of interest in the T-Bill and PIB auctions. Meanwhile, Government borrowing from SBP increased by PKR 1,257bn during the period against retirement of PKR 3bn during same period last year. Government largely managed its borrowing requirements through domestic sources, and largely from central bank.

In the monetary policy held in January-19, SBP increased the policy rate by a further 25bps to 10.25%. Going forward, we foresee that large part of monetary tightening has been done and the interest rates would remain around current levels (10-11%) during the remaining months of fiscal year 2019.

#### Stock Market Review

Pakistan Equity Markets witnessed a decline in the outgoing half as increased macroeconomic risks dent overall investor sentiment. Market posted gains for a brief time period after the successful political transition post General Elections 2018 with huge expectations from incumbent Government and political stability after one year. However, the bear took charge due to persistent foreign outflows, interest rate hikes and PKR depreciation.

The benchmark KMI30 Index fell 9,888 points to close at 61,174 points (↓13.9%). There was across the board selling as majority of the sectors witnessed decline. Majority of the sectors witnessed drop due to weak sentiment and declining earnings of cyclical companies due to concerns over sustainability of demand and margins (after monetary tightening and currency depreciation). Consequently cement, engineering (steel) and auto sectors declined by 15%, 32% and 27% respectively. The Auto sector remained under pressure due to demand concerns after continuation of ban on non-filers from purchasing cars and news flow of allowance of import of used tractors. Oil & Gas Marketing sector also witnessed correction of 17% due to ban on import of furnace oil and decline in volume of retail fuel.

Despite PKR depreciation and higher average oil prices, performance of the Oil & Gas Exploration sectors remained disappointing as the sector's performance was marred by volatility in oil prices from a peak of USD 86/bbl in Oct-18 to USD 53/bbl towards the close of the year. Foreigners continued to remain net sellers in the market, divesting equities worth USD404mn during the half ended Dec-18. These flows were largely absorbed by Insurance companies and Individuals with investment of USD173mn and USD152mn respectively.

Looking ahead, Pakistan equities are expected to remain range bound as the market participants await clarity on the government's policy action after entry into IMF program. However, we highlight that the current macro-economic environment bodes well for index heavy weights (E&Ps) while recent underperformance has opened up valuations of cyclical stocks. We believe Pakistan equities offers a good entry opportunity for long term investors.

#### FUND'S PERFORMANCE

##### HBL Islamic Money Market Fund

The total income and net income of the Fund was Rs. 37.36 million and Rs. 30.32 million respectively during the period ended December 31, 2018. The Net Asset Value (NAV) of the Fund decreased from Rs. 104.9735 per unit as on June 30, 2018 to Rs. 104.1794 per unit as on December 31, 2018 (after incorporating dividend of Rs. 4.15 per unit); thereby giving an annualized return of 6.60%. During the same period, the benchmark return (3 Month bank deposit rates) was 2.81%. The size of Fund was Rs. 0.97 billion as on December 31, 2018 as compared to Rs. 0.96 billion at the start of the year.

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

##### HBL Islamic Income Fund

The total income and net income of the Fund was Rs. 164.48 million and Rs. 131.36 million respectively during the period ended December 31, 2018. The Net Asset Value (NAV) of the Fund decreased from Rs. 106.3013 per unit as on June 30, 2018 to

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Rs. 104.6778 per unit as on December 31, 2018 (after incorporating dividend of Rs. 5.00 per unit); thereby giving an annualized return of 6.61%. During the same period, the benchmark return (6 Month bank deposit rates) was 2.85%. The size of Fund was Rs. 3.73 billion as on December 31, 2018 as compared to Rs. 4.04 billion at the start of the year.

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

#### HBL Islamic Stock Fund

The total and net loss of the Fund was Rs. 172.00 million and Rs. 217.56 million respectively during the period ended December 31, 2018. The Net Asset Value (NAV) of the Fund decreased from Rs. 111.8276 per unit as on June 30, 2018 to Rs. 101.9945 per unit as on December 31, 2018 giving a negative return of 8.79% during the period against the benchmark return (KMI 30 Index) of negative 13.91%. The size of Fund was Rs. 2.24 billion as on December 31, 2018 as compared to Rs. 2.54 billion at the start of the year.

#### HBL Islamic Equity Fund

The total and net loss of the Fund was Rs. 62.56 million and Rs. 79.42 million respectively during the period ended December 31, 2018. The Net Asset Value (NAV) of the Fund decreased from Rs. 92.4834 per unit as on June 30, 2018 to Rs. 84.3406 per unit as on December 31, 2018 giving a negative return of 8.80% during the period against the benchmark return (KMI 30 Index) of negative 13.91%. The size of Fund was Rs. 0.56 billion as on December 31, 2018 as compared to Rs. 1.32 billion at the start of the year.

#### HBL Islamic Asset Allocation Fund

The total and net loss of the Fund was Rs. 14.59 million and Rs. 17.21 million respectively during the period ended December 31, 2018. The Net Asset Value (NAV) of the Fund decreased from Rs. 104.7748 per unit as on June 30, 2018 to Rs. 103.6611 per unit as on December 31, 2018 (after incorporating dividend of Rs. 0.30 per unit); thereby giving a negative return of 0.78% during the period against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of negative 2.74%. The size of Fund was Rs. 2.23 billion as on December 31, 2018 as compared to Rs. 2.47 billion at the start of the year.

#### HBL Islamic Financial Planning Fund

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

The Fund as a whole incurred total and net loss of Rs. 137.23 million and Rs. 146.59 million respectively during the period under review. The fund size of the fund stood at Rs. 4.83 billion. Performance review for plan is given below:

##### Active Allocation Plan

During the period under review, the Active allocation plan incurred total and net loss of Rs. 10.32 million and Rs. 10.69 million respectively. The net assets of the Active allocation plan stood at Rs. 194 million representing Net Asset Value (NAV) of Rs. 95.2140 per unit as at December 31, 2018. The plan earned a negative return of 5.18% for the period under review. The plan is invested to the extent of 56% in equity funds & 43% in fixed income funds.

##### Conservative Allocation Plan

During the period under review, the Conservative allocation plan earned total and net income of Rs. 0.33 million and Rs. 0.27 million respectively. The net assets of the Conservative allocation plan stood at Rs. 25 million representing Net Asset Value (NAV) of Rs. 102.1530 per unit as at December 31, 2018. The plan earned a return of 0.73% for the period under review. The plan is invested to the extent of 20% in equity funds & 79% in fixed income funds.

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#### Strategic Allocation Plan

During the period under review, the Strategic allocation plan incurred total and net loss of Rs. 125.39 million and Rs. 132.71 million respectively. The net assets of the Strategic allocation plan stood at Rs. 4.14 billion representing Net Asset Value (NAV) of Rs. 98.3415 per unit as at December 31, 2018. The plan earned a negative return of 3.11% for the period under review. The plan is invested to the extent of 42% in equity funds & 58% in fixed income funds.

#### Islamic Capital Preservation Plan

Islamic Capital Preservation Plan commenced its operations from October 02, 2018. During this period from October 02, 2018 to December 31, 2018, the Islamic Capital Preservation plan incurred total and net loss of Rs. 1.86 million and Rs. 3.46 million respectively. The net assets of the Islamic Capital Preservation plan stood at Rs. 469 million representing Net Asset Value (NAV) of Rs. 99.2644 per unit as at December 31, 2018. The plan earned a return of negative 0.74% for the period under review. The plan is invested to the extent of 28% in equity funds & 71% in cash.

#### HBL Islamic Dedicated Equity Fund

The HBL Islamic Dedicated Fund commence its operation from October 01, 2018. The total and net loss of the Fund was Rs. 49.87 million and Rs. 55.43 million respectively during the period from October 01, 2018 to December 31, 2018. The Net Asset Value (NAV) of the Fund was Rs. 93.8692 per unit as on December 31, 2018. The Fund yielded a negative return of 6.13% during the period against the benchmark return (KMI 30 Index) of negative 4.45%. The size of Fund was Rs. 0.49 billion as on December 31, 2018.

#### MANAGEMENT COMPANY RATING

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has maintained management quality rating of 'AM2+ (Positive outlook)' to the Management Company.

#### 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 and MCB Financial Services Limited 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

## انتظامی کمپنی کے ڈائریکٹرز کی رپورٹ

ایچ بی ایل ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بمسرت اپنی رپورٹ مع 31 دسمبر 2018 کو ختم ہونے والے سال کے لئے ایچ بی ایل اسلامک منی مارکیٹ فنڈ، ایچ بی ایل اسلامک انکم فنڈ، ایچ بی ایل اسلامک اسٹاک فنڈ، ایچ بی ایل اسلامک ایکویٹی فنڈ، ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ، ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ اور ایچ بی ایل اسلامک ڈیڈ ویکیٹیڈ ایکویٹی فنڈ (دی فنڈز) کے مالیاتی حسابات پیش کر رہے ہیں۔

### معیشت کا جائزہ

پاکستان کی معیشت کو مستقل طور پر دہرے خساروں، بڑھتے ہوئے افراط زر کے دباؤ اور کم ہوتے ہوئے غیر ملکی زرمبادلہ کے ذخائر کے ساتھ مستقل چیلنجز کا سامنا ہے۔ مسلسل میکرو اکنامک ایٹوز کے باعث مرکزی بینک نے مالیاتی سختی لانے کی کوشش کی اور پاک روپے کی قدر میں کمی مجموعی طلب برقرار رکھنے اور بیرونی اکاؤنٹ کے دباؤ کے تحت کی۔ ان حالیہ تبدیلیوں بشمول مناسب کیش فلوز دوست ممالک (سعودی عرب، یو اے ای اور چین) کی جانب سے تعاون کے وعدوں نے حکومت کو بیرونی فنڈنگ کے خلائ کو پر کرنے کی قوت فراہم کی۔

پالیسی سازوں نے مالی سال 19ء کی پہلی ششماہی کے دوران پاک روپے کی قدر میں 15 فیصد کمی ملک کے مجموعی تجارتی توازن کو بہتر بنانے کے لئے کرنسی کی اور ویلیویشن سے نمٹنے کی غرض سے کی۔ پاک روپے کی قدر میں آخری بار کمی کے بعد ریٹیل اینفلیکشن ایکسیچ ریٹ 106.4 (نومبر-18ء) تک پہنچ گیا % 14.4 کی کمی ہوئی، جو کرنسی کی اس کی فیئر ویلیو پر بند ہونے کی عکاس ہے۔ مرکزی بینک نے مالی سال 19ء کی پہلی ششماہی کے دوران 350bps کے ذریعے بیچ مارک شرح سود میں اضافے کے تحت سخت مالیاتی پالیسی پر توجہ مرکوز رکھی۔ ان نمایاں تبدیلیوں سے تجارتی ڈیٹا (PBS) میں کچھ مہلت ملی جس سے مالی سال 19ء کی پہلی ششماہی میں 2.2 فیصد کمی برآمدی گروتھ ظاہر ہوئی، اس کے مقابلے میں درآمدات میں 2.3 فیصد کمی آئی جس سے مالی سال 19ء کی پہلی ششماہی کے دوران تجارتی خسارہ 5 فیصد تک کم ہو کر 16.8 ارب ڈالر تک کم ہوا۔ زرتریل کارجمان بھی خاصا حوصلہ افزا رہا جس نے مالی سال 19ء کی پہلی ششماہی میں 10 فیصد تک کا اضافہ ظاہر کیا اور 10.7 ارب ڈالر تک چاہنچے۔ ان عناصر کے نتیجے میں مالی سال 19ء کی پہلی ششماہی کے لئے کرنٹ اکاؤنٹ خسارہ (CAD) 4.4 فیصد کم ہو کر 8.0 ارب ڈالر (جی ڈی پی کا % 5.4 فیصد) ہو گیا جو اس کے مقابلے میں گزشتہ سال کی اسی مدت کے دوران 8.4 ارب ڈالر (جی ڈی پی کا % 5.2 فیصد) رہا تھا۔ کرنٹ اکاؤنٹ خسارے میں سست روی خوش آئند اثرات تھے تاہم اس کے ساتھ مقامی معیشت میں مالی سال 19ء کے پہلے پانچ ماہ کے دوران ایل ایس ایم میں بھی 0.9 فیصد کمی کارجمان رہا۔ جبکہ اس کے مقابلے میں مالی سال 18ء کے پہلے پانچ ماہ کے دوران 7.7 فیصد اضافہ ہوا تھا۔ غیر ملکی زرمبادلہ کے ذخائر 13.8 ارب ڈالر تک کم ہوئے جبکہ ایس بی پی کے ذخائر میں 7.2 ارب ڈالر کمی کی آئی۔

مالی سال 19ء کی پہلی ششماہی میں اوسطاً سرکردہ سی پی آئی افراط زر کی شرح 6.0 فیصد تھی جو بلند تر اوسطاً تیل کے نرخوں اور کرنسی کی قدر میں کمی کے باعث گزشتہ سال کی اسی مدت کے دوران ریکارڈ کی جانے والی 3.8 فیصد سے بہت زیادہ رہی۔ افراط زر میں آخری سہ ماہی کے دوران تیل کے نرخوں میں کمی اور جلد خراب ہوجانے والے فوڈ آئیٹمز میں کمی کے باعث کسی قدر سست روی دیکھنے میں آئی۔ بنیادی افراط زر (نان-فوڈ اور نان-انرجی) بدستور اوپر سطح پر گامزن رہا اور دسمبر 18ء کے دوران 8.4 فیصد پر پہنچ گیا جو مالی سال 19ء کی پہلی ششماہی میں اوسطاً 8.0 فیصد رہا اور گزشتہ سال کی اسی مدت کے دوران مقابلتاً 5.5 فیصد تھا۔ جبکہ ہم توقع کرتے ہیں کہ افراط زر کی شرح مناسب فوڈ سپلائی کے باعث متوازن رہے گی جبکہ بنیادی افراط زر میں مدت کے دوران سخت رہ سکتی ہے۔ حکومت نے مالیاتی خسارے کے ہدف پر جی ڈی پی کے 5.1 فیصد تک کی نظر ثانی کی ہے۔

آگے بڑھتے ہوئے ہم توقع کرتے ہیں کہ میکرو اکنامک چیلنجز سے نمٹ لیا جائے گا کیونکہ حکومت دوست ممالک سے امداد پر نگاہ رکھے ہوئے ہے اور آئی ایم ایف کے ساتھ معاہدے کے بعد غیر ملکی فنڈنگ کا خلا مستحکم بنیادوں پر پُر کیا جاسکے گا۔ ہم یہ بھی دیکھ رہے ہیں کہ حکومت آئی ایم ایف پروگرام میں داخل ہونے کے بعد مالی استحکام کے اقدامات پر بھی بھرپور توجہ دے گی۔

## بازار زر کا جائزہ

اسٹیٹ بینک آف پاکستان نے بڑھتا ہوا کرنٹ اکاؤنٹ خسارہ کنٹرول کرنے اور افراط زر کے بڑھتے ہوئے دباؤ کے پیش نظر مالی سال 19ء کی پہلی ششماہی میں سخت مانیٹری پالیسی اپنائے رکھی۔

تازہ ترین دستیاب ڈیٹا کے مطابق اسلامی بینکاری کی صنعت کے اثاثہ جات %18.0 کی شرح نمو ظاہر کی اور ستمبر 18ء تک 2,458 ارب روپے پر برقرار تھے۔ اسی طرح اسلامی بینکوں کے ڈپازٹس نے بھی %15.9 کی واضح گروتھ ظاہر کی اور ستمبر 18ء تک 2,005 ارب روپے پر پہنچ گئے۔ اثاثہ جات اور ڈپازٹس میں بڑے پیمانے پر اضافے کے باوجود ایس بی پی نے مالی سال 18ء اور مالی سال 19ء کی پہلی ششماہی میں کوئی فکسڈ یا فلوٹنگ ریٹ کے سرکاری اجارہ سکوک جاری نہیں کئے۔ دسمبر 18ء میں حکومت پاکستان کے 117.7 ارب روپے کے اجارہ 16 میپورڈ ہوئے لہذا حکومت نے بینکوں کے ساتھ 103 ارب روپے کی ”ہائی-مجل“ ٹرانزیکشن کی تاکہ بینکس اپنی اضافی لیکویڈٹی کو روک سکیں۔ ”ہائی-مجل“ ایس ایل آر کی اہل تھی جو اس امر کو یقینی بناتی ہے کہ اسلامی بینکس ایس ایل آر کی شرائط پوری کرنے کا سلسلہ برقرار رکھ سکتے ہیں۔ حکومت نے زیر گردش قرضے جزوی طور پر نمٹانے کے لئے 200 ارب روپے کے اسلامی سکوک متعارف کرنے کا بھی اعلان کیا۔ اس سے ایس ایل آر کی صلاحیت مستحکم ہوگی۔ اس پیشرفت کے نتیجے میں اسلامی بینکوں کے لئے سرمایہ کاری کے راستوں میں اضافہ ہوا۔

ششماہی کے دوران حکومت نے اپنے قرضہ جات شیڈول بینکوں سے سینٹرل بینک کی جانب منتقل کئے۔ حکومت نے ٹی بلز اور پی آئی بی آکشنز میں فقدان کے باعث گزشتہ سال کی اسی مدت کے دوران 315 ارب روپے کے قرضوں کے عوض شیڈول بینکوں سے 606 ارب روپے نمٹائے۔ دریں اثنا حکومت کے اس مدت کے دوران ایس بی پی سے قرضوں میں 1,275 ارب روپے کا اضافہ ہوا اس کے برخلاف گزشتہ سال کی اس مدت کے دوران 3 ارب روپے کے قرضے لئے گئے تھے۔ حکومت نے بڑے پیمانے پر اپنے قرضوں کی ضروریات کا بندوبست مقامی وسائل بالخصوص سینٹرل بینک کے ذریعے کیا۔

جنوری 2019ء میں آنے والی مانیٹری پالیسی میں اسٹیٹ بینک نے پالیسی ریٹ 25bps مزید بڑھا کر %10.25 کر دیا۔ آگے بڑھتے ہوئے ہم دیکھ رہے ہیں کہ مالیاتی سخت پالیسی کا بڑا دورانیہ گزر جائے گا اور مالی سال 2019ء کی باقی ماندہ مدت میں شرح سود موجودہ سطح (%10-11) پر برقرار رہے گا۔

## بازار حصص کا جائزہ

پاکستان ایکویٹی مارکیٹس نے جاتی ہوئی ششماہی میں کمی کا سامنا کیا ہے کیونکہ بڑھتے ہوئے میکرو اکنامک خطرات مجموعی طور پر سرمایہ کاروں کے رجحان کو متاثر کر رہے ہیں۔ مارکیٹ نے عام انتخابات 2018ء کے بعد کامیاب سیاسی منتقلی کے ساتھ نئی حکومت سے بہتر توقعات کی امیدوں اور ایک سال کے بعد آنے والے سیاسی استحکام کے ساتھ مختصر مدت کے لئے خوشگوار اثرات ظاہر کئے تاہم مستقل غیر ملکی بہاؤ، شرح سود میں اضافے اور پاک روپے کی قدر میں کمی دباؤ بڑھتا گیا۔

ہینچ مارک 30 KMI انڈیکس 9,888 پوائنٹس تک گر کر 61,174 پوائنٹس (%13.9) پوائنٹس پر بند ہوا۔ یہاں سرحد پار تک سے فروخت جاری رہی کیونکہ بیشتر شعبوں میں کمی کارحجان دیکھا گیا۔ کمزور رجحانات کے باعث بیشتر شعبوں میں کارکردگی کمتر رہی اور طلب اور مارجنز میں استحکام پر تشویش پائی جانے کے باعث زیر گردش کمپنیوں کی آمدنی میں کمی آئی (مانیٹری سخت گیر پالیسی اور کرنسی کی قدر میں کمی کے بعد)۔ اسی طرح سیمنٹ، انجینئرنگ اور آٹو سکٹر KSE-100 انڈیکس سے 1,100 پوائنٹس کے ساتھ نمایاں رہا۔ آٹو سکٹر پر نان فاکرز کے لئے کاروں کی خریداری پر پابندی کے تسلسل کے بعد طلب میں کمی جبکہ استعمال شدہ ٹریکٹرز کی درآمد پر الاؤنس کے فلو کے باعث دباؤ رہا۔ آئل اور گیس سکٹر میں فرنیس آئل کی درآمد پر پابندی اور ریٹیل فیول کے حجم میں کمی کے باعث 476 پوائنٹس کی کمی آئی۔

پاک روپے کی قدر میں کمی اور بلند تر اوسط آئل کے نرخوں کے باوجود آئل اور گیس ایکسپلوریشن سکٹرز کی کارکردگی مایوس کن رہی کیونکہ سیکٹر کی کارکردگی اکتوبر 18ء میں 86 / بی بی ایل امریکی ڈالر کے بلند تر نرخ سے سال کے اختتام تک 53 ڈالر فی بیرل رہ جانے کے سبب تیل کے نرخوں میں اتار چڑھاؤ سے متاثر ہوتی رہی۔ مارکیٹ میں غیر ملکی خریدار بدستور نیٹ سبلرز رہے جنہوں نے دسمبر 18ء کو ختم ہونے والی ششماہی کے دوران 404 ملین ڈالر کی ایکویٹیز کی سرمایہ کاری واپس لی۔ ان نقد بہاؤ کو بڑی حد تک بیمہ کمپنیوں اور انفرادی طور پر افراد نے بالترتیب 173 ملین ڈالر اور 152 ملین ڈالر کی سرمایہ کاری کے ذریعے جذب کیا۔

آگے بڑھتے ہوئے پاکستان ایکویٹیز کے بارے میں محدود رہنے کے امکانات برقرار رہیں گے کیونکہ مارکیٹ میں موجود شرکاء آئی ایم ایف پروگرام میں شامل ہونے کے بعد حکومت کی پالیسی اقدامات کے واضح ہونے کا انتظار کر رہے ہیں۔ لیکن ہم اس کے ساتھ واضح کرتے ہیں کہ موجودہ میکرو اکنامک ماحول کے اثرات انڈیکس ہیوی ویٹس (ای اینڈ ہیز اور بینکوں) کے لئے مثبت رہیں گے جبکہ حالیہ نچلی کارکردگی زیر گردش اسٹاکس کی ویلیو ایشن کے کھل جائے گی۔ ہم یقین رکھتے ہیں کہ پاکستان ایکویٹیز طویل مدتی سرمایہ کاروں کے لئے بہترین مواقع کی پیشکش کریں گی۔

## فنڈ کی کارکردگی:

### ایچ بی ایل اسلامک منی مارکیٹ فنڈ:

فنڈ کی گُل آمدن اور خالص آمدن 31 دسمبر 2018 کو ختم ہونے والے عرصے کے دوران علی الترتیب 37.36 ملین روپے اور 30.32 روپے رہیں۔ فنڈ کی خالص مالیت اثاثہ (NAV) بمطابق 30 جون 2018، 104.9735 روپے فی یونٹ سے کم ہو کر بمطابق 31 دسمبر 2018 کے مطابق 104.1794 روپے فی یونٹ ہو گئی (4.15 روپے فی یونٹ کا منافع منقسمہ دینے کے بعد) جس کے ذریعے 6.60% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران ہینچ مارک منافع (3 ماہ کی بینک ڈپازٹ شرحیں) 2.81% تھا۔ فنڈ کی جسامت 31 دسمبر 2018 کے مطابق 0.97 ارب روپے تھی جو سال کے آغاز پر 0.96 ارب روپے پر تھی۔

جے سی آر- وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کو اے (ایف) کی فنڈ اسٹیبلٹی ریٹنگ کی توثیق کی ہے۔

### ایچ بی ایل اسلامک انکم فنڈ

31 دسمبر 2018 کو ختم ہونے والے عرصے کے دوران فنڈ کی گُل آمدن اور خالص آمدن 164.48 ملین روپے اور 131.36 ملین روپے علی الترتیب رہیں۔ فنڈ کے خالص مالیت اثاثہ (NAV) بمطابق 30 جون 2018، 106.3013 روپے فی یونٹ سے کم ہو کر بمطابق 31 دسمبر 2018، 104.6778 روپے فی یونٹ ہو گئی (5.00 روپے فی یونٹ کا منافع منقسمہ دینے کے بعد) جس کے ذریعے 6.61% کا سالانہ منافع دیا گیا۔ اسی سال کے دوران ہینچ مارک منافع (6 ماہ کی بینک ڈپازٹ شرحیں) 2.85% تھا۔ فنڈ کی جسامت 31 دسمبر 2018 کے مطابق 3.73 ارب روپے تھی جو سال کے آغاز پر 4.04 ارب روپے رہی تھی۔

جے سی آر- وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کی فنڈ اسٹیبلٹی ریٹنگ بڑھاتے ہوئے اے پلس (ایف) (A+(F)X) کر دی۔

### ایچ بی ایل اسلامک اسٹاک فنڈ:

31 دسمبر 2018 کو ختم ہونے والے عرصے کے دوران فنڈ کا گُل اور خالص خسارہ 172.00 ملین روپے اور 217.56 ملین روپے علی الترتیب رہا۔ فنڈ کی خالص مالیت اثاثہ بمطابق 30 جون 2018، 111.8276 روپے فی یونٹ سے کم ہو کر بمطابق 31 دسمبر 2018، 101.9945 روپے فی یونٹ ہو گئی۔ سال کے دوران 8.79% منفی کے ہینچ مارک منافع (کے ایم آئی 30 انڈیکس) کے مقابلے میں 13.91% کا منفی منافع دیا گیا۔ فنڈ کی جسامت 31 دسمبر 2018 کے مطابق 2.24 ارب روپے تھی جو سال کے آغاز پر 2.54 ارب روپے تھی۔

### ایچ بی ایل اسلامک ایکویٹی فنڈ

31 دسمبر 2018 کو ختم ہونے والے عرصے کے دوران فنڈ کا گُل اور خالص خسارہ 62.56 ملین روپے اور 79.42 ملین روپے علی الترتیب رہا۔ فنڈ کی خالص مالیت اثاثہ بمطابق 30 جون 2018، 92.4834 روپے فی یونٹ سے کم ہو کر بمطابق 31 دسمبر 2018، 84.3406 روپے فی یونٹ ہو گئی۔ سال کے دوران 8.80% منفی کے ہینچ مارک منافع (کے ایم آئی 30 انڈیکس) کے مقابلے میں 13.91% کا منفی منافع دیا گیا۔ فنڈ کی جسامت 31 دسمبر 2018 کے مطابق 0.56 ارب روپے تھی جو سال کے آغاز پر 1.32 ارب روپے تھی۔

## ایچ بی ایل اسلامک ایسیٹیٹ ایلوکیشن فنڈ:

31 دسمبر 2018 کو ختم ہونے والے عرصے کے دوران فنڈ کا کل اور خالص خسارہ 14.59 ملین روپے اور 17.21 ملین روپے علی الترتیب رہا۔ فنڈ کی خالص مالیت اثاثہ (NAV) بمطابق 30 جون 2018، 104.7748 روپے فی یونٹ سے کم ہو کر 31 دسمبر 2018 کے مطابق 103.6611 روپے فی یونٹ ہو گئی (0.30) روپے فی یونٹ کا منافع منقسمہ دینے کے بعد)۔ جس کے ذریعے 2.74% منفی کے بیچ مارک منافع (کے ایم آئی) 30 انڈیکس اور 6 ماہ اے درجہ یا اس سے اوپر پنکس کی ڈپازٹ شرح کی اوسط) کے مقابلے میں سال کے دوران 0.78% کا منفی منافع دیا گیا۔ فنڈ کی جسامت 31 دسمبر 2018 کے مطابق 2.23 ارب روپے تھی جو سال کے آغاز پر 2.47 ارب روپے تھی۔

## ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ:

ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ چار ذیلی فنڈز (پلانز) پر مشتمل ہے جس کے نام ایکٹیو ایلوکیشن پلان، کنزرویٹو ایلوکیشن پلان، اسٹریٹجک ایلوکیشن پلان اور اسلامک کیپٹل پریزرویشن پلان ہیں۔

فنڈ نے مجموعی طور پر زیر جائزہ عرصے کے دوران کل اور خالص خسارہ علی الترتیب 137.23 ملین روپے اور 146.59 ملین روپے حاصل کیا۔ فنڈ کا کل حجم 4.83 ارب روپے رہا۔ پلان کے لئے کارکردگی کا جائزہ درج ذیل ہے:

## ایکٹیو ایلوکیشن پلان:

زیر جائزہ عرصے کے دوران ایکٹیو ایلوکیشن پلان نے علی الترتیب 10.32 ملین روپے اور 10.69 ملین روپے کا کل اور خالص خسارہ حاصل کیا۔ ایکٹیو ایلوکیشن پلان کے خالص اثاثہ جات 194 ملین روپے پر رہے جو بمطابق 31 دسمبر 2018، 95.2140 روپے فی یونٹ خالص مالیت اثاثہ کو ظاہر کرتا ہے۔ زیر جائزہ عرصے کے لئے پلان نے 5.18% کا منفی منافع حاصل کیا۔ پلان نے 56% کی حد تک ایکویٹی فنڈز اور 43% کی حد تک فکسڈ انکم فنڈز میں سرمایہ کاری کی۔

## کنزرویٹو ایلوکیشن پلان:

زیر جائزہ عرصے کے دوران کنزرویٹو ایلوکیشن پلان نے علی الترتیب 0.33 ملین روپے اور 0.27 ملین روپے کے کل اور خالص آمدن حاصل کی۔ کنزرویٹو ایلوکیشن پلان کے خالص اثاثہ جات 25 ملین روپے پر قائم رہے جو بمطابق 31 دسمبر 2018، 102.1530 روپے فی یونٹ کی خالص مالیت اثاثہ جات (NAV) کو ظاہر کرتا ہے۔ زیر جائزہ عرصے کے لئے پلان نے 0.73% کا منافع کمایا۔ پلان نے 20% کی حد تک ایکویٹی فنڈز اور 79% کی حد تک فکسڈ انکم فنڈز میں سرمایہ کاری کی۔

## اسٹریٹجک ایلوکیشن پلان:

زیر جائزہ عرصے کے دوران اسٹریٹجک ایلوکیشن پلان نے علی الترتیب 125.39 ملین روپے اور 132.71 ملین روپے کا کل اور خالص خسارہ حاصل کیا۔ اسٹریٹجک ایلوکیشن پلان کے خالص اثاثہ جات 4.14 ارب روپے پر قائم رہے جو بمطابق 31 دسمبر 2018، 98.3415 روپے فی یونٹ کی خالص مالیت اثاثہ جات کو ظاہر کرتی ہے۔ زیر جائزہ عرصے کے لئے پلان نے 3.11% کا منفی منافع حاصل کیا۔ پلان نے 42% کی حد تک ایکویٹی فنڈز اور 58% کی حد تک فکسڈ انکم فنڈز میں سرمایہ کاری کی۔

## اسلامک کیپٹل پریزرویشن پلان

اسلامک کیپٹل پریزرویشن پلان نے اپنے آپریشنز کا آغاز 2 اکتوبر 2018 کو کیا۔ 02 اکتوبر 2018 سے 31 دسمبر 2018 تک کی مدت کے دوران اسلامک کیپٹل پریزرویشن پلان نے علی الترتیب 1.86 ملین روپے اور 3.46 ملین روپے کا مجموعی اور خالص خسارہ حاصل کیا۔ اسلامک کیپٹل پریزرویشن پلان کے خالص اثاثہ

جات 469 ملین روپے پر قائم تھے جو بمطابق 31 دسمبر 2018، 99.2644 روپے کے خالص اثاثہ جات کی مالیت (NAV) کو ظاہر کرتے ہیں۔ پلان نے زیر جائزہ مدت کے لئے 0.74% کا منفی منافع ظاہر کیا۔ پلان نے 28% کی حد تک ایکویٹی فنڈز اور 71% کی حد تک نقد میں سرمایہ کاری کی۔

### ایچ بی ایل اسلامک ڈیڈیکیٹڈ ایکویٹی فنڈ:

ایچ بی ایل اسلامک ڈیڈیکیٹڈ فنڈ نے اپنے آپریشن کا آغاز یکم اکتوبر 2018 کو کیا۔ یکم اکتوبر 2018 سے 31 دسمبر 2018 کی مدت کے دوران فنڈ کا مجموعی اور خالص خسارہ علی الترتیب 49.87 ملین روپے اور 55.43 ملین روپے پر رہا۔ فنڈ کے خالص اثاثہ جات کی مالیت (NAV) بمطابق 31 دسمبر 2018، 93.8692 روپے فی یونٹ تھی۔ فنڈ نے 4.45% منفی کے بیچ مارک منافع (کے ایم آئی 30 انڈیکس) کے برخلاف اس مدت کے دوران 6.13% کا منفی منافع حاصل کیا۔ فنڈ کا حجم 31 دسمبر 2018 کے مطابق 0.49 ارب روپے تھا۔

### مینجمنٹ کمپنی ریٹنگ (درجہ بندی):

جے سی آر-وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے مینجمنٹ کمپنی کے لئے اے ایم 2 پوزیٹو آؤٹ لک یعنی (مثبت توقع) کی مینجمنٹ کو ایلی ریٹنگ (درجہ بندی) برقرار رکھی۔

### اعتراف:

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے اپنے تمام یونٹ ہولڈرز کا ان کے اعتماد اور سرپرستی کے لئے دل کی گہرائیوں سے شکریہ ادا کرتا ہے۔ بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سینٹرل ڈپازٹری کمپنی آف پاکستان کا بطور سٹریٹ، 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 محترم بھی ہے۔ بورڈ عملے کی جانب سے انتھک محنت اور لگن کو بھی سراہتا ہے۔

منجانب بورڈ

ایچ بی ایل ایسٹ مینجمنٹ لمیٹڈ

چیف ایگزیکٹو آفیسر

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# **HBL**

## **Islamic Money Market Fund**

## FUND INFORMATION

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Name of Fund	HBL Islamic Money Market Fund
Name of Auditor	Deloitte Yousuf Adil Chartered Accountants
Name of Trustee	Central Depository Company of Pakistan Limited (CDC)
Name of Shariah Advisor	Al Hilal Shariah Advisors (Pvt.) Limited
Bankers	Bank Al-Habib Limited Habib Bank Limited Habib Metropolitan Bank Limited Meezan Bank Limited Askari Bank Limited Allied Bank Limited Faysal Bank Limited
Fund Rating	'AA(f)' (JCR-VIS)

# TRUSTEE REPORT TO THE UNIT HOLDERS

## CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office

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



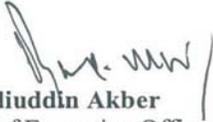
## TRUSTEE REPORT TO THE UNIT HOLDERS

### HBL ISLAMIC MONEY MARKET FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Money Market Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 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.

  
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, February 20, 2019



# AUDITORS REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION



**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi-75350  
Pakistan

Tel: +92 (0) 21 3454 6494-7  
Fax: +92 (0) 21- 3454 1314

[www.deloitte.com](http://www.deloitte.com)

## Auditors' report to the Unit Holders on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **HBL Islamic Money Market Fund** (the Fund) as at December 31, 2018, and the related condensed interim income statement, condensed interim statement of other comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the condensed interim financial information for the half year ended December 31, 2018 (here-in-after referred to as the 'condensed interim financial information'). **HBL Asset Management Limited** (the Management Company) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement and condensed interim statement of other comprehensive income, for the quarter ended December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

### Scope of Review

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

### Conclusion

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

  
Chartered Accountants

**Engagement Partner**  
Hena Sadiq

**Place:** Karachi  
**Date:** February 11, 2019

Member of  
**Deloitte Touche Tohmatsu Limited**

**HBL Islamic Money Market Fund**  
**Condensed Interim Statement of Assets and Liabilities (Un-Audited)**  
*As at December 31, 2018*

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	Note	----- (Rupees in '000) -----	
<b>Assets</b>			
Bank balances	4	848,505	958,590
Accrued mark-up on deposit with banks		7,194	4,863
Investments	5	118,339	-
Deposits and prepayments		442	60
<b>Total assets</b>		<b>974,480</b>	<b>963,513</b>
<b>Liabilities</b>			
Payable to the Management Company	6	943	678
Payable to the Trustee		251	120
Payable to Securities and Exchange Commission of Pakistan		348	609
Accrued expenses and other liabilities	7	5,878	4,997
<b>Total liabilities</b>		<b>7,420</b>	<b>6,404</b>
<b>Net assets</b>		<b>967,060</b>	<b>957,109</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>967,060</b>	<b>957,109</b>
<b>Contingencies and Commitments</b>			
	8		
		----- (Number of units) -----	
<b>Number of units in issue</b>		<b>9,282,643</b>	<b>9,117,621</b>
		----- (Rupees) -----	
<b>Net assets value per unit</b>		<b>104.1794</b>	<b>104.9735</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Money Market Fund**  
**Condensed Interim Income Statement (Un-Audited)**  
*For the Half Year & Quarter Ended December 31, 2018*

	Note	Half year ended		Quarter Ended	
		December 31,		December 31,	
		2018	2017	2018	2017
(Rupees in '000)					
<b>Income</b>					
Mark-up on deposit with banks		33,385	20,971	16,798	10,547
Mark-up on term deposit receipts		456	1,407	-	1,048
Mark-up on clean placement		3,520	-	2,591	-
		<b>37,361</b>	22,378	<b>16,798</b>	11,595
<b>Expenses</b>					
Remuneration of the Management Company		4,233	4,529	2,161	2,353
Remuneration of the Trustee		784	681	374	366
Annual fee to the Securities and Exchange Commission of Pakistan		348	301	166	157
Allocation of expenses related to registrar services, accounting, operation and valuation services		463	401	220	208
Auditors' remuneration		190	176	97	81
Settlement and bank charges		140	18	-	-
Fee and subscription		266	218	83	136
Printing and stationary		-	89	-	60
<b>Total expenses</b>		<b>6,424</b>	6,413	<b>3,101</b>	3,361
<b>Net income from operating activities</b>		<b>30,937</b>	15,965	<b>13,697</b>	8,234
Element of income and capital gains included in prices of units issued less those in units redeemed - net		-	-	-	-
Provision for Sindh Workers' Welfare Fund	7.2	619	319.27	332	164
<b>Net income for the period before taxation</b>		<b>30,318</b>	15,646	<b>13,365</b>	8,070
Taxation	8	-	-	-	-
<b>Net income for the period after taxation</b>		<b>30,318</b>	15,646	<b>13,365</b>	8,070
<b>Allocation of net income for the period:</b>					
Income already paid on redemption of units		5,697	-	1,177	-
Accounting income available for distribution:					
- Relating to capital gains		-	-	-	-
- Excluding capital gains		24,621	-	12,188	-
		<b>24,621</b>	15,646	<b>12,188</b>	8,070
		<b>30,318</b>	15,646	<b>13,365</b>	8,070

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Money Market Fund**  
**Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
*For the Half Year & Quarter Ended December 31, 2018*

	Half year ended		Quarter ended,	
	December 31,		December 31,	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Net income for the period after taxation	<b>30,318</b>	15,646	<b>13,365</b>	8,070
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>30,318</b>	15,646	<b>13,365</b>	8,070

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

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

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

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

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



**HBL Islamic Money Market Fund**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
*For the half year ended December 31, 2018*

	Half year ended	
	December 31,	
Note	2018	2017
	----- (Rupees in '000') -----	
<b>Cash flows from operating activities</b>		
Net income for the period before taxation	30,318	15,646
<b>Adjustments for non-cash items:</b>		
Mark-up on deposit with banks	(33,385)	(20,971)
Mark-up on commercial paper	(3,520)	-
Mark-up on term deposit receipts	(456)	(1,407)
	(7,043)	(6,732)
<b>Increase in assets</b>		
Deposits and prepayments	(382)	(115)
Investments	(114,819)	-
	(115,201)	(115)
<b>Increase / (Decrease) Increase in liabilities</b>		
Payable to the Management Company	265	51
Payable to the Trustee	131	4
Payable to the Securities and Exchange Commission of Pakistan	(261)	(170)
Accrued expenses and other liabilities	881	(1,878)
	1,016	(1,993)
	(121,228)	(8,840)
Mark-up received on deposit with banks	31,007	20,182
Mark-up received on term deposit receipts	503	860
	31,510	21,042
<b>Net cash (used in) / generated from operating activities</b>	<b>(89,718)</b>	<b>12,203</b>
<b>Cash flows from financing activities</b>		
Amount received on issue of units	751,305	393,788
Payments against redemption of units	(733,835)	(363,292)
Cash dividend paid	(37,837)	-
<b>Net cash (used in) / generated from financing activities</b>	<b>(20,367)</b>	<b>30,496</b>
<b>Net increase in cash and cash equivalents</b>	<b>(110,085)</b>	<b>42,699</b>
Cash and cash equivalents at beginning of the period	958,590	839,601
<b>Cash and cash equivalents at end of the period</b>	<b>848,505</b>	<b>882,299</b>

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.

For HBL Asset Management Limited  
(Management Company)

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

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

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

# **HBL Islamic Money Market Fund**

## **Notes to the Condensed Interim Financial Information (Unaudited)**

*For the half year ended December 31, 2018*

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### **1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** HBL Islamic Money Market Fund (the Fund) was established under a Trust Deed, dated November 23, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on December 10, 2010.
- 1.2** The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3** The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange. The units of the Fund were initially offered for public subscription at 'par from May 9, 2011 to May 10, 2011.
- 1.4** The principal activity of the Fund is to seek high liquidity and comparative Shariah Compliant return for investors by investing in low risk securities of shorter duration and maturity.
- 1.5** JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+' (Positive Outlook) to the Management Company and the fund stability rating of AA(f) to the Fund.
- 1.6** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as a trustee of the Fund.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of Compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of 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.

**2.1.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS-34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.

**2.1.3** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that these condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2018.

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## **2.2 Basis of measurement**

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

## **2.3 Functional and presentation currency**

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

## **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; and**

**(ii) impairment of financial assets**

## **3. SIGNIFICANT ACCOUNTING POLICIES, RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENTS AND CHANGES THEREIN**

**3.1** The accounting policies adopted in the preparation of this condensed interim financial information is consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 3.6.

**3.2** The preparation of this condensed interim financial information 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 period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

**3.3** The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 3.6.

**3.4** There are certain new and amended standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2018 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these condensed interim financial information.

**3.5** On application of IFRS - 9 'Financial Instruments', there is no material change in the Fund's financial risk management objectives and policies and are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2018.

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### 3.6 Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures for the half year ended December 31, 2018.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities;
- 2) Impairment of financial assets; and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

#### (a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

#### Specifically:

- . debt instruments 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 amount outstanding, are measured subsequently at amortised cost;
- . debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- . all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- the Fund's investment in debt instruments that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVTPL because they are held within a business model whose objective is primarily to sell the bonds. The change in the fair value on these redeemable notes will be recorded in the profit of loss account;
- there is no change in the measurement of the Fund's investments in debt instruments that are held for trading; those instruments were and continue to be measured at FVTPL;
- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Fund's financial position, profit or loss, other comprehensive income or total comprehensive income for the period.

#### **(b) Impairment of financial assets**

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

#### **(c) Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk 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, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the Fund does not have any financial liabilities designated as FVTPL.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

#### (d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Fund had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Fund has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Fund has elected to designate as at FVTPL at the date of initial application of IFRS 9.

There has been no reclassification in financial assets as a result of transition to IFRS 9

	Note	(Un-Audited) December 31, 2018 ----- (Rupees in '000) -----	(Audited) June 30, 2018
<b>4. BANK BALANCES</b>			
Balances with banks in:			
Savings accounts	4.1	848,505	873,590
Term deposit receipts		-	85,000
		<u>848,505</u>	<u>958,590</u>

4.1 This represents bank accounts held with different banks. Mark up rates on these accounts range between 3.57% - 10.3% (June 2018: 4.5% - 7.1% ) per anum.

	Note	(Un-Audited) December 31, 2018 ----- (Rupees in '000) -----	(Audited) June 30, 2018
<b>5. INVESTMENTS</b>			
<b>Financial asset at amortised cost</b>			
- Clean placement	5.1	118,339	-
		<u>118,339</u>	<u>-</u>

#### 5.1 Investment in Clean placement - Financial asset at amortised cost

Name of Company	As at July 01, 2018	Placement made during the year	Matured during the year	As at December 31, 2018	Percentage of total value of investments	Percentage of Net Assets
K-Electric Limited	-	118,339	-	118,339	100.00	12.24
<b>Total - As at December 31, 2018</b>	<u>-</u>	<u>118,339</u>	<u>-</u>	<u>118,339</u>	<u>100.00</u>	<u>12.24</u>
Total - As at June 30, 2018	-	-	-	-	-	-

5.1.1 These carries mark-up range at the rate of 8.95% (June 30, 2018: Nil%) per annum and will mature on March 1, 2019.

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	Note	----- (Rupees in '000) -----	
<b>6. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management Fee		765	537
Sindh Sales Tax		99	70
Allocation of expenses related to registrar services, accounting, operation and valuation services		79	71
		<u>943</u>	<u>678</u>
<b>7. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		190	304
Federal Excise Duty	7.1	2,185	2,185
Provision for Sindh Workers' Welfare Fund	7.2	2,822	2,203
Other payable		681	305
		<u>5,878</u>	<u>4,997</u>

**7.1** The legal status of applicability of Federal Excise Duty on the Fund is the same as that disclosed in note 11.1 to the annual audited financial statements of the Fund for the year ended June 30, 2018, and the appeal which was filed by tax authorities against the order by the Honourable Supreme Court of Pakistan dated July 16, 2017, is pending for decision.

In view of the above, the Management Company, being prudent, is carrying provision for FED for the period from January 13, 2013 to June 30, 2016 aggregating to Rs. 2.185 million. Had the provision not been retained, NAV per unit of the Fund as at December 31, 2018 would have been higher by Rs. 0.2545 per unit (June 30, 2018: 0.2632 per unit).

**7.2 PROVISION FOR SINDH WORKERS' WELFARE FUND**

The legal status of applicability of Worker's Welfare Fund and Sindh Workers' Welfare fund is the same as disclosed in note 11.2 to the annual audited financial statements of the Fund for the year ended June 30, 2018.

The Fund, as a matter of being prudent, recognised provision for SWWF amounting to Rs. 2.822 million as at December 31, 2018 in these condensed interim financial information. Had the provision not been made, net assets value per unit at December 31, 2018 would have been higher by Rs. 0.304 per unit (June 30, 2018: Rs. 0.1802 per unit).

**8. TAXATION**

The Fund's income is exempt from income tax as per Clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current period, as the Management Company intends to distribute more than 90 percent of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) for the year June 30, 2019 to its unit holders.

**9. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at December 30, 2018 and June 30, 2018.

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**10. TRANSACTIONS AND BALANCES 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 during the period and balances with them at period end are as follows:

	<b>(Un-Audited)</b>	
	<b>Half year ended</b>	
	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
	----- (Rupees in '000) -----	
<b>10.1 Transactions during the period</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee including sales tax thereon	<b>4,233</b>	4,529
Allocation of expenses related to registrar services, accounting, operation and valuation services	<b>464</b>	401
Issue of units 652 units (2017: 27,577 units )	<b>66</b>	2,814
Redemption of units 28,597 ( 2017: Nil units )	<b>2,912</b>	
Refund of capital 368 units ( 2017: Nil units )	<b>37</b>	-
<b>Habib Bank Limited - Sponsor</b>		
Profit on bank deposits earned	<b>1,492</b>	333
Issuance of units 118,711 Units ( 2017: Nil units )	<b>11,969</b>	-
<b>Executives and key management personnel</b>		
Issue of 197,392 units (2017:19,257 units)	<b>20,522</b>	1,950
Redemption of 3,701 units (2017: 11,902 units)	<b>385</b>	1,200
Refund of capital 94 units ( 2017: Nil units )	<b>9</b>	-
<b>Al Mizan Foundation - Connected person due to holding 10% or more</b>		
Issue of 1,024 units ( 2017: Nil units )	<b>103</b>	-
Redemption of units 181 units (2017: Nil units )	<b>18</b>	
Refund of capital 77,267 units ( 2017: Nil units )	<b>7,790</b>	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee Remuneration	<b>784</b>	681
CDC service charges	<b>4</b>	0

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	----- (Rupees in '000) -----	
<b>10.2 Amounts outstanding as at period end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	764	537
Sindh Sales Tax	99	70
Payable against allocation of expenses related to registrar services, accounting, operation and valuation services	79	71
Investment held in the Fund: Nil units (June 30, 2018: 27,577)	-	2,895
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 3,002,765 units (June 30, 2018: 2,884,054 units)	312,826	302,749
Bank balances	711,617	1,496
Markup receivable	-	1,332
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable including sales tax thereon	251	120
<b>Executives and key management personnel</b>		
Investment held in the Fund: 201,886 units (June 30, 2018: 8,101 units)	21,032	850
<b>AI MIZAN FOUNDATION - Connected person due to holding 10% or more</b>		
Investment held in the Fund: 1,984,745 units (June 30, 2018: 1,906,454 units)	206,770	200,000

## 11. FAIR VALUE 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

		December 31, 2018					
		Carrying amount			Fair Value		
	At amortised cost	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>							
Bank balances	-	848,505	848,505				
Accrued mark-up	-	7,194	7,194				
Investments	-	118,339	118,339				
	-	974,038	974,038				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	844	844				
Payable to the Trustee	-	222	222				
Accrued expenses and other liabilities	-	609	609				
Payable to Securities and Exchange Commission of Pakistan	-	308	308				
	-	1,983	1,983				
June 30, 2018							
		Carrying amount			Fair Value		
	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>							
Bank balances	-	958,590	958,590				
Accrued mark-up	-	4,863	4,863				
	-	963,453	963,453				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	608	608	-	-	-	-
Payable to the Trustee	-	106	106	-	-	-	-
Accrued expenses and other liabilities	-	871	871	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan	-	539	539	-	-	-	-
	-	2,124	2,124	-	-	-	-

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**11.1** 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.

**11.2 Transfers during the period**

There were no transfers between various levels of fair value hierarchy during the period.

**12. 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 half year ended December 31, 2018 is 0.85% (2017: 0.85%) which includes 0.16% (2017: 0.16%) representing government levy, Worker's Welfare Fund and SECP fees.

**13. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statement were authorized for issue by the Board of Directors of the Management Company on February 08, 2019 .

**14. GENERAL**

**14.1** Figures have been rounded off to the nearest thousand Rupees.

**14.2** This condensed interim financial information is unaudited and has been reviewed by the auditors. Further, the figures of the condensed interim income statement and statement of comprehensive income for the quarter ended December 31, 2018 have not been reviewed.

**14.3** Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

**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**

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# **HBL**

## **Islamic Asset Allocation Fund**

## FUND INFORMATION

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Name of Fund	HBL Islamic Asset Allocation Fund
Name of Auditor	Deloitte Yousuf Adil Chartered Accountants
Name of Trustee	Central Depository Company of Pakistan Limited (CDC)
Name of Shariah Advisor	Al Hilal Shariah Advisors (Pvt.) Limited
Bankers	Bank Al-Habib Limited Habib Bank Limited Askari Bank Limited Allied Bank Limited Dubai Islamic Bank Limited Soneri Bank Limited Bank Islamic Pakistan Limited Summit Bank Limited Al Baraka Bank Pakistan Limited MCB Islamic Bank Limited

# TRUSTEE REPORT TO THE UNIT HOLDERS

## CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



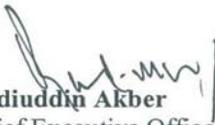
## TRUSTEE REPORT TO THE UNIT HOLDERS

### HBL ISLAMIC ASSET ALLOCATION FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Asset Allocation Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 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.

  
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, February 20, 2019



# AUDITORS REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

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# Deloitte.

**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi-75350  
Pakistan

Tel: +92 (0) 21 3454 6494-7  
Fax: +92 (0) 21- 3454 1314

[www.deloitte.com](http://www.deloitte.com)

## Auditors' report to the Unit Holders on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **HBL Islamic Asset Allocation Fund** (the Fund) as at December 31, 2018, and the related condensed interim income statement, condensed interim statement of other comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the condensed interim financial information for the half year ended December 31, 2018 (here-in-after referred to as the 'condensed interim financial information'). **HBL Asset Management Limited** (the Management Company) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement and condensed interim statement of other comprehensive income, for the quarter ended December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

### Scope of Review

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

### Conclusion

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

  
Chartered Accountants

**Engagement Partner**  
Hena Sadiq

**Place:** Karachi  
**Date:** February 11, 2019

Member of  
**Deloitte Touche Tohmatsu Limited**

**HBL Islamic Asset Allocation Fund**  
**Condensed Interim Statement of Assets and Liabilities (Un-Audited)**  
*As at December 31, 2018*

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	Note	----- (Rupees in '000) -----	
<b>Assets</b>			
Bank balances	4	352,160	1,072,554
Investments	5	1,876,479	1,395,267
Dividend receivable and accrued mark-up		20,718	16,784
Preliminary expenses and floatation costs	6	421	525
Advances, deposits and other receivables	7	4,219	4,205
Receivable against sale of investments		-	2,338
<b>Total assets</b>		<b>2,253,997</b>	<b>2,491,673</b>
<b>Liabilities</b>			
Payable to the Management Company	8	5,868	9,665
Payable to the Trustee		317	344
Payable to the Securities and Exchange Commission of Pakistan		1,140	2,568
Payable against purchase of investments		6,182	-
Accrued expenses and other liabilities	9	7,541	9,537
<b>Total liabilities</b>		<b>21,048</b>	<b>22,114</b>
<b>Net assets</b>		<b>2,232,949</b>	<b>2,469,559</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>2,232,949</b>	<b>2,469,559</b>
<b>Contingencies and Commitments</b>	10		
		(Number of units)	
<b>Number of units in issue</b>		<b>21,540,875</b>	<b>23,570,147</b>
		(Rupees)	
<b>Net assets value per unit</b>		<b>103.6611</b>	<b>104.7748</b>

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

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

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

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

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

**HBL Islamic Asset Allocation Fund**  
**Condensed Interim Income Statement (Un-Audited)**  
*For the Half Year & Quarter Ended December 31, 2018*

	Half year ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
	(Rupees in '000)			
<b>Income</b>				
Return on investments	36,943	10,598	21,236	5,756
Profit on deposits with banks	36,092	45,040	18,586	21,643
Dividend income	16,634	20,279	8,824	14,726
Capital loss on sale of investments - net	(9,816)	(29,767)	(11,046)	(29,718)
Unrealised (diminution) / appreciation on remeasurement of investments classified as financial asset at fair value through profit or loss - net	(65,268)	5,085	(51,899)	5,739
	14,585	51,235	(14,300)	18,146
Impairment loss on equity securities classified as available for sale	-	(82,250)	-	(82,250)
	14,585	(31,015)	(14,300)	(64,104)
<b>Expenses</b>				
Remuneration of the Management Company	20,331	21,952	10,015	10,790
Remuneration of the Trustee	1,925	2,033	952	1,004
Annual fee to Securities and Exchange Commission of Pakistan	1,140	1,231	561	605
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,199	1,295	590	636
Selling and marketing expenses	4,798	5,180	2,363	7,001
Auditors' remuneration	186	184	93	89
Amortization of preliminary expenses and floatation costs	104	106	51	58
Settlement and bank charges	293	264	144	135
Printing charges	-	89	-	59
Fee and subscription	50	55	(30)	(9)
Income from shariah non-compliant transaction	746	1,908	444	1,889
Securities transaction cost	923	552	606	450
Shariah advisory fee	100	73	100	73
	31,795	34,922	15,890	22,780
<b>Net loss from operating activities</b>	(17,210)	(65,937)	(30,189)	(86,884)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net	-	-	-	-
Provision for Sindh Workers' Welfare Fund	-	-	205	-
<b>Net loss for the period before taxation</b>	(17,210)	(65,937)	(29,984)	(86,884)
Taxation	-	-	-	-
<b>Net loss for the period after taxation</b>	(17,210)	(65,937)	(29,984)	(86,884)
<b>Allocation of income for the period</b>				
Income already paid on redemption of units	-	-	-	-
Accounting income available for distribution:				
- Relating to capital (losses) / gains	-	-	-	-
- Excluding capital (losses) / gains	-	-	-	-
	(17,210)	(65,937)	(29,984)	(86,884)

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

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

Chief Financial Officer

Chief Executive Officer

Director

**HBL Islamic Asset Allocation Fund**  
**Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
*For the Half Year & Quarter Ended December 31, 2018*

	Half year ended December 31,		Quarter ended, December 31,	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Net loss for the period after taxation	(17,210)	(65,937)	(29,984)	(86,884)
Other comprehensive (loss) / income for the period	-	(24,529)	-	68,602
<b>Total comprehensive income for the period</b>	<b>(17,210)</b>	<b>(90,466)</b>	<b>(29,984)</b>	<b>(18,282)</b>

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

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

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

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

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

**HBL Islamic Asset Allocation Fund**  
**Condensed Interim Statement of Movement in Unit Holders' Fund**  
*For the half year ended December 31, 2018*

Half year ended  
December 31,

2018

2017

(Rupees in '000)

	Capital Value	Undistributed income	Unrealised (losses) / gains on investment	Total	Capital Value	Undistributed income	Unrealised (losses) / gains on investment	Total
<b>Net assets at beginning of the period</b>	2,347,630	113,632	8,297	2,469,559	2,490,358	105,876	27,084	2,623,318
Adoption of IFRS 9	-	8,297	(8,297)	-	-	-	-	-
Issue of 435,563 units (2017: 9,909,375 units)								
- Capital value (at net asset value per unit at the beginning of the period)	45,346	-	-	45,346	1,046,392	-	-	1,046,392
- Element of income / (Loss)	7,737	-	-	7,737	(24,337)	-	-	(24,337)
Total proceeds on issuance of units	53,083	-	-	53,083	1,022,055	-	-	1,022,055
Redemption of 2,464,835 units (2017: 6,701,270 units)								
- Capital value (at net asset value per unit at the beginning of the period)	(256,612)	-	-	(256,612)	(707,629)	-	-	(707,629)
- Income already paid on redemption of units	-	-	-	-	-	-	-	-
- Element of (loss) / income	(8,803)	-	-	(8,803)	13,020	-	-	13,020
Total payments on redemption of units	(265,415)	-	-	(265,415)	(694,609)	-	-	(694,609)
Total comprehensive loss for the period	-	(17,210)	-	(17,210)	-	(65,937)	(24,529)	(90,466)
Distribution during the period	-	(7,068)	-	(7,068)	-	-	-	-
Total comprehensive loss for the period	-	(24,278)	-	(24,278)	-	(65,937)	(24,529)	(90,466)
<b>Net assets at end of the period</b>	<b>2,135,298</b>	<b>97,651</b>	<b>-</b>	<b>2,232,949</b>	<b>2,817,804</b>	<b>39,939</b>	<b>2,555</b>	<b>2,860,298</b>
Undistributed income brought forward								
- Realised		116,763				105,876		
- Unrealised		(3,131)				-		
		113,632				105,876		
Adoption of IFRS 9		8,297				-		
Net loss for the period after taxation		(17,210)				(65,937)		
Distribution during the period		(7,068)				-		
<b>Undistributed income carried forward</b>		<b>97,651</b>				<b>39,939</b>		
Undistributed income carried forward								
- Realised		162,919				34,854		
- Unrealised		(65,268)				5,085		
		97,651				39,939		
<b>Net assets value per unit at beginning of the period</b>				<b>104.7748</b>				<b>105.5962</b>
<b>Net assets value per unit at end of the period</b>				<b>103.6611</b>				<b>101.9677</b>

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

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

Chief Financial Officer

Chief Executive Officer

Director

**HBL Islamic Asset Allocation Fund**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
*For the half year ended December 31, 2018*

	December 31, 2018	December 31, 2017
	----- (Rupees in '000) -----	
<b>Cash flows from operating activities</b>		
Net loss for the period before taxation	(17,210)	(65,937)
<b>Adjustments for non-cash items:</b>		
Capital loss on sale of investments - net	9,816	29,767
Return / markup on bank profits	(36,092)	(45,040)
Return / markup on investments	(36,943)	(10,598)
Dividend income	(16,634)	(20,279)
Impairment loss on equity securities classified as available for sale	-	82,250
Amortization of preliminary expenses and floatation costs	104	106
Net unrealised appreciation / (diminution) on remeasurement of investments classified as financial asset at fair value through profit or loss - net	65,268	(5,085)
	<b>(31,690)</b>	<b>(34,816)</b>
<b>(Increase) / decrease in assets</b>		
Investments	<b>(550,114)</b>	<b>(417,167)</b>
Advances, deposits and other receivables	<b>2,324</b>	<b>(202,014)</b>
	<b>(547,790)</b>	<b>(619,181)</b>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	<b>(3,797)</b>	783
Payable to the Trustee	<b>(27)</b>	41
Payable to the Securities and Exchange Commission of Pakistan	<b>(1,428)</b>	(113)
Accrued expenses and other liabilities	<b>(1,996)</b>	(33,678)
	<b>(7,248)</b>	<b>(32,967)</b>
<b>Net cash used in operations</b>	<b>(586,728)</b>	<b>(686,964)</b>
Profit received on bank deposits	38,576	46,335
Dividend income received	18,389	19,642
Markup received on investments	28,769	1,926
<b>Net cash used in from operating activities</b>	<b>(500,994)</b>	<b>(619,061)</b>
<b>Cash flows from financing activities</b>		
Amount received on issue of units	<b>53,083</b>	1,022,055
Payment against redemption of units	<b>(272,483)</b>	(695,787)
<b>Net cash (used in) / generated from financing activities</b>	<b>(219,400)</b>	326,268
<b>Net decrease in cash and cash equivalents</b>	<b>(720,394)</b>	<b>(292,793)</b>
Cash and cash equivalents at beginning of the period	1,072,554	1,962,227
<b>Cash and cash equivalents at end of the period</b>	<b>352,160</b>	1,669,434

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

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

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

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

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

**HBL Islamic Asset Allocation Fund**  
**Notes to the Condensed Interim Financial Information (Unaudited)**  
*For the half year ended December 31, 2018*

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**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** HBL Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed, dated September 07, 2015, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on October 28, 2015.
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3** The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The initial public offer period was from January 07, 2016 to January 08, 2016 (both days inclusive). The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.4** The primary objective of the Fund is to provide superior returns through investments in Shari'ah Compliant Equity Securities and Shari'ah Compliant Income/ Money Market Instruments.
- 1.5** JCR-VIS Credit Rating Company has assigned a management quality rating of AM2+' (Positive outlook) to the Management Company.
- 1.6** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

**2.1.1** 'This condensed interim financial information 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 ("IFRSs") issued by the International Accounting Standards Board (IASB) as are 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 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.

**2.1.2** The disclosures made in these condensed interim financial information have, however, been limited based on the requirements of IAS 34. These condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.

**2.1.3** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that these condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2018.

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## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

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

## 3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN

3.1 The accounting policies adopted in the preparation of these condensed interim financial information are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 3.6.

3.2 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2018.

3.3 The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 3.6.

3.4 There are certain new and amended standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2018 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these condensed interim financial information.

3.5 On application of IFRS - 9 'Financial Instruments', there is no material change in the Fund's financial risk management objectives and policies and are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2018.

### 3.6 Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures for the half year ended December 31, 2018.

#### "IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities;
- 2) Impairment of financial assets; and
- 3) General hedge accounting."

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

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**(a) Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

**Specifically:**

- debt instruments 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 amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;
- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Fund has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- the Fund's investment in debt instruments that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVTPL because they are held within a business model whose objective is primarily to sell the bonds. The change in the fair value on these redeemable notes will be recorded in the profit of loss account;

- 
- 
- there is no change in the measurement of the Fund's investments in debt instruments that are held for trading; those instruments were and continue to be measured at FVTPL;
  - the Fund's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been reclassified as at FVTPL. The change in fair value on these equity instruments will be recorded in the profit or loss account;
  - there is no change in the measurement of the Fund's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL;
  - financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Fund's financial position, profit or loss, other comprehensive income or total comprehensive income for the period.

#### **(b) Impairment of financial assets**

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

#### **(c) Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk 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, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the Fund does not have any financial liabilities designated as FVTPL.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

#### **(d) Disclosures in relation to the initial application of IFRS 9**

There were no financial assets or financial liabilities which the Fund had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Fund has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Fund has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

	Carrying amount as per IAS 39 on June 30, 2018	Reclassific-ations	Remeasur- ements	Carrying amount on initial adoption of IFRS 9 July 01, 2018	Effects on Retained Earnings on July 01, 2018
----- Rupees ('000')-----					
<b>Financial assets</b>					
<b>Fair value through profit or loss</b>					
Listed equity securities from available for sale (IAS 39)	161,202	161,202	-	161,202	-
Listed debt securities from available for sale (IAS 39)	124,263	124,263	-	124,263	-
<b>Total</b>	<b>285,465</b>	<b>285,465</b>	<b>-</b>	<b>285,465</b>	<b>-</b>

	Note	(Un-Audited) December 31, 2018 (Rupees in '000)	(Audited) June 30, 2018
<b>4. BANK BALANCES</b>			
Balances with banks in:			
Savings accounts	4.1	<u>352,160</u>	<u>1,072,554</u>

4.1 This represents bank accounts held with different banks. Mark-up rates on these accounts ranges between 4.00% - 10.75% per annum (June 30, 2018: 3.75% - 6.5%) per annum.

	Note	(Un-Audited) December 31, 2018 (Rupees in '000)	(Audited) June 30, 2018
<b>5. INVESTMENTS</b>			
<b>Financial assets at fair value through profit or loss</b>			
- Listed equity securities	5.1	584,028	680,467
- Sukuk's	5.2	681,413	714,800
		<u>1,265,441</u>	<u>1,395,267</u>
<b>Financial assets at amortized cost</b>			
- Commercial paper	5.3	211,038	-
- Term Deposit Certificate	5.4	400,000	-
		<u>1,876,479</u>	<u>1,395,267</u>

## 5.1 Listed equity securities -At fair value through profit or loss

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

Name of the Investee Company	-----Number of shares-----					Market value as at December 31, 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 01, 2018	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2018		Total Investments	Net Assets	
<b>TEXTILE COMPOSITE</b>									
Kohinoor Textile Mills Ltd	-	157,000	-	15,000	142,000	6,401	0.34%	0.29%	0.13%
Nishat Mills Ltd	184,500	112,400	-	85,000	211,900	26,812	1.43%	1.20%	0.06%
	184,500	269,400	-	100,000	353,900	33,213			
<b>CEMENT</b>									
Cherat Cement Company Limited	-	112,800	-	112,800	-	-	0.00%	0.00%	-
D G Khan Cement Company Limited	72,100	80,000	-	152,100	-	-	0.00%	0.00%	-
Kohat Cement Limited	123,000	28,000	18,270	94,700	74,570	6,334	0.34%	0.28%	0.06%
Lucky Cement Limited	63,750	41,000	-	30,500	74,250	32,274	1.72%	1.45%	0.02%
Maple Leaf Cement Factory Limited	-	378,000	-	298,700	79,300	3,223	0.17%	0.14%	0.02%
Pioneer Cement Limited	95,000	-	-	95,000	-	-	0.00%	0.00%	-
	353,850	639,800	18,270	783,800	228,120	41,831			
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	496,500	220,000	-	108,500	608,000	52,160	2.78%	2.34%	0.05%
K- Electric Limited	2,621,000	384,000	-	600,000	2,405,000	14,286	0.76%	0.64%	0.01%
Pakgen Power Limited	-	289,000	-	87,500	201,500	3,433	0.18%	0.15%	0.05%
	3,117,500	893,000	-	796,000	3,214,500	69,879			
<b>ENGINEERING</b>									
Amreli Steel Mills Limited	236,000	-	-	236,000	-	-	0.00%	0.00%	-
Amreli Steels Limited	111,300	13,000	-	124,300	-	-	0.00%	0.00%	-
International Industries Limited	32,800	68,000	-	55,600	45,200	6,963	0.37%	0.31%	0.04%
International Steels Limited	111,500	125,000	-	136,000	100,500	6,610	0.35%	0.30%	0.02%
Mughal Iron & Steel Industries Limited	120,500	45,000	-	165,500	-	-	0.00%	0.00%	-
	612,100	251,000	-	717,400	145,700	13,573			
<b>AUTOMOBILE ASSEMBLER</b>									
Millat Tractors Limited	20,600	-	-	13,600	7,000	5,824	0.31%	0.26%	0.02%
	20,600	-	-	13,600	7,000	5,824			
<b>CABLE &amp; ELECTRICAL GOODS</b>									
Pak Elektron Limited	223,000	45,000	-	268,000	-	-	0.00%	0.00%	-
	223,000	45,000	-	268,000	-	-			
<b>GLASS &amp; CERAMICS</b>									
Shabbir Tiles & Ceramics Limited	262,000	-	-	262,000	-	-	0.00%	0.00%	-
	262,000	-	-	262,000	-	-			
<b>Pharmaceuticals</b>									
AGP Limited	126,500	76,000	-	25,000	177,500	15,519	0.83%	0.70%	0.01%
The Searle Company Limited	37,972	3,500	3,445	40,700	4,217	1,036	0.06%	0.05%	-
	164,472	79,500	3,445	65,700	181,717	16,555			
<b>PAPER &amp; BOARD</b>									
Packages Limited	15,000	3,000	-	-	18,000	6,963	0.37%	0.31%	0.02%
	15,000	3,000	-	-	18,000	6,963			
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	25,240	4,500	2,374	1,500	30,614	37,834	2.02%	1.69%	0.03%
Oil & Gas Development Co Limited	310,500	181,700	-	30,000	462,200	59,161	3.15%	2.65%	0.01%
Pakistan Oilfields Limited	79,200	5,000	15,840	14,000	86,040	36,551	1.95%	1.64%	0.04%
Pakistan Petroleum Limited	268,800	83,600	42,360	-	394,760	59,079	3.15%	2.65%	0.02%
	683,740	274,800	60,574	45,500	973,614	192,625			

Name of the Investee Company	-----Number of shares-----					Market value as at December 31, 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 01, 2018	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2018		Total Investments	Net Assets	
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Hascol Petroleum Limited	32,800	-	8,200	41,000	-	-	0.00%	0.00%	-
Pakistan State Oil Company Limited	94,180	94,000	17,036	58,200	147,016	33,142	1.77%	1.48%	0.05%
Sui Northern Gas Pipeline Limited	189,800	75,000	-	134,000	130,800	10,081	0.54%	0.45%	0.02%
	<u>316,780</u>	<u>169,000</u>	<u>25,236</u>	<u>233,200</u>	<u>277,816</u>	<u>43,223</u>			
<b>COMMERCIAL BANKS</b>									
Meezan Bank Limited	287,000	160,000	23,700	199,500	271,200	25,056	1.34%	1.12%	0.03%
	<u>287,000</u>	<u>160,000</u>	<u>23,700</u>	<u>199,500</u>	<u>271,200</u>	<u>25,056</u>			
<b>FERTILIZER</b>									
Engro Corporation Limited	163,000	66,500	-	22,000	207,500	60,398	3.22%	2.70%	0.04%
Engro Fertilizers Limited	601,500	65,000	-	384,000	282,500	19,507	1.04%	0.87%	0.02%
Fauji Fertilizers Limited	-	152,000	-	-	152,000	14,113	0.75%	0.63%	0.01%
	<u>764,500</u>	<u>283,500</u>	<u>-</u>	<u>406,000</u>	<u>642,000</u>	<u>94,018</u>			
<b>Chemicals</b>									
Engro Polymer & Chemicals Limited	545,000	378,931	-	365,000	558,931	20,759	1.11%	0.93%	0.04%
Engro Polymer & Chemicals Limited-LOR	160,931	-	-	160,931	-	-	0.00%	0.00%	-
	<u>705,931</u>	<u>378,931</u>	<u>-</u>	<u>525,931</u>	<u>558,931</u>	<u>20,759</u>			
<b>AUTOMOBILES PARTS &amp; ACCESSORIES</b>									
Thal Limited	50,200	8,250	-	10,500	47,950	20,509	1.09%	0.92%	0.06%
	<u>50,200</u>	<u>8,250</u>	<u>-</u>	<u>10,500</u>	<u>47,950</u>	<u>20,509</u>			
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
System Limited	74,500	-	-	74,500	-	-	0.00%	0.00%	-
	<u>74,500</u>	<u>-</u>	<u>-</u>	<u>74,500</u>	<u>-</u>	<u>-</u>			
<b>Total as at December 31, 2018</b>	<b>7,835,673</b>	<b>3,455,181</b>	<b>131,225</b>	<b>4,501,631</b>	<b>6,920,448</b>	<b>584,028</b>			
<b>Carrying value as at Decemeber 31, 2018</b>						<b>651,588</b>			

**5.1.1** The above investments include shares with market value aggregating to Rs. 53.060 million (June 2018: Rs. 61.683 million) which have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

**5.1.2** This includes gross bonus shares as per Fund's entitlement declared by the investee company. 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 (MUFAP), has filed a petition in Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 296,085 at December 31, 2018 (June 30, 2018: Rs. 0.3436 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in favor of the asset management company and accordingly has recorded the bonus shares on gross basis at fair value in its investments at period end

## 5.2 Listed Sukuk's certificates- At fair value through profit or loss

### Name of the Investee Company

Name of the Investee Company	As at July 01, 2018	Purchases during the period	Sales during the period	As at December 31, 2018	Market value as at December 31, 2018 (Rs in '000)	Market value as percentage of		
						Total Investments	Net Assets	
	----- (Number of certificates) -----							
AGP Limited	370	334	125	579	40,935	2.18%	1.83%	
International Brands Limited	-	100	-	100	9,872	0.53%	0.44%	
Agha Steel Industries Limited	-	33	-	33	33,000	1.76%	1.48%	
K-Electric	28,000	10,000	3,750	34,250	121,278	6.46%	5.43%	
Dubai Islamic Bank	124	-	-	124	126,320	6.73%	5.66%	
Dawood Hercules Corporation Limited*	4,020	-	520	3,500	350,008	18.65%	15.67%	
Engro Fertilizers Limited	13,350	-	13,350	-	-	0.00%	0.00%	
Fatima Fertilizers Limited	2,000	-	2,000	-	-	0.00%	0.00%	
	<b>47,864</b>	<b>10,467</b>	<b>19,745</b>	<b>38,586</b>	<b>681,413</b>	<b>36.31%</b>	<b>30.52%</b>	

Cost of investment

**678,506**

Significant terms and conditions of Sukuk bonds outstanding as at December 31, 2018 are as follows

Name of Security	Remaining Principal (per Sukuk)	Mark-up rate (per annum)	Date of Issue	Maturity Date
AGP Limited	70,000	3 months KIBOR +1.3%	9-Jun-17	09-Jun-22
International Brands Limited	100,000	12 months KIBOR + 0.50%	15-Nov-17	15-Nov-21
Agha Steel Industries Limited	110,000	3 months KIBOR +0.8%	9-Oct-18	09-Oct-24
K-Electric Limited	3,500	3 month KIBOR + 1.00 %	17-Jun-15	17-Jun-22
Dubai Islamic Bank	1,000,000	6 months KIBOR + 0.50%	14-Jul-17	14-Jul-27
Dawood Hercules Corporation Limited*	100,000	3 month KIBOR + 1.00 %	16-Nov-17	16-Nov-22
Dawood Hercules Corporation Limited*	100,000	3 month KIBOR + 1.00 %	01-Mar-18	01-Mar-23

\* Related party due to common directorship

5.3 This represent commercial paper which will mature on March 01,2019 and carries profit rate of 8.95% ( June 30, 2018: Nil ) per annum.

## 5.4 Term Deposit Receipts

Name of Company	As at July 01, 2018	Purchased made during the period	Matured during the period	As at December 31, 2018	Percentage of total value of investments (%)	Percentage of Net Assets (%)
	----- (Rupees in '000) -----					
Bank Islami Limited	-	190,000	-	190,000	10.13	8.51
MCB Islamic Bank Limited	-	210,000	-	210,000	11.19	9.40
<b>Total - As at December 31, 2018</b>	<b>-</b>	<b>400,000</b>	<b>-</b>	<b>400,000</b>	<b>21</b>	<b>18</b>

5.4.1 Term deposit receipts carries mark-up at rate of 8.60 to 8.85% (June 30, 2018: Nil) per annum. This will mature by February 01, 2019.

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	Note	(Rupees in '000)	
<b>6. PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Opening balance		525	758
Less: amortized during the period	6.1	(104)	(232)
Closing balance		<u>421</u>	<u>525</u>

6.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortized over a period of five years commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	Note	(Rupees in '000)	
<b>7. ADVANCES, DEPOSITS AND OTHER RECEIVABLES</b>			
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited		100	100
Advance against Sukuks		1,605	1,605
Prepaid listing fee		14	-
		<u>4,219</u>	<u>4,205</u>

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	Note	(Rupees in '000)	
<b>8. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee		2,929	3,329
Sindh Sales Tax		381	433
Sales load payable		-	49
Selling and marketing expenses payable		2,363	5,632
Allocation of expenses related to registrar services, accounting, operation and valuation services		195	222
		<u>5,868</u>	<u>9,665</u>

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	Note	(Rupees in '000)	
<b>9. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		185	303
Charity payable	9.1	746	2,449
Federal Excise Duty	9.2	1,063	1,063
Withholding tax payable		11	13
Payable to brokers		240	202
Provision for Sindh Workers' Welfare Fund	9.3	4,667	4,667
Dividend payable (including unclaimed dividend)		25	-
Sales load - payable to related parties		-	635
Payable to NCCPL		45	35
Payable to Shariah advisor		16	18
Other payable		543	152
		<b>7,541</b>	<b>9,537</b>

**9.1** This represents amount attributable to income earned from shariah non-compliant avenues, earmarked for onward distribution as charity in accordance with the instructions of the Shariah Advisor.

**9.2** The legal status of applicability of Federal Excise Duty on the Fund is the same as that disclosed in note 13.2 to the annual audited financial statements of the Fund for the year ended June 30, 2018, and the appeal which was filed by tax authorities against the order by the Supreme Court of Pakistan dated July 16, 2016, is pending for decision.

In view of the above, the Management Company, being prudent, is carrying provision for FED for the period from January 13, 2013 to June 30, 2016 aggregating to Rs. 1.063 million. Had the provision not been retained, NAV per unit of the Fund as at December 31, 2018 would have been higher by Rs. 0.0493 per unit (June 30, 2018: 0.0451 per unit).

**9.3 PROVISION FOR SINDH WORKERS' WELFARE FUND**

The legal status of applicability of Worker's Welfare Fund and Sindh Workers' Welfare Fund is same as that disclosed in note 13.3 to the annual audited financial statements of the Fund for the year ended June 30, 2018.

As there is loss for the half year ended December 31, 2018, no provision for SWWF has been recognised in this condensed interim financial information. Had the provision not been retained, NAV per unit of the Fund as at December 31, 2018 would have been higher by Rs. 0.22 per unit (June 30, 2018: 0.20 per unit).

**10. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments outstanding as at December 31, 2018 and June 30, 2018.

**11. TAXATION**

The Fund's income is exempt from income tax as per clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current period, as the Management Company intends to distribute more than 90 percent of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) for the year June 30, 2019 to its unit holders.

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**12. TRANSACTIONS AND BALANCES 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 agreed /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 during the period and balances with them at period end are as follows:

	<b>(Un-Audited) Half year ended December 31, 2018</b>	<b>(Un-Audited) Half year ended December 31, 2017</b>
	<b>(Rupees in '000)</b>	
<b>12.1 Transactions during the period</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	<b>17,992</b>	19,427
Sindh Sales Tax	<b>2,339</b>	2,525
Allocation of expenses related to registrar services, accounting, operation and valuation services	<b>1,199</b>	1,295
Selling and marketing expense	<b>4,798</b>	5,180
<b>Habib Bank Limited - Sponsor</b>		
Issue of 17,355 units ( December 31, 2017 : 4,947,704)	<b>1,807</b>	500,000
Bank charges	<b>22</b>	21
Mark-up earned during the period	<b>190</b>	717
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<b>1,925</b>	2,033
CDC Charges	<b>32</b>	38
<b>HBL Islamic Income Fund</b>		
Sale of Dubai Islamic Bank Limited	-	96,000
<b>HBL Asset Management Ltd Employees Gratuity Fund</b>		
Issue of 13 units	<b>1</b>	-
<b>HBL Asset Management Ltd Employees Provident Fund</b>		
Issue of 38 units	<b>4</b>	-
<b>Director, Executives and Key Management Personal</b>		
Issue of 951 units	<b>100</b>	-
Redemption of 951 units	<b>101</b>	-

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	(Un-Audited) Half year ended December 31, 2018	(Un-Audited) Half year ended December 31, 2017
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(Rupees in '000)

**Al Meezan Foundation Connected Persons Due To Holding 10% or more Units**

Issue of 6,571 units 684 -

**Sheikh Khalid Zaheer Siddiqui Connected Persons Due To Holding 10% or more Units**

Issue of 8,658 units 901 -

Redemption of 1,082 units 113 -

**SIUT Connected Persons Due To Holding 10% or more Units**

Issue of 8,064 units 840 -

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
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(Rupees in '000)

**12.2 Amounts outstanding as at period end**

**HBL Asset Management Limited - Management Company**

Management Fee 2,929 3,329

Sindh Sales Tax 381 433

Allocation of expenses related to registrar services,  
accounting, operation and valuation services 195 222

Sale load payable - 49

Charging of selling and marketing expenses 2,363 5,632

**Habib Bank Limited - Sponsor**

Investment held in the Fund : 6,039,990 units (June 30, 2018: 6,022,636 units) 626,112 631,020

Bank balances 14,714 9,819

Mark-up receivable on deposits with banks 48 24

Sale load payable - 635

**HBL Asset Management Limited - Employees Gratuity Fund - Associate**

Investment held in the Fund : 4,521 units (June 30, 2018: 4,508 units) 469 473

**HBL Asset Management Limited - Employees Provident Fund - Associate**

Investment held in the Fund : 13,051 units (June 30, 2018 : 13,014 units) 1,353 1,364

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

Remuneration payable 281 304

Sindh Sales Tax 36 40

Security deposit 100 100

**Al Meezan Foundation - Connected Person due to holding more than 10% units**

Units held : 2,285,987 units (June 30,2018: 2,280,401 units) 236,968 238,929

**SIUT Trust - Connected Person due to holding more than 10% units**

Units held : 2,806,410 units (June 30,2018: 2,798,346 units) 290,916 293,196

**Sheikh Khalid Zaheer Siddiqui - Connected Person due to holding more than 10% units**

Units held : 3,012,341 units (June 30,2018: 3,004,765 units) 312,263 314,824

### 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets (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:

- 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.

	Note	Fair Value							
		Fair value through profit or loss	Financial asset at amortised cost	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									
- Listed equity securities		584,028	-	-	584,028	584,028	-	-	584,028
- Listed Sukuk bonds		681,413	-	-	681,413	648,413	-	33,000	681,413
		<b>1,265,441</b>	<b>-</b>	<b>-</b>	<b>1,265,441</b>	<b>1,232,441</b>	<b>-</b>	<b>-</b>	<b>1,265,441</b>
<b>Financial assets not measured at fair value</b>									
	13.1								
Bank balances		-	-	352,160	352,160	-	-	-	-
Commercial paper		-	211,038	-	211,038	-	-	-	-
Term deposit certificate		-	400,000	-	400,000	-	-	-	-
Dividend receivable and accrued markup		-	-	20,718	20,718	-	-	-	-
Advances, deposits and other receivables		-	-	4,205	4,205	-	-	-	-
		-	<b>611,038</b>	<b>377,083</b>	<b>988,121</b>	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
	13.1								
Payable to the Management Company		-	-	5,487	5,487	-	-	-	-
Payable to the SECP		-	-	1,140	1,140	-	-	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	281	281	-	-	-	-
Payable against purchase of investments		-	-	6,182	6,182	-	-	-	-
Accrued expenses and other liabilities		-	-	1,800	1,800	-	-	-	-
		-	-	<b>14,890</b>	<b>14,890</b>	-	-	-	-

	Note	Fair Value								
		Available for sale	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										
- Listed equity securities		161,202	519,265	-	-	680,467	680,467	-	-	680,467
- Sukuks - Listed		124,263	590,537	-	-	714,800	-	714,800	-	714,800
		<u>285,465</u>	<u>1,109,802</u>	<u>-</u>	<u>-</u>	<u>1,395,267</u>	<u>680,467</u>	<u>714,800</u>	<u>-</u>	<u>1,395,267</u>
<b>Financial assets not measured at fair value</b>										
Bank balances		-	-	1,072,554	-	1,072,554	-	-	-	-
Dividend receivable and accrued mark-up		-	-	16,784	-	16,784	-	-	-	-
Advances, deposits and other receivables		-	-	4,205	-	4,205	-	-	-	-
Receivable against sale of investments		-	-	2,338	-	2,338	-	-	-	-
		<u>-</u>	<u>-</u>	<u>1,095,881</u>	<u>-</u>	<u>1,095,881</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities not measured at fair value</b>										
	13.1									
Payable to the Management Company		-	-	-	9,232	9,232	-	-	-	-
Payable to the SECP		-	-	-	2,568	2,568	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	304	304	-	-	-	-
Accrued expenses and other liabilities		-	-	-	3,794	3,794	-	-	-	-
		<u>-</u>	<u>-</u>	<u>-</u>	<u>15,898</u>	<u>15,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**13.1** 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.

#### **14. 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 half year ended December 31, 2018 is 1.30% which includes 0.15% representing government levy, Sindh Worker's Welfare Fund and SECP fee.

#### **15. DATE OF AUTHORIZATION FOR ISSUE**

These condensed interim financial information were authorized for issue by the Board of Directors of the Management Company on February 8, 2019.

#### **16. GENERAL**

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

**16.2** Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

**16.3** These condensed interim financial information are unaudited and has been reviewed by the auditors. Further, the figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 have not been reviewed.

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

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

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

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

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# **HBL**

## **Islamic Stock Fund**

## FUND INFORMATION

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Name of Fund	HBL Islamic Stock Fund
Name of Auditor	Deloitte Yousuf Adil Chartered Accountants
Name of Trustee	Central Depository Company of Pakistan Limited (CDC)
Bankers	Habib Bank Limited Dubai Islamic Bank Limited Bank Islamic Pakistan Limited Bank Al-Habib Limited

# TRUSTEE REPORT TO THE UNIT HOLDERS

## CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



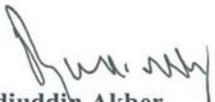
## TRUSTEE REPORT TO THE UNIT HOLDERS

### HBL ISLAMIC STOCK FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Stock Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 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.

  
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, February 20, 2019



# AUDITORS REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

# Deloitte.

**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi-75350  
Pakistan

Tel: +92 (0) 21 3454 6494-7  
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

## Auditors' report to the Unit Holders on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **HBL Islamic Stock Fund** (the Fund) as at December 31, 2018, and the related condensed interim income statement, condensed interim statement of other comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the condensed interim financial information for the half year ended December 31, 2018 (here-in-after referred to as the 'condensed interim financial information'). **HBL Asset Management Limited** (the Management Company) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement and condensed interim statement of other comprehensive income, for the quarter ended December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

### Scope of Review

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

### Conclusion

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

*Deloitte Yousuf Adil*  
Chartered Accountants

**Engagement Partner**  
Hena Sadiq

**Place:** Karachi  
**Date:** February 11, 2019

Member of  
**Deloitte Touche Tohmatsu Limited**

**HBL Islamic Stock Fund**  
**Condensed Interim Statement of Assets and Liabilities (Un-Audited)**  
*As at December 31, 2018*

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	Note	----- Rupees in '000 -----	
<b>Assets</b>			
Bank balances	4	331,651	618,133
Investments	5	1,935,896	2,222,627
Dividend and profit receivable		3,203	5,771
Deposits and other receivables		3,531	3,482
<b>Total assets</b>		<b>2,274,282</b>	<b>2,850,013</b>
<b>Liabilities</b>			
Payable to the Managemnt Company	6	7,127	9,226
Payable to the Trustee		318	322
Payable to Securities and Exchange Commission of Pakistan		1,209	1,616
Payable against purchase of equity securities		11,069	276,163
Accrued expenses and other liabilities	7	16,942	20,744
<b>Total liabilities</b>		<b>36,665</b>	<b>308,071</b>
<b>Net assets</b>		<b>2,237,617</b>	<b>2,541,942</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>2,237,617</b>	<b>2,541,942</b>
<b>Contingencies and commitments</b>	14		
		----- Number of units -----	
<b>Number of units in issue</b>		<b>21,938,613</b>	<b>22,730,895</b>
		----- Rupees -----	
<b>Net assets value per unit</b>		<b>101.9945</b>	<b>111.8276</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Stock Fund**  
**Condensed Interim Income Statement (Un-Audited)**  
*For the half year and quarter ended December 31, 2018*

	Note	Half year ended December 31,		Quarter ended December 31,	
		2018	2017	2018	2017
----- Rupees in '000 -----					
<b>Income</b>					
Dividend income		57,251	29,154	30,526	22,751
Profit on bank deposits		14,890	5,301	7,398	3,400
Capital loss on sale of investments - net		(36,803)	(62,826)	(37,781)	(44,365)
		35,338	(28,371)	143	(18,214)
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial asset at fair value through profit or loss - net		(207,334)	(9,113)	(171,018)	5,389
Impairment loss on investments classified as available for sale		-	(67,023)	-	(67,023)
		(171,996)	(104,507)	(170,875)	(79,848)
<b>Expenses</b>					
Remuneration of the Management Company		28,764	13,309	14,019	7,418
Remuneration of the Trustee		2,008	1,233	905	614
Annual fee to Securities and Exchange Commission of Pakistan		1,209	559	589	311
Selling and marketing expenses	6.1	5,091	2,352	2,481	3,373
Allocation of expenses related to registrar services, accounting, operation and valuation services	6.2	1,273	589	621	328
Income from Shariah non-compliant transactions		2,612	-	1,651	-
Securities transaction costs		3,840	1,354	2,394	947
Auditors' remuneration		178	176	89	82
Settlement and bank charges		462	329	292	189
Other expenses		125	163	64	106
		45,562	20,064	23,105	13,368
<b>Net loss from operating activities</b>		(217,558)	(124,571)	(193,980)	(93,216)
Element of income and capital gains included in prices of units issued less those in units redeemed - net		-	-	-	-
Provision for Sindh Workers' Welfare Fund	7.2	-	-	-	-
<b>Net loss for the period before taxation</b>		(217,558)	(124,571)	(193,980)	(93,216)
Taxation	8	-	-	-	-
<b>Net loss for the period after taxation</b>		(217,558)	(124,571)	(193,980)	(93,216)
<b>Allocation of net (loss) / income for the period:</b>					
Income already paid on redemption of units		-	-	-	-
Accounting income available for distribution:					
- Relating to capital gains		-	-	-	-
- Excluding capital gains		-	-	-	-
		(217,558)	(124,571)	(193,980)	(93,216)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Stock Fund**  
**Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
*For the half year and quarter ended December 31, 2018*

	Half year ended December 31,		Quarter ended, December 31,	
	2018	2017	2018	2017
	----- Rupees in '000 -----			
<b>Net loss for the period after taxation</b>	<b>(217,558)</b>	(124,571)	<b>(193,980)</b>	(93,216)
<b>Other comprehensive income for the period</b>				
<b>Item that may be reclassified subsequently to Income Statement</b>				
Unrealised gain on re-measurement of investments classified as available-for-sale	-	48,059	-	152,849
Net reclassification adjustments relating to available-for-sale financial assets	-	(123,095)	-	(111,388)
Other comprehensive (loss) / income for the period	-	(75,036)	-	41,461
<b>Total comprehensive loss</b>	<b>(217,558)</b>	(199,607)	<b>(193,980)</b>	(51,755)

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Stock Fund**  
**Condensed Interim Statement of Movement in Unit Holders' Fund**  
*For the half year ended December 31, 2018*

	2018			Half year ended December 31,				2017		
	Capital value	Undistributed income / (Accumulated loss)	Unrealised income / (loss) on investment	Total	Capital value	Undistributed income / (Accumulated loss)	Unrealised income / (loss) on investment	Total		
Note	(Rupees in '000)									
<b>Net assets at beginning of the period</b>	<b>2,580,952</b>	<b>(40,603)</b>	<b>1,593</b>	<b>2,541,942</b>	904,856	78,478	60,210	1,043,544		
Adoption of IFRS 9	-	1,593	(1,593)	-						
Issue of units 3,109,701 (2017: 6,684,239 units)										
- Capital value (at net asset value per unit at the beginning of the period)	347,750	-	-	347,750	869,102	-	-	869,102		
- Element of income / (loss)	4,652	-	-	4,652	(121,608)	-	-	(121,608)		
Total proceeds on issue of units	352,402	-	-	352,402	747,494	-	-	747,494		
Redemption of 3,901,983 units (2017: 1,308,523 units)										
- Capital value (at net asset value per unit at the beginning of the period)	(436,349)	-	-	(436,349)	(170,137)	-	-	(170,137)		
- Element of (loss) / income	(2,819)	-	-	(2,819)	17,772	-	-	17,772		
Total payments on redemption of units	(439,169)	-	-	(439,169)	(152,365)	-	-	(152,365)		
Total comprehensive loss for the period	-	(217,558)	-	(217,558)	-	(124,571)	(75,036)	(199,607)		
Distribution during the period	-	-	-	-	-	-	-	-		
Net income for the period less distribution	-	(217,558)	-	(217,558)	-	(124,571)	(75,036)	(199,607)		
<b>Net assets at end of the period</b>	<b>2,494,185</b>	<b>(256,568)</b>	<b>-</b>	<b>2,237,617</b>	1,499,985	(46,093)	(14,826)	1,439,066		
<b>Undistributed income brought forward</b>										
- Realised		6,041				78,478				
- Unrealised		(46,644)				-				
		(40,603)				78,478				
Net loss for the period		(217,558)				(124,571)				
Adoption of IFRS 9		1,593								
Distribution during the period		-				-				
<b>(Accumulated loss) / undistributed income carried forward</b>		<b>(256,568)</b>				<b>(46,093)</b>				
<b>(Accumulated loss) / undistributed income carried forward</b>										
- Realised		(51,167)				(36,980)				
- Unrealised		(205,401)				(9,113)				
		(256,568)				(46,093)				
					Rupees			Rupees		
<b>Net assets value per unit at beginning of the period</b>					<b>111.8276</b>			<b>130.0225</b>		
<b>Net assets value per unit at end of the period</b>					<b>101.9945</b>			<b>107.3802</b>		

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

**Chief Financial Officer**

**Chief Executive Officer**

**Director**

**HBL Islamic Stock Fund**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
*For the half year ended December 31, 2018*

	Half year ended December 31,	
	2018	2017
	----- Rupees in '000 -----	
<b>Cash flows from operating activities</b>		
Net loss for the period before taxation	(217,558)	(124,571)
<b>Adjustments</b>		
Dividend Income	(57,251)	(29,154)
Profit received on bank deposits	(14,890)	(5,301)
Capital loss during the period	36,803	62,826
Unrealised diminution on re-measurement of investments classified as financial asset at fair value through profit or loss - net	207,334	9,113
Impairment loss on investments classified as available for sale	-	67,023
	<b>(45,562)</b>	<b>(20,064)</b>
<b>Decrease / (Increase) in assets</b>		
Investments - net	42,593	(378,618)
Receivable against sale of investments	-	-
Deposits and other receivables	(49)	22,023
	<b>42,544</b>	<b>(356,595)</b>
<b>Increase / (Decrease) Increase in liabilities</b>		
Payable to the Managemnt Company	(2,099)	566
Payable to the Trustee	(4)	31
Payable to the Securities and Exchange Commission of Pakistan	(407)	(323)
Payable against conversion and redemption of units	(265,094)	-
Accrued expenses and other liabilities	(3,802)	(6,063)
	<b>(271,406)</b>	<b>(5,789)</b>
<b>Net cash used in operations</b>	<b>(274,424)</b>	<b>(382,448)</b>
Dividend received	60,964	27,847
Profit received on bank deposits	13,745	4,443
	<b>74,709</b>	<b>32,290</b>
<b>Cash flows from financing activities</b>		
Amount received on issue of units	352,402	747,494
Payment against redemption of units	(439,169)	(152,365)
<b>Net cash (used in) / generated from financing activities</b>	<b>(86,767)</b>	<b>595,129</b>
<b>Net increase in cash and cash equivalents</b>	<b>(286,482)</b>	<b>244,971</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>618,133</b>	<b>67,149</b>
<b>Cash and cash equivalents at end of the period</b>	<b>331,651</b>	<b>312,120</b>

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

# **HBL Islamic Stock Fund**

## **Notes to the Condensed Interim Financial Information (Unaudited)**

*For the half year ended December 31, 2018*

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### **1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** HBL Islamic Stock Fund (the Fund) was established under a Trust Deed, dated November 23, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan as a unit trust scheme on December 10, 2010.
- 1.2** The Management Company of the Fund has been registered as Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is situated at 7th Floor, Emereld Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi, Pakistan.
- 1.3** The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par from May 09, 2011 to May 10, 2011.
- 1.4** The principal activity of the Fund is to provide long-term capital growth by investing mainly in Shariah Compliant equity securities and short-term government securities.
- 1.5** JCR-VIS Credit Rating Company has assigned a management quality rating of AM2+' (AM Two Plus) to the Management Company.
- 1.6** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of 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.

**2.1.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS-34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.

**2.1.3** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2018.

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## **2.2 Basis of measurement**

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

## **2.3 Functional and presentation currency**

This condensed interim financial information are presented in Pakistani 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 ; and**

(ii) **impairment of financial assets**

## **3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN**

**3.1** The accounting policies adopted in the preparation of this condensed interim financial information are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 3.6.

**3.2** The preparation of this condensed interim financial information 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 period in which the estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

**3.3** The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited financial statements of the Fund for the year ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 3.6.

**3.4** There are certain new and amended standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2018 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in this condensed interim financial information.

**3.5** On application of IFRS - 9 'Financial Instruments', there is no material change in the Fund's financial risk management objectives and policies and are consistent with those disclosed in the annual audited financial statements of the Fund for the year ended June 30, 2018.

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### 3.6 Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures for the half year ended December 31, 2018.

#### **IFRS 9 introduced new requirements for:**

- 1) The classification and measurement of financial assets and financial liabilities;
- 2) Impairment of financial assets; and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

#### **(a) Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

#### **Specifically:**

- . debt instruments 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 amount outstanding, are measured subsequently at amortised cost;
- . debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- . all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

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When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- the Fund's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been reclassified as at FVTPL. The change in fair value on these equity instruments will be recorded in the profit or loss account;
- there is no change in the measurement of the Fund's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Fund's financial position, profit or loss, other comprehensive income or total comprehensive income for the period.

#### **(b) Impairment of financial assets**

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

#### **(c) Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk 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, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the Fund does not have any financial liabilities designated as FVTPL.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

#### **(d) Disclosures in relation to the initial application of IFRS 9**

There were no financial assets or financial liabilities which the Fund had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Fund has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Fund has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

	Carrying amount as per IAS 39 as on June 30, 2018	Reclassifications	Remeasurements	Carrying amount on initial adoption of IFRS 9 on July 01, 2018	Effect on July 01, 2018 on Retained Earnings
----- Rupees ('000')-----					
<b>Financial assets</b>					
<b>Fair value through profit or loss</b>					
From available for sale (IAS 39)	20,598	20,598	-	20,598	-
<b>Total</b>	<b>20,598</b>	<b>20,598</b>	<b>-</b>	<b>20,598</b>	<b>-</b>

(Un-Audited)  
December 31,  
2018

(Audited)  
June 30,  
2018

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

Note

#### 4. BANK BALANCES

Balances with banks in:

Savings accounts

4.1

**331,651**

618,133

4.1 This represents bank accounts held with different banks. The balance in savings accounts carry expected profit which ranges from 5% to 10.5% (June 30, 2018: 3.65% to 6%) per annum.

(Un-Audited)  
December 31,  
2018

(Audited)  
June 30,  
2018

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

Note

#### 5. INVESTMENTS

##### Financial assets at fair value through profit or loss account

- Listed equity securities

5.1

**1,935,896**

2,222,627

Listed equity securities - At fair through Profit or Loss

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

Name of the Investee Company	As at July 01, 2018	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2018	Market value as at December 31, 2018 Rupees in '000'	Market value as a percentage of :		Par value as a percentage of issued capital of the investee company
							Total Investments	Net Assets	
----- Number of shares ----- % ----- % -----									
<b>TEXTILE COMPOSITE</b>									
Nishat Mills Limited	629,100	275,600	-	183,500	721,200	91,253	4.71%	4.08%	0.21%
Kohinoor Textile Mills Limited	-	664,500	-	144,000	520,500	23,464	1.21%	1.05%	0.15%
	629,100	940,100	-	327,500	1,241,700	114,718	5.93%	5.13%	
<b>CEMENT</b>									
Cherat Cement Company Limited.	-	290,600	-	290,600	-	-	-	-	-
D.G. Khan Cement Company Limited	230,000	270,000	-	500,000	-	-	-	-	-
Lucky Cement Limited	207,750	132,500	-	82,500	257,750	112,036	5.79%	5.01%	0.08%
Pioneer Cement Limited	324,500	-	-	324,500	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	1,536,000	-	1,265,000	271,000	11,016	0.57%	0.49%	0.12%
Kohat Cement	332,000	110,500	61,290	254,600	249,190	21,166	1.09%	0.95%	0.14%
	1,094,250	2,339,600	61,290	2,717,200	777,940	144,219	7.45%	7.45%	

Name of the Investee Company	As at July 01, 2018	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2018	Market value as at December 31, 2018 Rupees in '000'	Market value as a percentage of :		Par value as a percentage of issued capital of the investee company
							Total Investments	Net Assets	
	----- Number of shares -----					----- % -----		----- % -----	
<b>COMMERCIAL BANK</b>									
Meezan Bank Limited	1,264,500	850,000	114,400	1,065,000	1,163,900	107,533	5.55%	4.81%	0.11%
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	1,379,000	956,000	-	254,500	2,080,500	178,486	9.22%	7.98%	0.18%
K-Electric Limited - (Par value 3.5/share)	9,442,000	3,250,000	-	4,351,000	8,341,000	49,546	2.56%	2.21%	0.72%
Pakgen Power Limited	-	700,000	-	-	700,000	11,928	0.62%	0.53%	0.06%
	10,821,000	4,906,000	-	4,605,500	11,121,500	239,960	12.40%	10.72%	
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	84,930	20,000	9,291	5,740	108,481	134,067	6.93%	5.99%	0.10%
Oil and Gas Development Company Limited	1,048,900	724,600	-	302,300	1,471,200	188,314	9.73%	8.42%	0.62%
Pakistan Oilfields Limited	213,100	98,000	37,220	132,250	216,070	91,791	4.74%	4.10%	0.01%
Pakistan Petroleum Limited	829,700	411,500	130,155	215,900	1,155,455	172,925	8.93%	7.73%	0.03%
	2,176,630	1,254,100	176,666	656,190	2,951,206	587,097	30.33%	27.24%	
<b>FERTILIZERS</b>									
Dawood Hercules Corporation Limited	-	96,200	-	-	96,200	10,693	0.55%	0.48%	0.02%
Engro Corporation Limited	517,600	349,800	-	164,000	703,400	204,746	10.58%	9.15%	0.13%
Engro Fertilizer Limited	1,887,500	269,500	-	1,202,000	955,000	65,943	3.41%	2.95%	0.18%
Fauji Fertilizer Co Limited	509,500	262,000	-	281,000	490,500	45,543	2.35%	2.04%	0.04%
	2,914,600	977,500	-	1,647,000	2,245,100	326,924	16.89%	14.61%	
<b>CHEMICALS</b>									
Engro Polymer and Chemicals Limited	1,646,000	1,101,066	-	875,000	1,872,066	69,529	3.59%	3.11%	0.28%
Engro Polymer & Chemicals Limited - LOR	536,066	-	-	536,066	-	-	-	-	-
	2,182,066	1,101,066	-	1,411,066	1,872,066	69,529	3.59%	3.11%	
<b>PAPER AND BOARD</b>									
Packages Limited	52,000	16,000	-	10,000	58,000	22,436	1.16%	1.00%	0.06%
<b>GLASS &amp; CERAMICS</b>									
Shabbir Tiles & Ceramics Limited	801,500	150,000	-	951,500	-	-	-	-	-
<b>Cable and Electrical Goods</b>									
Pak Elektron Limited	898,500	223,000	-	1,121,500	-	-	-	-	-
<b>PHARMA AND BIO TECH</b>									
AGP Limited	427,750	242,000	-	65,000	604,750	52,873	2.73%	2.36%	0.33%
The Searle Company Limited	76,291	32,500	10,633	106,300	13,124	3,223	0.17%	0.14%	0.01%
	504,041	274,500	10,633	171,300	617,874	56,096	2.90%	2.51%	
<b>AUTOMOBILE ASSEMBLER</b>									
Millat Tractors Limited	65,980	1,500	-	67,480	-	-	-	-	-
<b>AUTOMOBILE PARTS AND ACCESSORIES</b>									
Thal Limited (par value of Rs. 5 each)	143,350	46,900	-	30,900	159,350	68,148	3.52%	3.05%	0.39%
<b>OIL AND GAS MARKETING COMPANIES</b>									
Hascol Petroleum Limited	91,300	50,000	30,825	125,700	46,425	6,889	0.36%	0.31%	0.03%
Pakistan State Oil Company Limited	320,400	291,400	65,680	180,000	497,480	112,147	5.79%	5.01%	0.15%
Sui Northern Gas Pipeline Limited	612,300	169,500	-	333,500	448,300	34,550	1.78%	1.54%	0.07%
	1,024,000	510,900	96,505	639,200	992,205	153,587	7.93%	6.86%	

Name of the Investee Company	As at July 01, 2018	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2018	Market value as at December 31, 2018 Rupees in '000'	Market value as a percentage of :		Par value as a percentage of issued capital of the investee company
							Total Investments	Net Assets	
----- Number of shares ----- % ----- % -----									
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
Systems Limited	242,500	-	-	239,500	3,000	330	0.02%	1.47%	0.01%
<b>ENGINEERING</b>									
Aisha Steel Mills Limited	793,500	-	-	793,500	-	-	-	-	-
Amreli Steels Limited	357,200	100,000	-	457,200	-	-	-	-	-
International Industries Limited	117,200	159,300	-	131,300	145,200	22,368	1.16%	1.00%	0.12%
International Steels Limited	388,500	470,000	-	509,500	349,000	22,954	1.19%	1.03%	0.08%
Mughal Iron & Steel Inds Limited	535,500	133,000	-	668,500	-	-	-	-	-
	2,191,900	862,300	-	2,560,000	494,200	45,322	2.34%	2.03%	
<b>Grand total</b>	<b>27,005,917</b>	<b>14,453,466</b>	<b>459,494</b>	<b>18,220,836</b>	<b>23,698,041</b>	<b>1,935,896</b>	<b>100%</b>	<b>89.97%</b>	
<b>Cost of investments at December 31, 2018</b>						<b>2,143,230</b>			

**5.1.1** Investments include shares having market value aggregating to Rs. 57.661 million (June 30, 2018, 66.97 million ) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP.

**5.1.2** These includes gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 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 (MUFAP) , has filed a petition in Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.61 million at December 31, 2018 (June 30, 2018: Rs. 0.73 million) and not yet deposited in CDC account of department of Income tax. Management is of the view that the decision will be in favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at period end.

	Note	(Un-Audited)	(Audited)
		December 31, 2018	June 30, 2018
		(Rupees in '000)	
<b>6. PAYABLE TO MANAGEMENT COMPANY</b>			
Management fee		3,936	4,048
Sindh Sales Tax on Management Company's remuneration		512	526
Sales load payable		1	1
Selling and marketing payable		2,481	4,449
Allocation of expenses related to registrar services, accounting, operation and valuation services		197	202
		<b>7,127</b>	<b>9,226</b>

		(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	Note	(Rupees in '000)	
<b>7. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Federal Excise Duty	7.1	6,793	6,793
Provision for Sindh Workers' Welfare Fund	7.2	6,312	6,312
Charity payable	7.3	2,612	5,290
Withholding tax payable		17	21
Auditors' remuneration		177	304
Payable to brokers		831	1,812
Others		200	212
		<b>16,942</b>	<b>20,744</b>

**7.1** The legal status of applicability of Federal Excise Duty on the Fund is same as that disclosed in note 12.2 to the annual audited financial statements of the Fund for the year ended June 30, 2018, and the appeal filed by tax authorities against the order passed by Supreme Court of Pakistan dated July 16, 2016, is pending for decision.

In view of above, the Management Company, being prudent, is carrying provision for FED for the period from January 13, 2013 to June 30, 2016 aggregating to Rs. 6.79 million. Had the provision not been retained, NAV per unit of the Fund as at December 31, 2018 would have been higher by Rs. 0.31 per unit (June 30, 2018: 0.3 per unit).

**7.2 PROVISION FOR SINDH WORKERS' WELFARE FUND**

The legal status of applicability of Workers' Welfare Fund and Sindh Workers' Welfare Fund (SWWF) is same as that disclosed in note 12.3 to the annual audited financial statements of the Fund for the year ended June 30, 2018.

As there is loss for the half year ended December 31, 2018, therefore, no provision for SWWF has been recognised in this condensed interim financial information. Had the provision not been retained, NAV per unit of the Fund as at December 31, 2018 would have been higher by Rs. 0.29 per unit (June 30, 2018: 0.28 per unit).

**7.3** This represents amount attributable to income earned from shariah non-compliant avenues, earmarked for onward distribution as charity in accordance with the instructions of the Shariah Advisor.

**8. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments outstanding as at December 31, 2018 and June 30, 2018.

**9. TAXATION**

The Fund's income is exempt from income tax as per Clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current period, as the Management Company intends to distribute more than 90 percent of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) for the year June 30, 2019 to its unit holders.

**10. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS**

Connected persons / related parties 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 agreed / contracted rates and terms determined in accordance with market rates. and the Trust Deed respectively.

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

Details of significant transactions with connected persons during the period / year and balances with them at period/ year end are as follows:

	<b>Half year ended</b>	
	<b>December 31,</b>	
	<b>2018</b>	<b>2017</b>
	----- (Rupees in '000) -----	
<b>10.1 Transactions during the period</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee including sales tax thereon	<b>28,764</b>	13,309
Allocation of expenses related to registrar services, accounting, operation and valuation services	<b>1,273</b>	589
Selling and marketing expenses	<b>5,091</b>	2,352
<b>Habib Bank Limited - Sponsor</b>		
Bank charges paid	<b>27</b>	10
Bank profit	<b>346</b>	1,377
<b>Executives and their relatives</b>		
Issue of 3,264 units (2017: 2,031 units)	<b>355</b>	250
Redemption 15,834 (2017: Nil units)	<b>1,739</b>	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<b>2,008</b>	1,233
Central Depository services charges	<b>119</b>	71
<b>HBL Islamic Financial Planning Fund Active Allocation Plan - Associate</b>		
Issue of 3,600 units (2017: 276,020 units)	<b>400</b>	30,000
Redemption 230,574 units (2017: Nil units)	<b>25,370</b>	-
<b>HBL Islamic Financial Planning Fund Strategic Allocation Plan - Associate</b>		
Issue of 865,348 units (2017: 4,522,270 units)	<b>100,000</b>	490,500
Redemption 30,844 units (2017: Nil units)	<b>3,365</b>	-
<b>HBL Islamic Financial Planning Fund Conservative Allocation Plan - Associate</b>		
Issue of 1,003 units (2017: Nil units)	<b>105</b>	-
Redemption 3,358 units (2017: Nil units)	<b>370</b>	-

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	----- (Rupees in '000) -----	
<b>10.2 Balances outstanding as at period / year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	3,936	4,048
Sindh Sales Tax on Management Company's remuneration	512	526
Sales load payable	1	1
Selling and marketing payable	2,481	4,449
Allocation of expenses related to registrar services, accounting, operation and valuation services	197	202
Investment held in the Fund 215,061 units (June 30, 2018 : 215,061 units)	21,935	24,050
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund 6,198,853 units (June 30, 2018: 6,198,853 units)	632,249	693,203
Bank balances	6,310	50,608
Profit receivable	38	85
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable including sales tax thereon	318	322
Security deposit	100	100
<b>Executives and their relatives</b>		
Investment held in the Fund : 6,534 units (June 30, 2018: 14,572 units)	666	1,630
<b>HBL Islamic Financial Planning Fund Active Allocation Plan - Associate</b>		
Investment held in the Fund : 736,038 units (June 30, 2018: 963,012 units)	75,072	107,691
<b>HBL Islamic Financial Planning Fund Strategic Allocation Plan - Associate</b>		
Investment held in the Fund : 11,149,503 units (June 30, 2018: 10,314,998 units)	1,137,187	1,153,502
<b>HBL Islamic Financial Planning Fund Conservative Allocation Plan - Associate</b>		
Investment held in the Fund : 3,558 units (June 30, 2018: 5,913 units)	363	661

## 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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



	June 30, 2018 (Audited)								
	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>Financial assets not measured at fair value</b>									
Bank balances	-	-	-	618,133	618,133				
Dividend and profit receivable	-	-	-	5,771	5,771				
Other receivables	-	-	-	2,600	2,600				
	-	-	-	626,504	626,504				
<b>Financial liabilities not measured at fair value</b>									
Payable to the Managemnt Company		-	-	8,700	8,700				
Payable to Securities and Exchange Commission of Pakistan				1,430	1,430				
Payable to the Trustee		-	-	285	285				
Payable against purchase of equity securities		-	-	276,163	276,163				
Accrued expenses and other liabilities		-	-	7,618	7,618				
		-	-	294,196	294,196				

**11.1** 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.

**11.2** There were no transfers between various levels of fair value hierarchy during the period.

## **12. 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 half year ended December 31, 2018 is 1.7% (December 31, 2017 : 1.39%), which includes 0.19% (December 31, 2017 : 0.16%) representing government levy, Worker's Welfare Fund and SECP fee.

## **13. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on February 08, 2019.

## **15. GENERAL**

**15.1** Figures have been rounded off to the nearest thousand rupees.

**15.2** Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

**15.3** This condensed interim financial information are unaudited and have been reviewed by the auditors. Further, the figures presented in condensed interim income statement and statement of comprehensive income for the quarter ended December 31, 2018 have not been reviewed.

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

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

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

\_\_\_\_\_  
Director

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# **HBL**

## **Islamic Income Fund**

## FUND INFORMATION

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Name of Fund	HBL Islamic Income Fund
Name of Auditor	BDO Ebrahim & Co. Chartered Accountants
Name of Trustee	Central Depository Company of Pakistan Limited (CDC)
Bankers	Habib Bank Limited Dubai Islamic Bank Limited Bank Islami Pakistan Limited Al Baraka Bank Pakistan Limited United Bank Limited Burj Bank Limited Faysal Bank Limited Allied Bank Limited Askari Bank Limited Soneri Bank Limited Summit Bank Limited Bank Al-Habib Limited MCB Islamic Bank Limited
Rating	'A+(f)'

# TRUSTEE REPORT TO THE UNIT HOLDERS

## CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



## TRUSTEE REPORT TO THE UNIT HOLDERS

### HBL ISLAMIC INCOME FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Income Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 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.

  
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, February 20, 2019



# AUDITORS REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

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Tel: +92 21 3568 3030  
Fax: +92 21 3568 4239  
www.bdo.com.pk

2nd Floor, Block-C  
Lakson Square, Building No.1  
Sarwar Shaheed Road  
Karachi-74200  
Pakistan

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

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of HBL ISLAMIC INCOME FUND ("the Fund") as at December 31, 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund and notes to the condensed interim financial information for the half year then ended (here-in-after referred to as "condensed interim financial information"). HBL Asset Management Limited (the "Management Company") is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the half year ended December 31, 2018 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Other matters

The figures for the quarter ended December 31, 2018 and December 31, 2017 in the condensed interim income statement and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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

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The financial statements of the Fund for the year ended June 30, 2018 and condensed interim financial information for the half year ended December 31, 2017 were audited and reviewed by another firm of chartered accountants who have expressed an unqualified opinion and conclusion thereon vide their reports dated September 19, 2018 and February 26, 2018 respectively.

KARACHI

DATED: 08 FEB 2019

*BDO Ebrahim & Co.*  
bdo CHARTERED ACCOUNTANTS  
Engagement Partner: Raheel Shahnawaz

**HBL Islamic Income Fund**  
**Condensed Interim Statement of Assets and Liabilities (Un-Audited)**  
*As at December 31, 2018*

	December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
Note	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Bank balances	4 1,531,502	2,716,661
Investments	5 2,193,836	1,389,253
Profit receivable	39,548	38,957
Receivable against sale of investments	-	10,156
Preliminary expenses and floatation costs	328	740
Deposits and prepayments	4,344	4,450
<b>TOTAL ASSETS</b>	<b>3,769,558</b>	<b>4,160,217</b>
<b>LIABILITIES</b>		
Payable to the Management Company	6 5,755	3,308
Payable to the Trustee	753	421
Payable to Securities and Exchange Commission of Pakistan	1,511	3,331
Dividend payable	43	20
Payable against redemption of units	17,222	101,997
Accrued expenses and other liabilities	7 11,330	9,614
<b>TOTAL LIABILITIES</b>	<b>36,614</b>	<b>118,691</b>
<b>NET ASSETS</b>	<b>3,732,944</b>	<b>4,041,526</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>	<b>3,732,944</b>	<b>4,041,526</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	8	----- (Number of units) -----
<b>Number of units in issue</b>	<b>35,661,269</b>	<b>38,019,523</b>
		----- (Rupees) -----
<b>Net assets value per unit</b>	<b>104.6778</b>	<b>106.3013</b>

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Income Fund**  
**Condensed Interim Income Statement (Un-Audited)**  
*For the Half Year & Quarter Ended December 31, 2018*

	Note	Half year ended December 31,		Quarter ended December 31,	
		2018	2017	2018	2017
----- (Rupees in '000) -----					
<b>INCOME</b>					
Capital (loss) / gain on sale of investments - net		(113)	13,316	75	8,616
Income from sukuks		67,331	29,275	36,764	13,748
Income from placements		35,515	100	21,391	-
Profit on bank deposits		62,897	97,346	27,206	50,961
		165,630	140,037	85,436	73,325
Unrealised diminution on remeasurement of investments classified as financial assets at 'fair value through profit or loss' - net		(1,152)	(14,576)	(4,278)	(2,803)
		164,478	125,461	81,158	70,522
<b>EXPENSES</b>					
Remuneration of the Management Company	6.1 & 6.2	19,809	14,750	10,005	7,439
Remuneration of the Trustee		2,419	2,555	1,164	1,253
Annual fee to Securities and Exchange Commission of Pakistan		1,511	1,617	720	789
Allocation of expenses related to registrar services, accounting, operation and valuation services	6.3	2,014	2,156	959	1,052
Amortisation of preliminary expenses and floatation costs		412	412	206	206
Security transaction, settlement and bank charges		568	373	177	186
Auditors' remuneration		119	119	60	71
Fees and subscription		133	220	29	125
Shariah advisory charges		104	-	71	-
Selling and marketing expense		3,352	-	1,919	-
Printing charges		-	151	-	75
		30,441	22,353	15,310	11,196
<b>Net income for the period from operating activities</b>		134,037	103,108	65,848	59,326
Provision for Sindh Workers' Welfare Fund	7.2	(2,681)	(2,062)	(1,797)	(1,178)
<b>Net income for the period before taxation</b>		131,356	101,046	64,051	58,148
Taxation	9	-	-	-	-
<b>Net income for the period after taxation</b>		131,356	101,046	64,051	58,148
<b>Allocation of net income for the period</b>					
Income already paid on redemption of units		30,501	18,437	25,978	13,914
Accounting income available for distribution:					
Relating to capital gains		-	-	-	4,422
Excluding capital gains		100,855	82,609	38,073	39,812
		100,855	82,609	38,073	44,234
		131,356	101,046	64,051	58,148
Earnings per unit	10				

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Income Fund**  
**Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
*For the Half Year & Quarter Ended December 31, 2018*

	Half year ended		Quarter ended	
	December 31,		December 31,	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Net income for the period after taxation	131,356	101,046	64,051	58,148
Other comprehensive income for the period				
Items that may be reclassified subsequently to income statement	-	-	-	-
Items that will not be reclassified subsequently to income statement	-	-	-	-
Total comprehensive income for the period	<u>131,356</u>	<u>101,046</u>	<u>64,051</u>	<u>58,148</u>

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Income Fund**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
*For the half year ended December 31, 2018*

	Half year ended	
	December 31,	
	2018	2017
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	131,356	101,046
Adjustments for:		
Capital loss / (gain) on sale of investments - net	113	(13,316)
Unrealised diminution on remeasurement of investments classified as financial asset at fair value through profit or loss - net	1,152	14,576
Amortisation of preliminary expenses and floatation costs	412	412
Mark up / return on:		
Bank balances	(62,897)	(97,346)
Term deposit receipts and commercial paper	(35,515)	(100)
Investments	(67,331)	(29,275)
Provision for Sindh Workers' Welfare Fund	2,681	2,062
	<u>(30,029)</u>	<u>(21,941)</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	(805,848)	717,984
Receivable against sale of investments	10,156	-
Profit receivable	(591)	-
Deposits and prepayments	106	(4,469)
	(796,177)	713,515
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	2,447	2,091
Payable to the Trustee	332	189
Payable to Securities and Exchange Commission of Pakistan	(1,820)	1,265
Payable against redemption of units	(84,775)	-
Accrued expenses and other liabilities	(965)	(3,752)
	<u>(84,781)</u>	<u>(207)</u>
<b>Cash used in operations</b>	(910,987)	691,367
Income from sukuks	67,331	17,731
Income from placements	35,515	-
Profit on bank deposits	62,897	86,169
	<u>165,743</u>	<u>103,900</u>
<b>Net cash (used in) / generated from operating activities</b>	(745,244)	795,267
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	1,171,450	2,023,677
Dividend paid	(44,630)	(1,777)
Payments against redemption of units	(1,566,735)	(2,362,275)
Net cash used in financing activities	(439,915)	(340,375)
Net (decrease) / increase in cash and cash equivalents during the period	(1,185,159)	454,892
Cash and cash equivalents at beginning of period	2,716,661	3,192,747
Cash and cash equivalents at end of the period	<u>1,531,502</u>	<u>3,647,639</u>

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The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Income Fund**  
**Condensed Interim Statement of Movement in Unitholders' Fund**  
*For the half year ended December 31, 2018*

Note	Half year ended December 31,					
	2018			2017		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	----- (Rupees in '000) -----					
<b>Net assets at beginning of the period</b>	3,947,620	93,906	4,041,526	4,414,052	47,193	4,461,245
<b>Issuance of 23,261,985 units (2017: 19,725,767 units)</b>						
Capital value (at net asset value per unit at the beginning of the period)	2,356,470	-	2,356,470	1,993,666	-	1,993,666
Element of income	26,362	-	26,362	30,012	-	30,012
<b>Total proceeds on issuance of units</b>	2,382,832	-	2,382,832	2,023,678	-	2,023,678
<b>Redemption of 25,620,239 units (2017: 17,908,159 units)</b>						
Capital value (at net asset value per unit at the beginning of the period)	(2,595,364)	-	(2,595,364)	(1,809,962)	-	(1,809,962)
Income already paid on redemption of units	-	(30,501)	(30,501)	-	(18,437)	(18,437)
Element of loss	(6,807)	-	(6,807)	(473)	-	(473)
<b>Total payments on redemption of units</b>	(2,602,171)	(30,501)	(2,632,672)	(1,810,435)	(18,437)	(1,828,872)
Total comprehensive income for the period	-	131,356	131,356	-	101,046	101,046
Refund of capital	(145,445)	-	(145,445)	-	-	-
Distribution for the period	-	(44,653)	(44,653)	-	-	-
	(145,445)	86,703	(58,742)	-	101,046	101,046
<b>Net assets at end of the period</b>	3,582,836	150,108	3,732,944	4,627,295	129,802	4,757,097
Undistributed income brought forward						
Realised		106,089			34,077	
Unrealised		(12,183)			13,116	
		93,906			47,193	
Accounting income available for distribution						
Relating to capital (loss) / gains		-			-	
Excluding capital gains		100,855			82,609	
		100,855			82,609	
Distribution for the period		(44,653)			-	
Undistributed income carried forward		150,108			129,802	
<b>Undistributed income carried forward</b>						
Realised		151,260			144,378	
Unrealised		(1,152)			(14,576)	
		150,108			129,802	
			<b>Rupees</b>			<b>Rupees</b>
<b>Net assets value per unit at beginning of the period</b>			<u>106.3013</u>			<u>101.0691</u>
<b>Net assets value per unit at end of the period</b>			<u>104.6778</u>			<u>103.5094</u>

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

# **HBL Islamic Income Fund**

## **Notes to the Condensed Interim Financial Information (Unaudited)**

*For the half year ended December 31, 2018*

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### **1. LEGAL STATUS AND NATURE OF BUSINESS**

The HBL Islamic Income Fund ('the Fund') was established under a trust deed executed between PICIC Asset Management Company Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/AMCW/PIIF/949/2014 dated April 4, 2014 as a notified entity and the trust deed was executed on February 20, 2014.

Through an order dated August 31, 2016 SECP approved merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on Feb 17, 2017. Effective from September 1, 2016 HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. The Agha Khan Fund for Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

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

The Fund has been categorised as a Shariah Compliant Income Scheme as per the criteria laid down by the SECP for categorization of open-end Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

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

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

JCR-VIS Credit Rating Company has assigned a management quality rating of 'AM2+' (AM Two Plus) to the Management Company and assigned stability rating of A+(f) to the Fund as at December 28, 2018 and December 26, 2018, respectively.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

**2.1.1** This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'NBFC Regulations'), provisions of and directives issued under the Companies Act, 2017 and the directives issued by the SECP.

Wherever the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations, provisions of and directives issued under the Companies Act, 2017 and the directives issued by the SECP differ with the requirements of the IAS 34, the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations, provisions of and directives issued under the Companies Act, 2017 and the directives issued by the SECP have been followed.

**2.1.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS - 34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.

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**2.1.3** The comparative statement of asset and liabilities presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2018, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund are extracted from the unaudited condensed interim financial information for the half year ended December 31, 2017.

**2.1.4** This condensed interim financial information is unaudited and has been reviewed by the auditors. Further, the figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 have not been reviewed.

**2.1.5** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2018.

## **2.2 Basis of measurement**

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

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

## **2.3 Functional and presentation currency**

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

## **3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN**

**3.1** The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Fund for the year, ended June 30, 2018 except as explained in note 3.6.

**3.2** The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

**3.3** The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2018.

**3.4** There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Fund's accounting period beginning on or after July 01, 2018. These standards, interpretations and amendments are either not relevant to the Fund's operations or are not expected to have a significant effect on this condensed interim financial information except as disclosed in note 3.6.

**3.5** The financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Fund for the year ended June 30, 2018.

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**3.6** Except as described below, the accounting policies applied in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018.

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 for accounting periods beginning on or after July 1, 2018. A number of other new standards are effective from July 1, 2018 but they do not have a material effect on the Fund's condensed interim financial information.

"IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

**i. Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

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

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

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

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

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

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

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

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

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
----- (Rupees in '000) -----					
<b>Financial assets</b>					
Bank balances - Saving Accounts	(b)	Loans and receivables	Amortised cost	1,991,661	1,991,661
Bank balances - Term Deposit Receipts (TDRs)	(b)	Loans and receivables	Amortised cost	725,000	725,000
Investments - Privately Placed Sukuk Certificates	(a)	Held for trading	FVTPL	1,389,253	1,389,253
Profit Receivable	(b)	Loans and receivables	Amortised cost	38,957	38,957
Receivable against sale of investments	(b)	Loans and receivables	Amortised cost	10,156	10,156
Deposits and Prepayments	(b)	Loans and receivables	Amortised cost	4,450	4,450
				<u>4,159,477</u>	<u>4,159,477</u>

- (a) Debt securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to be recognised in income statement.
- (b) These financial assets classified as 'loans and receivables' have been classified as amortised cost.

ii. **Impairment of financial assets**

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

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

### iii. Transition

The Fund has used the exemption not to restate comparative periods. Comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 1, 2018. Accordingly, the comparative information does not reflect the requirements of IFRS 9, but rather those of IAS 39.

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

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

	Note	December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
		----- (Rupees in '000) -----	
<b>4 BANK BALANCES</b>			
In savings accounts	4.1	1,185,502	1,991,661
Term deposit receipts	4.2	346,000	725,000
		<u>1,531,502</u>	<u>2,716,661</u>

4.1 Mark-up rates on these accounts range between 6.50% to 10.50% per annum (June 30, 2018: 5.45% to 6.50% per annum).

4.2 These term deposit receipts carry mark up at the rate of 8.6% to 8.85% (June 30, 2018: 5.75% to 6.75% per annum). These will mature at various dates maximum by January 31, 2019.

### 5 INVESTMENTS

#### Financial assets 'at fair value through profit or loss

Privately placed sukuk certificates 5.1 1,520,217 1,389,253

#### Financial assets measured at amortised cost

Commercial paper 5.2 673,619 -  
2,193,836 1,389,253

#### 5.1 Privately placed sukuk certificates

Name of the Investee Company	Note	Number of units				As at December 31, 2018			Market value as at June 30, 2018	Market value as at percentage of	
		As at July 1, 2018	Purchases during the period	Sales during the period	As at December 31, 2018	Market value	Carrying value	Un-realised appreciation/ (diminution)		Total investments	Net assets
----- (Rupees in '000) -----											
<b>Corporate Sukuks-Listed</b>											
International Brands Limited		1,040	60	-	1,100	108,594	109,849	(1,256)	104,000	4.95%	2.91%
K Electric Limited		-	76,000	22,917	53,083	187,965	185,791	2,174	-	8.57%	5.04%
Dawood Hercules Corporation Limited		5,220	-	-	5,220	522,028	523,044	(1,016)	523,044	4.56%	2.68%
Meezan Bank Limited		50	-	50	-	-	-	-	50,750	0.00%	0.00%
		<u>6,310</u>	<u>76,060</u>	<u>22,917</u>	<u>59,403</u>	<u>818,587</u>	<u>818,684</u>	<u>(98)</u>	<u>677,794</u>	<u>18.08%</u>	<u>10.62%</u>

Name of the Investee Company	Note	Number of units				As at December 31, 2018			Market value as at June 30, 2018	Market value as at percentage of	
		As at July 1, 2018	Purchases during the period	Sales during the period	As at December 31, 2018	Market value	Carrying value	Un-realised appreciation/ (diminution)		Total investments	Net assets
----- (Rupees in '000) -----											
<b>Corporate Sukuks - Un-Listed</b>											
Dawood Hercules Corporation Limited		1,000	-	-	1,000	100,000	100,065	(64)	100,064	23.80%	13.98%
AGP Limited		2,660	1,015	850	2,825	199,728	199,480	247	215,034	9.10%	5.35%
Dubai Islamic Bank Limited		190	-	-	190	193,554	193,554	-	193,554	8.82%	5.19%
Ghani Gasses Limited		1,530	-	-	1,530	108,348	109,591	(1,237)	122,342	4.94%	2.90%
Agha Steel Industries Limited	5.1.2	-	100	-	100	100,000	100,000	-	-	4.56%	0.027
Engro Fertilizers Limited		30,350	-	30,350	-	-	-	-	80,465	0.00%	-
		35,730	1,115	31,200	5,645	701,630	702,690	(1,054)	711,459	51%	30%
		42,040	77,175	54,117	65,048	1,520,217	1,521,368	(1,152)	1,389,253	69.29%	40.72%

5.1.1 These Sukuk carry semi annual mark-up at the rate ranging from 7.74% to 11.76% per annum. (June 30, 2018: semi annual mark-up at the rate of 6.04% to 7.96% per annum) respectively.

5.1.2 These Sukuks are in the process of listing . These are stated at cost.

5.1.3 Accrued mark up includes Rs 7.735 million receivable from Dawood Hercules Chemical Limited ( Related party due to commondirectorship).

## 5.2 Commercial paper

Name of Investee company	As at July 1, 2018	Placement made during the period	Income accrued	Matured during the period	As at December 31, 2018	Percentage of total of investments	Percentage of net assets
----- (Rupees in '000) -----							
Hascol Petroleum Limited - Commercial Paper	5.2.1	270,976	11,140	-	282,116	12.86%	7.557%
K-Electric Limited - Commercial Paper		-	379,860	-	391,503	17.85%	10.488%
		650,836	22,783		673,619	30.71%	18.05%

5.2.1 The clean placement carries mark-up at the rate of 8.29% to 8.95% per annum and will be matured by March 1, 2019.

5.3 In accordance with section 55 (5) of NBFC Regulations, exposure of collective investment schemes to any single entity shall not exceed an amount equal to fifteen percent of total net assets of the collective investment scheme and, in case of an exposure to any debt issue of a company, it shall not exceed ten percent of that issue. However, the percentage of such investment in K-Electric Limited and Dawood Hercules Corporation Limited, as at December 31, 2018, were 15.26% and 16.66%, respectively, of the net assets of the Fund.

6 PAYABLE TO THE MANAGEMENT COMPANY	Note	December 31, 2018	June 30, 2018
		(Un-Audited)	(Audited)
----- (Rupees in '000) -----			
Remuneration of the Management Company	6.1	2,935	2,475
Sindh sales tax on remuneration of the Management Company	6.2	382	322
Sales load payable		202	154
Allocation of expenses related to registrar services, accounting, operation and valuation services	6.3	317	357
Selling and marketing expenses payable	6.4	1,919	-
		5,755	3,308

- 6.1** As per the offering document of the Fund, the Management Company shall charge a fee at the rate of 10% of gross earnings of the Scheme, calculated on daily basis not exceeding 1.50% of the average daily net assets of the Scheme and subject to a minimum fee of 0.50% of the average daily net assets of the Scheme subject to the guidelines as may be issued by the Commission from time to time. The fee is payable monthly in arrears.
- 6.2** The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2018: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.
- 6.3** As per Regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1% of the average annual net assets or the actual cost whichever is lower. Accordingly, the Management Company has charged aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the period.
- 6.4** SECP vide its circular No. SCD/Circular/394/2018 dated June 04, 2018 prescribed some amendments in circular No. SCD/PRDD/Circular/361/2016 dated December 30, 2016 and 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 all categories of open-end mutual funds (except fund of funds and money market 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 August 01, 2018 being the lower.

	Note	December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
----- (Rupees in '000) -----			
<b>7 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Withholding tax payable		966	2,045
Provision for Federal Excise Duty	7.1	1,344	1,344
Provision for Sindh Workers' Welfare Fund	7.2	8,422	5,741
Auditors' remuneration		122	169
Payable to brokers		27	43
Printing charges		242	254
Other payables		207	18
		<u>11,330</u>	<u>9,614</u>

- 7.1** The legal status of applicability of Federal Excise Duty (FED) on the Fund is the same as that disclosed in note 13.2 to the annual audited financial statements of the Fund for the year ended June 30, 2018, and the appeal filed by tax authorities with Honorable Supreme Court of Pakistan is pending for decision.

In view of above, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from January 13, 2013 to June 30, 2016 aggregating to Rs. 1.344 million. Had the provision not been retained, NAV per unit of the Fund as at December 31, 2018 would have been higher by Rs. 0.04 per unit (June 30, 2018: Rs. 0.04 per unit).

- 7.2** The legal status of applicability of Sindh workers' welfare fund (SWWF) is same as that disclosed in note 13.1 to the annual audited financial statements of the Fund for the year ended June 30, 2018.

The Fund, as a matter of abundant caution, recognised provision for SWWF amounting to Rs. 8.42 million for the half year ended December 31, 2018 in this condensed interim financial information. Had the provision not been made, net assets value per unit at December 31, 2018 would have been higher by Rs. 0.24 per unit (June 30, 2018: Rs. 0.15 per unit).

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## 8 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2018, and June 30, 2018.

## 9 TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current period, as the Management Company intends to distribute more than 90 percent of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) for the year ending June 30, 2019 to its unit holders.

## 10 EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed in this condensed interim financial information as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable.

## 11 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.

Transaction and balances with related parties who were connected persons due to holding 10% or more units in the comparatives period and not in the current period are not disclosed in the comparative.

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

	Half year ended	
	December 31,	
	2018	2017
	(Un-Audited)	(Un-Audited)
	----- (Rupees in '000) -----	
<b>11.1 Transactions during the period</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of Management Company	17,530	13,053
Sindh Sales Tax on remuneration of Management Company	2,279	1,697
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,014	2,156
Sales load paid	202	4
Redemption of 245,246 (2017: nil) units	25,096	-
Issuance of 245,246 (2017: nil) units	25,000	-

	Half year ended	
	December 31,	
	2018	2017
	(Un-Audited)	(Un-Audited)
	----- (Rupees in '000) -----	
<b>Habib Bank Limited - Sponsor</b>		
Bank charges paid	53	18
Profit on bank deposits earned	263	103
Issuance of 70,590 (2017: 2,422,199) units	7,151	250,000
Refund of capital	4,960	-
Dividend paid	12,111	-
<b>Executives of the Management Company</b>		
Issuance of 70,330 (2017: 107,564) units	7,209	10,943
Redemption of 247,374 (2017: 75,576) units	25,732	7,705
Refund of capital	400	-
Dividend paid	1,304	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	2,419	2,555
Central Depository Service charges	69	35
<b>HBL Islamic Financial Planning Fund- Active Allocation Plan</b>		
Issuance of 219,242 (2017: 1,143,123) units	22,777	116,100
Redemption of 379,014 (2017: 1,128,259) units	39,085	115,000
Refund of capital	4,574	-
Dividend paid	4,590	-
<b>HBL Islamic Financial Planning Fund- Conservative Allocation Plan</b>		
Issuance of 4,411 (2017: 466,554) units	458	47,500
Redemption of 105,563 (2017: 584,593) units	10,785	59,720
Refund of capital	1,364	-
Dividend paid	1,369	-
<b>HBL Islamic Financial Planning Fund- Strategic Allocation Plan</b>		
Issuance of 7,780,191 (2017: nil) units	800,347	-
Redemption of 6,132,504 (2017: 13,340,608) units	633,680	1,362,800
Refund of capital	101,610	-
Dividend paid	101,956	-
<b>HBL Asset Management Limited Employees Gratuity Fund</b>		
Issuance of 96 (2017: nil) units	10	-
Redemption of 107 (2017: nil) units	11	-
Dividend paid	21	-
<b>HBL Asset Management Limited Employees Provident Fund</b>		
Issuance of 414 (2017: nil) units	42	-
Redemption of units	69	-
Dividend paid	111	-

	December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
	----- (Rupees in '000) -----	
<b>11.2 Balances outstanding as at period / year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	2,935	2,475
Sindh Sales Tax on remuneration of the Management Company	382	322
Sales load payable	202	154
Allocation of expenses related to registrar services, accounting, operation and valuation services	317	357
Selling and marketing expenses	1,919	-
<b>Habib Bank Limited - Sponsor</b>		
Units held : 2,541,753 (June 30, 2018: 2,422,199)	266,065	257,483
Bank balances	10,574	8,636
<b>Executives of the Management Company</b>		
Units held : 86,265 (June 30,2018: 260,862)	9,030	27,730
<b>HBL Islamic Financial Planning Fund Strategic Allocation Plan-Associated undertaking</b>		
Units held : 23,042,026 (June 30, 2018: 20,391,293)	2,411,989	2,167,622
<b>HBL Islamic Financial Planning Fund Active Allocation Plan</b>		
Units held : 803,290 (June 30, 2018: 917,910)	84,087	97,575
<b>HBL Islamic Financial Planning Fund Conservative Allocation Plan</b>		
Units held : 186,054 (June 30, 2018: 273,740)	19,476	29,099
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	753	421
Security deposit	100	100
<b>HBL Asset Management Limited Employees Gratuity Fund</b>		
Units held : 4,327 (June 30, 2018: 4,124)	453	438
<b>HBL Asset Management Limited Employees Provident Fund</b>		
Units held 23,263 (June 30, 2018: 22,169)	2,435	2,357

## 12 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

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.

		December 31, 2018						
		Carrying amount			Fair Value			
		At fair value through profit or loss	Amortized Cost	Total	Level 1	Level 2	Level 3	Total
Note		----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investments								
	12.1							
		1,520,217	-	1,520,217	-	1,420,217	100,000	1,520,217
		1,520,217	-	1,520,217	-	1,420,217	100,000	1,520,217
<b>Financial assets not measured at fair value</b>								
	12.2							
		-	1,531,502	1,531,502				
		-	39,548	39,548				
		-	673,619	673,619				
		-	2,244,669	2,244,669				
<b>Financial liabilities not measured at fair value</b>								
	12.2							
		-	5,755	5,755				
		-	753	753				
		-	43	43				
		-	17,222	17,222				
		-	11,330	11,330				
		-	35,103	35,103				

		June 30, 2018						
		Carrying amount			Fair Value			
		At fair value through profit or loss	Amortized Cost	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investments								
	Corporate sukuk certificates	1,389,253	-	1,389,253		1,389,253		1,389,253
		1,389,253	-	1,389,253	-	1,389,253	-	1,389,253
<b>Financial assets not measured at fair value</b>								
	12.2							
	Bank balances	-	2,716,661	2,716,661				
	Profit receivable	-	38,957	38,957				
	Receivable against sale of investment	-	10,156	10,156				
		-	2,765,774	2,765,774				
<b>Financial liabilities not measured at fair value</b>								
	12.2							
	Payable to the Management Company	-	3,308	3,308				
	Payable to the Trustee	-	421	421				
	Payable against redemption of units	-	101,997	101,997				
	Accrued expenses and other liabilities	-	9,614	9,614				
	Dividend payable		20	20				
		-	115,360	115,360				

**12.1** For level 2 investments at fair value through profit or loss - investment in Privately Placed Sukuks, are valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012 at reporting date.

For level 3 investments at fair value through profit or loss - investment in respect of Sukuk, the Fund has received Agha Steel Industries sukuks which are in the process of listing. Accordingly, these are stated at cost.

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

**12.3 Transfers during the period**

There were no transfers between various levels of fair value hierarchy during the period.

**13 TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan (SECP), the total expense ratio of the Fund for the half year ended December 31, 2018 is 0.83% (2017: 0.57%) which includes 0.17% (2017: 0.13%) representing government levy, Sindh Worker's Welfare Fund and SECP fee.

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**14 DATE OF AUTHORISATION FOR ISSUE**

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on February 8, 2019.

**15 GENERAL**

**15.1** Figures have been rounded off to the nearest thousand rupees.

**15.2** Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

**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**

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# **HBL**

## **Islamic Equity Fund**

## FUND INFORMATION

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Name of Fund	HBL Islamic Equity Fund
Name of Auditor	BDO Ebrahim & Co. Chartered Accountants
Name of Trustee	Central Depository Company of Pakistan Limited (CDC)
Bankers	Bank Islami Pakistan Limited Al Baraka Bank Pakistan Limited United Bank Limited Burj Bank Limited MCB Bank Limited Faysal Bank Limited Habib Bank Limited

# TRUSTEE REPORT TO THE UNIT HOLDERS

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shakra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcPakistan.com  
Email: info@cdcpak.com



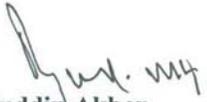
## TRUSTEE REPORT TO THE UNIT HOLDERS

### HBL ISLAMIC EQUITY FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Equity Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 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.

  
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, February 20, 2019



# AUDITORS REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

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Tel: +92 21 3568 3030  
Fax: +92 21 3568 4239  
www.bdo.com.pk

2nd Floor, Block-C  
Lakson Square, Building No.1  
Sarwar Shaheed Road  
Karachi-74200  
Pakistan

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

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of HBL ISLAMIC EQUITY FUND ("the Fund") as at December 31, 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund and notes to the condensed interim financial information for the half year then ended (here-in-after referred to as "condensed interim financial information"). HBL Asset Management Limited (the "Management Company") is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the half year ended December 31, 2018 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Other matters

The figures for the quarter ended December 31, 2018 and December 31, 2017 in the condensed interim income statement and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Page - 1

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

# AUDITORS REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

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The financial statements of the Fund for the year ended June 30, 2018 and condensed interim financial information for the half year ended December 31, 2017 were audited and reviewed by another firm of chartered accountants who have expressed an unqualified opinion and conclusion thereon vide their reports dated September 19, 2018 and February 26, 2018 respectively.

KARACHI

DATED: 08 FEB 2019

*BDO Ebrahim & Co.*  
BDO CHARTERED ACCOUNTANTS  
Engagement Partner: Raheel Shahnawaz

**HBL Islamic Equity Fund**  
**Condensed Interim Statement of Assets and Liabilities (Un-Audited)**  
*As at December 31, 2018*

		<b>December 31, 2018 (Un-Audited)</b>	<b>June 30, 2018 (Audited)</b>
	<b>Note</b>	<b>----- (Rupees in '000) -----</b>	
<b>ASSETS</b>			
Bank balances	4	87,223	159,107
Investments	5	483,930	1,168,226
Dividends and profit receivable		713	3,035
Deposits and prepayments		3,014	3,001
Receivable against sale of investments		-	2,152
Preliminary expenses and floatation costs		82	183
<b>TOTAL ASSETS</b>		<b>574,962</b>	<b>1,335,704</b>
<b>LIABILITIES</b>			
Payable to the Management Company	6	1,774	5,309
Payable to the Trustee		111	442
Payable to Securities and Exchange Commission of Pakistan		435	1,194
Payable against purchase of investments		5,393	-
Payable against redemption of units		25	5
Accrued expenses and other liabilities	7	8,042	10,855
<b>TOTAL LIABILITIES</b>		<b>15,780</b>	<b>17,805</b>
<b>NET ASSETS</b>		<b>559,182</b>	<b>1,317,899</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>559,182</b>	<b>1,317,899</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	8	<b>----- (Number of units) -----</b>	
<b>Number of units in issue</b>		<b>6,630,040</b>	<b>14,250,123</b>
		<b>----- (Rupees) -----</b>	
<b>Net assets value per unit</b>		<b>84.3406</b>	<b>92.4834</b>

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Equity Fund**  
**Condensed Interim Income Statement (Un-Audited)**  
*For the Half Year & Quarter Ended December 31, 2018*

	Note	Half year ended		Quarter ended	
		December 31,		December 31,	
		2018	2017	2018	2017
----- (Rupees in '000) -----					
<b>INCOME</b>					
Capital loss on sale of investments - net		(30,660)	(65,047)	(33,486)	(57,721)
Dividend income		16,388	31,564	6,775	23,324
Profit on bank deposits		4,972	6,024	1,886	3,478
		<u>(9,300)</u>	<u>(27,459)</u>	<u>(24,825)</u>	<u>(30,919)</u>
Unrealised diminution on re-measurement of investments classified as financial asset at 'fair value through profit or loss' - net		(53,261)	(129,305)	(39,307)	(11,461)
		<u>(62,561)</u>	<u>(156,764)</u>	<u>(64,132)</u>	<u>(42,380)</u>
<b>EXPENSES</b>					
Remuneration of the Management Company	6.1 & 6.2	10,358	13,105	3,481	7,413
Remuneration of the Trustee		973	1,201	348	656
Annual fee to Securities and Exchange Commission of Pakistan		435	551	146	312
Allocation of expenses related to registrar services, accounting, operation and valuation services	6.3	458	580	154	328
Selling and marketing expense	6.4	1,833	2,319	616	2,655
Securities transaction costs		2,146	1,798	1,135	768
Amortization of preliminary expenses and floatation costs		102	102	51	51
Auditors' remuneration		119	119	60	71
Settlement and bank charges		301	249	192	249
Fees and subscription		137	122	94	51
Printing charges		-	149	-	73
		<u>16,862</u>	<u>20,295</u>	<u>6,277</u>	<u>12,627</u>
<b>Net loss for the period from operating activities</b>		<u>(79,423)</u>	<u>(177,059)</u>	<u>(70,409)</u>	<u>(55,007)</u>
Provision for Sindh Workers' Welfare Fund	7.2	-	-	-	-
<b>Net loss for the period before taxation</b>		<u>(79,423)</u>	<u>(177,059)</u>	<u>(70,409)</u>	<u>(55,007)</u>
Taxation	9	-	-	-	-
<b>Net loss for the period after taxation</b>		<u>(79,423)</u>	<u>(177,059)</u>	<u>(70,409)</u>	<u>(55,007)</u>
<b>Earnings per unit</b>	10				

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

## HBL Islamic Equity Fund

### Condensed Interim Statement of Comprehensive Income (Un-Audited)

For the Half Year & Quarter Ended December 31, 2018

	Half year ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Net loss for the period after taxation	(79,423)	(177,059)	(70,409)	(55,007)
Other comprehensive income for the period				
Items that may be reclassified subsequently to income statement	-	-	-	-
Items that will not be reclassified subsequently to income statement	-	-	-	-
Total comprehensive loss for the period	<u>(79,423)</u>	<u>(177,059)</u>	<u>(70,409)</u>	<u>(55,007)</u>

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

For HBL Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

**HBL Islamic Equity Fund**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
*For the half year ended December 31, 2018*

	Half year ended December 31,	
	2018	2017
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period before taxation	(79,423)	(177,059)
Adjustments for:		
Dividend income	(16,388)	(31,564)
Profit from bank deposits	(4,972)	(6,024)
Capital loss on sale of investments - net	30,660	65,047
Amortisation of preliminary expense and flotation costs	102	102
Unrealised diminution on remeasurement of investments at 'fair value through profit or loss' - net	53,261	129,305
	(16,760)	(20,193)
<b>Decrease / (increase) in assets</b>		
Investments - net	600,375	(579,124)
Receivable against sale of investments	2,152	-
Deposits and prepayments	(13)	(14)
	602,514	(579,138)
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(3,535)	1,667
Payable to the Trustee	(331)	7
Payable to Securities and Exchange Commission of Pakistan	(759)	100
Payable against purchase of investments	5,393	-
Accrued expenses and other liabilities	(2,813)	(3,437)
	(2,045)	(1,663)
<b>Cash generated from / (used in) operations</b>	583,709	(600,994)
Dividend received	18,514	26,172
Profit received on bank deposit	5,167	5,232
	23,681	31,404
<b>Net cash generated from / (used in) operating activities</b>	607,390	(569,590)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	62,014	892,698
Payment against redemption of units	(741,288)	(342,289)
Net cash (used in) / generated from financing activities	(679,274)	550,409
Net (decrease) in cash and cash equivalents	(71,884)	(19,181)
Cash and cash equivalents at beginning of the period	159,107	209,464
Cash and cash equivalents at end of the period	87,223	190,283

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The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Equity Fund**  
**Condensed Interim Statement of Movement in Unitholders' Fund**  
*For the half year ended December 31, 2018*

	Half year ended December 31,					
	2018			2017		
	Capital value	Accumulated loss	Total	Capital value	Undistributed income / (Accumulated loss)	Total
<b>Net assets at beginning of the period</b>	1,402,368	(84,469)	1,317,899	748,901	41,006	789,907
<b>Issuance of 662,636 units (2017: 9,376,649 units)</b>						
Capital value (at net asset value per unit at the beginning of the period)	61,283	-	61,283	989,007	-	989,007
Element of income / (loss)	731	-	731	(96,309)	-	(96,309)
<b>Total proceeds on issuance of units</b>	62,014	-	62,014	892,698	-	892,698
<b>Redemption of 8,282,719 units (2017: 2,467,047 units)</b>						
Capital value (at net asset value per unit at the beginning of the period)	(766,014)	-	(766,014)	(260,213)	-	(260,213)
Element of income	24,706	-	24,706	34,830	-	34,830
<b>Total payments on redemption of units</b>	(741,308)	-	(741,308)	(225,383)	-	(225,383)
<b>Total comprehensive loss for the period</b>	-	(79,423)	(79,423)	-	(177,059)	(177,059)
<b>Net assets at end of the period</b>	723,074	(163,892)	559,182	1,416,216	(136,053)	1,280,163
<b>Accumulated (loss) / undistributed income brought forward</b>						
Realised		(40,048)			29,237	
Unrealised		(44,421)			11,769	
		(84,469)			41,006	
<b>Net loss for the period</b>		(79,423)			(177,059)	
<b>Accumulated loss carried forward</b>		(163,892)			(136,053)	
<b>Accumulated loss carried forward</b>						
Realised		(110,631)			(6,748)	
Unrealised		(53,261)			(129,305)	
		(163,892)			(136,053)	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the period</b>			92.4834			105.4755
<b>Net assets value per unit at end of the period</b>			84.3406			88.9087

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

# **HBL Islamic Equity Fund**

## **Notes to the Condensed Interim Financial Information (Unaudited)**

*For the half year ended December 31, 2018*

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### **1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Islamic Equity Fund ('the Fund') was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management Limited) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/AMCW/PISF/965/2014 dated April 23, 2014 as a notified entity and the Trust Deed was executed on February 20, 2014.

The Fund has been categorised as a Shariah Compliant equity scheme as per the criteria laid down by the SECP for categorisation of Open-End Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016, HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund For Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (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 objective of HBL Islamic Equity Fund is to provide the maximum total return to the unit holders from investment in 'Shariah Compliant' equity investments for the given level of risk. Title to the assets of the Fund is held in the name of Central Depository Company Limited as trustee of the Fund.

JCR-VIS Credit Rating Company has assigned an asset management quality rating of 'AM2+' (AM Two Plus) to the Management Company.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of compliance**

**2.1.1** "This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'NBFC Regulations'), provisions of and directives issued under the Companies Act, 2017 and the directives issued by the SECP.

Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, provisions of and directives issued under the Companies Act, 2017 and the directives issued by the SECP differ with the requirements of the IAS 34, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, provisions of and directives issued under the Companies Act, 2017 and the directives issued by the SECP have been followed.

**2.1.2** The disclosures made in this condensed interim financial information have; however, been limited based on the requirements of International Accounting Standard - 34 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.

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- 2.1.3** The comparative statement of asset and liabilities presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2018, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund are extracted from the unaudited condensed interim financial information for the half year ended December 31, 2017.
- 2.1.4** This condensed interim financial information is unaudited and has been reviewed by the auditors. Further, the figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarter ended December 31, 2018 have not been reviewed.
- 2.1.5** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2018.

**2.2 Basis of measurement**

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

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

**2.3 Functional and presentation currency**

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

**3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING JUDGEMENT AND CHANGES THEREIN**

- 3.1** The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2018 except as explained in note 3.6.
- 3.2** The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3** The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2018.
- 3.4** There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Fund's accounting period beginning on or after July 01, 2018. These standards, interpretations and amendments are either not relevant to the Fund's operations or are not expected to have a significant effect on this condensed interim financial information except as disclosed in note 3.6.
- 3.5** The Fund's financial risk management objectives and policies are consistent with that disclosed in the annual financial statements of the Fund for the year ended June 30, 2018.
- 3.6** Except as described below, the accounting policies applied in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018.

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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 for accounting periods beginning on or after July 1, 2018. A number of other new standards are effective from July 1, 2018 but they do not have a material effect on the Fund's condensed interim financial information.

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

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

**i. Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

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

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

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

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

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

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

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

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

	<b>Not e</b>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39</b>	<b>New carrying amount under IFRS 9</b>
----- (Rupees in '000) -----					
<b>Financial assets</b>					
Listed equity securities	(a)	Held for trading	FVTPL	1,168,226	1,168,226
Bank balances	(b)	Loans and receivables	Amortised cost	159,107	159,107
Dividend and Profit receivable	(b)	Loans and receivables	Amortised cost	3,035	3,035
Receivable against sale of investments	(b)	Loans and receivables	Amortised cost	2,152	2,152
Deposits, prepayments & other receivable	(b)	Loans and receivables	Amortised cost	3,001	3,001
				<u>1,335,521</u>	<u>1,335,521</u>

(a) Listed equity securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to recognised in income statement.

(b) These financial assets classified as 'loans and receivables' have been classified as amortised cost.

## ii. Impairment of financial assets

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

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

## iii. Transition

The Fund has used the exemption not to restate comparative periods. Comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 1, 2018. Accordingly, the comparative information does not reflect the requirements of IFRS 9, but rather those of IAS 39.

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

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

	Note	December 31,	June 30,
		2018 (Un-Audited)	2018 (Audited)
		----- (Rupees in '000) -----	
<b>4 BANK BALANCES</b>			
In current accounts		1,435	1,435
In savings accounts	4.1	85,788	157,672
		<u>87,223</u>	<u>159,107</u>

4.1 Mark-up rates on these accounts range between 6.50% to 10.00% p.a (June 30, 2018: 5.45% to 6.50% p.a).

## 5 INVESTMENTS

### Financial assets at 'fair value through profit or loss'

Listed equity securities	5.1	<u>483,930</u>	<u>1,168,226</u>
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### 5.1 Financial assets at 'fair value through profit or loss' - listed equity securities

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

Name of the Investee Company	Notes	-----'Number of shares'-----				As at December 31, 2018			Market value as percentage of		Par value as a percentage of issued capital of the investee company
		As at July 1, 2018	Purchases during the period	Bonus issue	Sales during the period	As at December 31, 2018	Carrying Amount	Market Value	Unrealised appreciation/ (diminution) on re-measurement of investments	As a percentage of total Investments	
----- (Rupees in '000) -----											
<b>Automobile Assembler</b>											
Millat Tractors Limited		32,460	2,500	-	34,960	-	-	-	-	-	-
		<u>32,460</u>	<u>2,500</u>	<u>-</u>	<u>34,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Automobiles Parts &amp; Accessories</b>											
Thal Limited (Par value Rs 5 per share)		75,450	18,000	-	53,500	39,950	18,315	17,085	(1,230)	3.53%	3.06%
		<u>75,450</u>	<u>18,000</u>	<u>-</u>	<u>53,500</u>	<u>39,950</u>	<u>18,315</u>	<u>17,085</u>	<u>(1,230)</u>	<u>3.53%</u>	<u>3.06%</u>
<b>Cable &amp; Electrical Goods</b>											
Pak Elektron Limited		409,500	21,000	-	430,500	-	-	-	-	-	-
		<u>409,500</u>	<u>21,000</u>	<u>-</u>	<u>430,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cement</b>											
Cherat Cement Company Limited		-	94,000	-	94,000	-	-	-	-	-	-
D.G Khan Cement Company Limited		115,200	97,500	-	212,700	-	-	-	-	-	-
Kohat Cement Limited	5.1.2	177,200	44,500	14,010	171,500	64,210	6,143	5,454	(689)	1.13%	0.98%
Lucky Cement Limited		106,150	35,700	-	77,550	64,300	31,838	27,949	(3,889)	5.78%	5.00%
Maple Leaf Cement Factory Limited		-	483,500	-	416,000	67,500	3,414	2,744	(670)	0.57%	0.49%
Pioneer Cement Limited		149,500	-	-	149,500	-	-	-	-	-	-
		<u>548,050</u>	<u>755,200</u>	<u>14,010</u>	<u>1,121,250</u>	<u>196,010</u>	<u>41,395</u>	<u>36,147</u>	<u>(5,248)</u>	<u>7.47%</u>	<u>6.46%</u>
<b>Chemicals</b>											
Engro Polymer & Chemicals Limited	5.1.1	854,500	482,452	-	864,500	472,452	14,901	17,547	2,646	3.63%	3.13%
Engro Polymer & Chemicals Limited-LOR		273,952	-	-	273,952	-	-	-	-	-	-
		<u>1,128,452</u>	<u>482,452</u>	<u>-</u>	<u>1,138,452</u>	<u>472,452</u>	<u>14,901</u>	<u>17,547</u>	<u>2,646</u>	<u>3.63%</u>	<u>3.14%</u>
<b>Commercial Bank</b>											
Meezan Bank Limited	5.1.2	642,500	245,000	43,250	637,500	293,250	24,777	27,093	2,316	5.60%	4.85%
		<u>642,500</u>	<u>245,000</u>	<u>43,250</u>	<u>637,500</u>	<u>293,250</u>	<u>24,777</u>	<u>27,093</u>	<u>2,316</u>	<u>5.60%</u>	<u>4.85%</u>
<b>Engineering</b>											
Aisha Steel Mills Limited		440,000	-	-	440,000	-	-	-	-	-	-
Amreli Steels Limited		184,100	40,000	-	224,100	-	-	-	-	-	-
International Industries Limited		55,800	46,000	-	65,500	36,300	7,753	5,592	(2,161)	1.16%	1.00%
International Steels Limited		194,000	105,000	-	214,000	85,000	7,006	5,590	(1,416)	1.16%	1.00%
Mughal Iron & Steel Industries Limited		288,500	5,000	-	293,500	-	-	-	-	-	-
		<u>1,162,400</u>	<u>196,000</u>	<u>-</u>	<u>1,237,100</u>	<u>121,300</u>	<u>14,759</u>	<u>11,182</u>	<u>(3,577)</u>	<u>2.31%</u>	<u>2.00%</u>

Name of the Investee Company	Notes	-----'Number of shares-----				As at December 31, 2018			Market value as percentage of		Par value as a percentage of issued capital of the investee company	
		As at July 1, 2018	Purchases during the period	Bonus issue	Sales during the period	As at December 31, 2018	Carrying Amount	Market Value	Unrealised appreciation/ (diminution) on re-measurement of investments	As a percentage of total Investments		As a percentage of net assets
----- (Rupees in '000) -----												
<b>Fertilizer</b>												
Dawood Hercules Corporation Limited		-	25,000	-	-	25,000	3,275	2,779	(496)	0.57%	0.50%	0.01%
Engro Corporation Limited		275,800	89,000	-	195,500	169,300	52,953	49,280	(3,673)	10.18%	8.81%	0.03%
Engro Fertilizers Limited		987,000	91,000	-	841,000	237,000	17,800	16,365	(1,435)	3.38%	2.93%	0.02%
Fauji Fertilizers Company Limited		267,000	71,000	-	216,000	122,000	11,730	11,328	(402)	2.34%	2.03%	0.01%
		<u>1,529,800</u>	<u>276,000</u>	<u>-</u>	<u>1,252,500</u>	<u>553,300</u>	<u>85,758</u>	<u>79,752</u>	<u>(6,006)</u>	<u>16.48%</u>	<u>14.26%</u>	
<b>Oil and Gas Exploration Companies</b>												
Mari Petroleum Company Limited	5.1.2	43,230	10,000	2,025	27,980	27,275	37,373	33,708	(3,665)	6.97%	6.03%	0.02%
Oil & Gas Development Company Limited	5.1.1	499,400	373,000	-	498,000	374,400	57,631	47,924	(9,707)	9.90%	8.57%	0.01%
Pakistan Oilfields Limited	5.1.2	109,300	35,150	14,120	104,850	53,720	29,047	22,821	(6,226)	4.72%	4.08%	0.02%
Pakistan Petroleum Limited	5.1.2	429,700	148,900	29,580	320,100	288,080	52,925	43,114	(9,811)	8.91%	7.71%	0.01%
		<u>1,081,630</u>	<u>567,050</u>	<u>45,725</u>	<u>950,930</u>	<u>743,475</u>	<u>176,976</u>	<u>147,567</u>	<u>(29,409)</u>	<u>30.49%</u>	<u>26.39%</u>	
<b>Oil and Gas Marketing Companies</b>												
Hascol Petroleum Limited	5.1.2	50,900	3,000	5,650	59,550	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	5.1.2	167,200	104,500	23,740	169,500	125,940	32,305	28,392	(3,913)	5.87%	5.08%	0.04%
Sui Northern Gas Pipeline Limited		327,300	50,000	-	267,500	109,800	10,739	8,462	(2,277)	1.75%	1.51%	0.02%
		<u>545,400</u>	<u>157,500</u>	<u>29,390</u>	<u>496,550</u>	<u>235,740</u>	<u>43,044</u>	<u>36,854</u>	<u>(6,190)</u>	<u>7.62%</u>	<u>6.59%</u>	
<b>Power Generation &amp; Distribution</b>												
The Hub Power Company Limited	5.1.1	954,300	246,500	-	694,000	506,800	46,489	43,478	(3,011)	8.98%	7.78%	0.04%
K-Electric Limited		4,867,000	1,100,000	-	3,886,000	2,081,000	11,678	12,361	683	2.55%	2.21%	0.01%
Pakgen Power Limited		-	187,500	-	-	187,500	3,218	3,195	(23)	0.66%	0.57%	0.05%
		<u>5,821,300</u>	<u>1,534,000</u>	<u>-</u>	<u>4,580,000</u>	<u>2,775,300</u>	<u>61,385</u>	<u>59,034</u>	<u>(2,351)</u>	<u>12.20%</u>	<u>10.56%</u>	
<b>Pharmaceuticals</b>												
AGP Limited		223,500	48,500	-	123,000	149,000	13,214	13,027	(187)	2.69%	2.33%	0.01%
The Searle Company Limited	5.1.2	39,820	5,800	2,823	44,500	3,943	1,151	968	(183)	0.20%	0.17%	-
		<u>263,320</u>	<u>54,300</u>	<u>2,823</u>	<u>167,500</u>	<u>152,943</u>	<u>14,365</u>	<u>13,995</u>	<u>(370)</u>	<u>2.89%</u>	<u>2.50%</u>	
<b>Paper &amp; Board</b>												
Packages Limited		27,000	2,000	-	14,500	14,500	6,914	5,609	(1,305)	1.16%	1.00%	0.02%
		<u>27,000</u>	<u>2,000</u>	<u>-</u>	<u>14,500</u>	<u>14,500</u>	<u>6,914</u>	<u>5,609</u>	<u>(1,305)</u>	<u>1.16%</u>	<u>1.00%</u>	
<b>Glass &amp; Ceramics</b>												
Shabbir Tiles & Ceramics Limited		408,500	-	-	408,500	-	-	-	-	-	-	-
		<u>408,500</u>	<u>-</u>	<u>-</u>	<u>408,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Textile Composite</b>												
Kohinoor Textile Mills Limited		-	275,000	-	146,000	129,000	6,432	5,815	(617)	1.20%	1.04%	0.12%
Nishat Mills Limited		345,500	69,000	-	234,600	179,900	24,737	22,763	(1,974)	4.70%	4.07%	0.05%
		<u>345,500</u>	<u>344,000</u>	<u>-</u>	<u>380,600</u>	<u>308,900</u>	<u>31,169</u>	<u>28,578</u>	<u>(2,591)</u>	<u>5.91%</u>	<u>5.11%</u>	
<b>Technology &amp; Communication</b>												
Pakistan Telecommunication Company Limited		-	300,000	-	-	300,000	2,876	2,883	7	0.60%	0.52%	0.01%
Systems Limited		140,000	-	-	134,500	5,500	557	604	47	0.12%	0.11%	-
		<u>140,000</u>	<u>300,000</u>	<u>-</u>	<u>134,500</u>	<u>305,500</u>	<u>3,433</u>	<u>3,487</u>	<u>54</u>	<u>0.72%</u>	<u>0.62%</u>	
<b>Total - As at December 31, 2018</b>		<u>14,161,262</u>	<u>4,955,002</u>	<u>135,198</u>	<u>13,038,842</u>	<u>6,212,620</u>	<u>537,191</u>	<u>483,930</u>	<u>(53,261)</u>	<u>100.00%</u>	<u>89.54%</u>	
<b>Total - As at June 30, 2018</b>		<u>3,924,260</u>	<u>19,368,195</u>	<u>28,470</u>	<u>9,159,663</u>	<u>14,161,262</u>	<u>1,200,878</u>	<u>1,168,226</u>	<u>44,421</u>	<u>100.00%</u>	<u>88.64%</u>	

**5.1.1** These investments include shares with market value aggregating to Rs. 76.56 million (June 30, 2018: Rs. 92.766 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. Details are as follows:

- Engro Polymer & Chemicals Limited (180,000 shares)
- Hub Power Company Limited (300,000 shares)
- Oil & Gas Development Company Limited (300,000 shares)

**5.1.2** 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 High Court of Sindh 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 High Court of Sindh 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. 0.8395 million at December 31, 2018 (June 30, 2018: Rs. 0.472 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 of the Fund and accordingly has recorded the bonus shares on gross basis at fair value in its investments at period end.

		December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
	Note	----- (Rupees in '000) -----	
<b>6</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
	Remuneration of the Management Company	6.1	981
	Sindh Sales Tax on Management Company's remuneration	6.2	128
	Allocation of expenses related to registrar services, accounting, operation and valuation services	6.3	49
	Selling and marketing payable	6.4	616
		<u>1,774</u>	<u>2,706</u>
		<u>1,774</u>	<u>5,309</u>
<b>6.1</b>	As per 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 scheme subject to the guidelines as may be issued by the SECP from time to time. Therefore, the management fee is charged at 2%. The fee is payable monthly in arrears. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.		
<b>6.2</b>	The Sindh Government has levied Sindh Sales Tax (SST) at the rate of 13 % (June 30 2018: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.		
<b>6.3</b>	As per Regulation 60(3)(s) of the NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1% of the average annual net assets or the actual cost, whichever is lower. Accordingly, the Management Company has charged the aforementioned expenses to the extent of 0.1% of the average annual net assets, being lower amount, to the Fund during the period.		
<b>6.4</b>	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 being the lower.		
		December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
		----- (Rupees in '000) -----	
<b>7</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Provision for Federal Excise Duty	7.1	3,268
	Provision for Sindh Workers' Welfare Fund	7.2	3,194
	Donation payable	7.3	895
	Payable to brokers		286
	Withholding tax payable		10
	Auditors' remuneration		122
	Printing charges		216
	Others		51
		<u>8,042</u>	<u>10,855</u>

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- 
- 7.1** The legal status of applicability of Federal Excise Duty (FED) on the Fund is the same as disclosed in note 13.2 to the annual audited financial statements of the Fund for the year ended June 30, 2018, and the appeal filed by tax authorities with Honorable Supreme Court of Pakistan is pending for decision.

In view of the above, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from January 13, 2013 to June 30, 2016 aggregating to Rs. 3.268 million. Had the provision not been retained, NAV per unit of the Fund as at December 31, 2018 would have been higher by Rs. 0.49 per unit (June 30, 2018: Rs. 0.23 per unit).

- 7.2** The legal status of applicability of Workers' Welfare Fund and Sindh Workers' Welfare Fund is the same as disclosed in note 13.1 to the annual audited financial statements of the Fund for the year ended June 30, 2018.

As there is loss for the half year ended December 31, 2018, therefore, no provision for SWWF has been recognised in this condensed interim financial information. However, the Management is carrying provision of SWWF amounting to Rs.3.1 million Had the provision not been retained, NAV per unit of the Fund as at December 31, 2018 would have been higher by Rs. 0.48 per unit (June 30, 2018: Rs. 0.22 per unit).

- 7.3** This represents amount attributable to income earned from shariah non-compliant avenues, earmarked for onward distribution as charity in accordance with the instructions of the Shariah Advisor.

## **8 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at December 31, 2018 and June 30, 2018.

## **9 TAXATION**

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current period, as the Management Company intends to distribute more than 90 percent of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) for the year ending June 30, 2019 to its unit holders.

## **10 EARNINGS PER UNIT**

Earnings per unit has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculating earnings per unit is not practicable.

## **11 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.

Transactions and balances with parties who were connected persons due to holding 10% or more units in the comparative period and not in the current period are not disclosed in the comparative period.

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

	Half year ended December 31,	
	2018 (Un-Audited) ----- (Rupees in '000) -----	2017 (Un-Audited)
<b>11.1 Transactions during the period</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	9,166	11,597
Sindh Sales Tax on remuneration of the Management Company	1,192	1,508
Allocation of expenses related to registrar services, accounting, operation and valuation services	458	580
Selling and marketing expense	1,833	2,319
Redemption of 268,861 (2017: 787,166) units	25,000	70,000
<b>Executives of the Management Company</b>		
Issue of 17,908 (2017: Nil) units	1,595	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	973	1,201
Central Depository Service charges	78	76
<b>Connected person due to holding of more than 10%</b>		
<b>HBL Islamic Financial Planning Fund - Strategic Allocation Plan</b>		
Issuance of nil (2017: 8,183,464) units	-	775,000
Redemption of 7,728,487 (2017: Nil) units	690,000	-
<b>HBL Islamic Financial Planning Fund - Conservative Allocation Plan</b>		
Issuance of 8,735 (2017: 103,445) units	776	9,425
Redemption of 26,652 (2017: 120,244) units	2,518	11,338
<b>HBL Islamic Financial Planning Fund - Active Allocation Plan</b>		
Issuance of nil (2017: 566,975) units	-	54,000
Redemption of 26,211 (2017: 55,258) units	2,418	5,000
	<b>December 31, 2018</b>	<b>June 30, 2018</b>
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
	<b>(Un-Audited)</b>	<b>(Audited)</b>
<b>11.2 Balances outstanding as at period / year end</b>		
<b>HBL Asset Management Company Limited</b>		
Units held: 646,101 (June 30, 2018: 914,962) units	54,493	84,619
Management fee payable	981	2,206
Sindh Sales Tax on management company's remuneration	128	287
Allocation of expenses related to registrar services, accounting, operation and valuation services	49	110
Selling and marketing expenses	616	2,706

	December 31, 2018 ------(Rupees in '000)----- (Un-Audited)	June 30, 2018 (Audited)
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee Fee payable	111	442
<b>Directors and executives of the Management Company</b>		
Units held: 20,839 (June 30, 2018: 25,777) units	1,756	2,384
<b>Connected Person due to holding more than 10% units:</b>		
<b>HBL Islamic Financial Planning Fund - Strategic Allocation Plan</b>		
Units held: 2,696,489 (June 30, 2018: 1,0424,976) units	227,424	964,137
<b>HBL Islamic Financial Planning Fund - Active Allocation Plan</b>		
Units held: 411,764 (June 30, 2018: 437,975) units	34,728	40,505
<b>HBL Islamic Financial Planning Fund - Conservative Allocation Plan</b>		
Units held: 53,718 (June 30, 2018: 71,636) units	4,531	6,625

## 12 FAIR VALUE 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.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (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).

		December 31, 2018						
		Carrying amount			Fair Value			
		Fair value through profit	Amortized Cost	Total	Level 1	Level 2	Level 3	Total
Note		----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
	Investments							
	Listed equity securities	483,930	-	483,930	483,930	-	-	483,930
		483,930	-	483,930	483,930	-	-	483,930
<b>Financial assets not measured at fair value</b>								
12.1	Bank balances	-	87,223	87,223				
	Deposits	-	2,600	2,600				
	Dividends and profit receivable	-	713	713				
		-	90,536	90,536				
<b>Financial liabilities not measured at fair value</b>								
12.1	Payable to the Management Company	-	1,646	1,646				
	Payable to the Trustee	-	98	98				
	Payable against purchase of investment	-	5,393	5,393				
	Payable against redemption in units	-	25	25				
	Accrued expenses and other liabilities	-	1,570	1,570				
		-	8,732	8,732				
		----- (Rupees in '000) -----						
		June 30, 2018						
		Carrying amount			Fair Value			
		Fair value through profit	Amortized Cost	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	1,168,226	-	1,168,226	1,168,226	-	-	1,168,226
		1,168,226	-	1,168,226	1,168,226	-	-	1,168,226
<b>Financial assets not measured at fair value</b>								
12.1	Bank balances	-	159,107	159,107				
	Dividends and profit receivable	-	3,035	3,035				
	Deposits	-	2,600	2,600				
	Receivable against sale of investments	-	2,152	2,152				
		-	166,894	166,894				
<b>Financial liabilities not measured at fair value</b>								
12.1	Payable to the Management Company	-	5,022	5,022				
	Payable to the Trustee	-	442	442				
	Payable against redemption in units	-	5	5				
	Accrued expenses and other liabilities	-	666	666				
		-	6,135	-	6,135			

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**12.1** 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.

**12.2 Transfers during the period** -

No transfers were made between various levels of fair value hierarchy during the period.

**13 TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan (SECP), the total expense ratio of the Fund for the half year ended December 31, 2018 is 1.85% (June 30, 2018: 3.47%) which includes 0.21% (June 30, 2018: 0.39%) representing Government levy and SECP fee.

**14 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on February 8, 2019.

**15 GENERAL**

**15.1** Figures have been rounded off to the nearest thousand rupees.

**15.2** Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

**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**

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# **HBL**

## **Islamic Financial Planning Fund**

## FUND INFORMATION

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Name of Fund	HBL Islamic Financial Planning Fund
Name of Auditor	BDO Ebrahim & Co. Chartered Accountants
Name of Trustee	MCB Financial Services Limited (MCBFSL)
Bankers	Bank Islami Pakistan Limited Habib Bank Limited Dubai Islamic Bank Limited

# TRUSTEE REPORT TO THE UNIT HOLDERS



## MCB FINANCIAL SERVICES LIMITED

### REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

#### HBL ISLAMIC FINANCIAL PLANNING FUND

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

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

1. HBL Asset Management Company Limited, the Management Company of HBL Islamic Financial Planning Fund has, in all material respects, managed HBL Islamic Financial Planning Fund during the period ended 31<sup>st</sup> December 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

A handwritten signature in black ink, appearing to read 'Anwar', is positioned above the printed name of the Chief Executive Officer.

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: February 7, 2019

# AUDITORS REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

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Tel: +92 21 3568 3030  
Fax: +92 21 3568 4239  
www.bdo.com.pk

2nd Floor, Block-C  
Lakson Square, Building No.1  
Sarwar Shaheed Road  
Karachi-74200  
Pakistan

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

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of HBL ISLAMIC FINANCIAL PLANNING FUND ("the Fund") as at December 31, 2018 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of movement in unit holders' fund and notes to the condensed interim financial information for the half year then ended (here-in-after referred to as "condensed interim financial information"). HBL Asset Management Limited (the "Management Company") is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at and for the half year ended December 31, 2018 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### Other matters

The figures for the quarter ended December 31, 2018 and December 31, 2017 in the condensed interim income statement and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

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BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

## AUDITORS REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

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The financial statements of the Fund for the year ended June 30, 2018 and condensed interim financial information for the half year ended December 31, 2017 were audited and reviewed by another firm of chartered accountants who have expressed an unqualified opinion and conclusion thereon vide their reports dated September 19, 2018 and February 26, 2018 respectively.

KARACHI  
DATED: 08 FEB 2019

*BDO Ebrahim & Co.*  
BDO  
CHARTERED ACCOUNTANTS  
Engagement Partner: Raheel Shahnawaz

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BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

**HBL Islamic Financial Planning Fund**  
**Condensed Interim Statement of Assets and Liabilities (Un-Audited)**  
*As at December 31, 2018*

	December 31, 2018 (Un-Audited)				June 30, 2018 (Audited)					
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
Note ..... (Rupees in '000) .....										
<b>ASSETS</b>										
Bank balances	4	756	243	695	334,854	336,548	1,721	199	1,046	2,966
Investments	5	193,887	24,370	4,139,484	131,879	4,489,620	245,764	36,381	4,285,015	4,567,160
Accrued mark-up		4	5	5	2,635	2,649	12	11	10	33
Preliminary expenses and flotation costs		60	16	1,089	1,624	2,789	68	18	2,248	2,334
Advances		26	18	860	72	976	22	12	660	694
<b>TOTAL ASSETS</b>		<b>194,733</b>	<b>24,652</b>	<b>4,142,133</b>	<b>471,064</b>	<b>4,832,582</b>	<b>247,587</b>	<b>36,621</b>	<b>4,288,979</b>	<b>4,573,187</b>
<b>LIABILITIES</b>										
Payable to the Management Company	6	18	3	356	2,265	2,642	311	4	356	671
Payable to the Trustee		17	3	280	41	341	21	3	278	302
Payable to Securities and Exchange Commission of Pakistan		108	13	2,046	113	2,280	242	45	4,055	4,342
Accrued expenses and other liabilities	7	135	123	1,838	6	2,102	102	23	1,932	2,057
<b>TOTAL LIABILITIES</b>		<b>278</b>	<b>142</b>	<b>4,520</b>	<b>2,425</b>	<b>7,365</b>	<b>676</b>	<b>75</b>	<b>6,621</b>	<b>7,372</b>
<b>NET ASSETS</b>		<b>194,455</b>	<b>24,510</b>	<b>4,137,613</b>	<b>468,639</b>	<b>4,825,217</b>	<b>246,911</b>	<b>36,546</b>	<b>4,282,358</b>	<b>4,565,815</b>
<b>UNIT HOLDER'S FUND (AS PER STATEMENT ATTACHED)</b>		<b>194,455</b>	<b>24,510</b>	<b>4,137,613</b>	<b>468,639</b>	<b>4,825,217</b>	<b>246,911</b>	<b>36,546</b>	<b>4,282,358</b>	<b>4,565,815</b>
<b>CONTINGENCIES AND COMMITMENTS</b>										
	8	..... (Units) .....				..... (Units) .....				
<b>Number of units in issue</b>		<b>2,042,292</b>	<b>239,935</b>	<b>42,073,928</b>	<b>4,721,116</b>	<b>2,458,924</b>	<b>360,360</b>	<b>42,193,314</b>		
		..... (Rupees) .....				..... (Rupees) .....				
<b>Net assets value per unit</b>		<b>95.2140</b>	<b>102.1530</b>	<b>98.3415</b>	<b>99.2644</b>	<b>100.4143</b>	<b>101.4151</b>	<b>101.4938</b>		

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

**HBL Islamic Financial Planning Fund**  
**Condensed Interim Income Statement (Un-Audited)**  
*For the half year and period ended December 31, 2018*

	Half year ended December 31, 2018				For the period from October 02, 2018 to December 31, 2018	Half year ended December 31, 2017				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
Note ----- (Rupees in '000) -----										
<b>INCOME</b>										
Mark-up on deposits with bank	38	5	39	7,249	7,331	523	137	5,440	6,100	
Capital (loss) / gain on sale of investment - net	(1,928)	138	(21,371)	(660)	(23,821)	92	(202)	14,750	14,640	
Unrealised (diminution) / appreciation on re-measurement of investments classified at 'fair value through profit or loss' - net	(8,441)	184	(104,462)	(8,461)	(121,180)	(2,750)	(232)	(26,971)	(29,953)	
Dividend income	16	5	347	-	368	-	-	-	-	
Back end load	-	-	60	11	71	-	-	4	4	
	(10,315)	332	(125,387)	(1,861)	(137,231)	(2,135)	(297)	(6,777)	(9,209)	
<b>EXPENSES</b>										
Remuneration to the Management Company	6.1	6	1	-	857	864	95	21	1,116	1,232
Sindh Sales Tax on remuneration of the Management Company	6.2	1	-	-	111	112	12	3	145	160
Remuneration of the Trustee		116	14	1,724	121	1,975	125	28	1,706	1,859
Annual fee to the Securities and Exchange Commission of Pakistan		108	13	2,046	113	2,280	117	26	2,015	2,158
Allocation of expenses related to registrar services, accounting, operation and valuation services	6.3	114	14	2,153	119	2,400	122	27	2,121	2,270
Amortisation of preliminary expenses and flotation costs		8	2	1,159	237	1,406	8	2	1,213	1,223
Auditors' remuneration		8	1	133	5	147	9	3	187	199
Printing charges		-	-	-	-	-	3	1	70	74
Bank charges		9	8	6	34	57	23	18	17	58
Fees and subscription		1	-	11	-	12	6	1	118	125
Shariah advisory fee		5	1	92	5	103	4	1	70	75
		376	54	7,324	1,602	9,356	524	131	8,778	9,433
<b>Net (loss) / income for the period from operating activities</b>		(10,691)	278	(132,711)	(3,463)	(146,587)	(2,659)	(428)	(15,555)	(18,642)
Reversal of selling and marketing expense		-	-	-	-	-	24	7	555	586
Provision for Sindh Workers' Welfare Fund	7.1	-	(6)	-	-	(6)	-	-	-	-
<b>Net (loss) / income for the period before taxation</b>		(10,691)	272	(132,711)	(3,463)	(146,593)	(2,635)	(421)	(15,000)	(18,056)
Taxation	9	-	-	-	-	-	-	-	-	-
<b>Net (loss) / income for the period after taxation</b>		(10,691)	272	(132,711)	(3,463)	(146,593)	(2,635)	(421)	(15,000)	(18,056)
<b>Allocation of income for the period</b>										
Income already paid on redemption of units			110							
Accounting income available for distribution										
Relating to capital gains			162							
Excluding capital gains			-							
			162							
			272							
Earnings per unit	10									

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

**Chief Financial Officer**

**Chief Executive Officer**

**Director**

**HBL Islamic Financial Planning Fund**  
**Condensed Interim Income Statement (Un-Audited)**  
*For the half year and period ended December 31, 2018*

	For the period from October 02, 2018 to December 31,									
	Quarter ended December 31, 2018			2018	Quarter ended December 31, 2017					
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
Note ----- (Rupees in '000) -----										
<b>INCOME</b>										
Mark-up on deposits with bank	18	5	23	7,249	7,295	299	55	2,999	3,353	
Capital (loss) / gain on sale of investment - net	(2,057)	44	(20,768)	(660)	(23,441)	(9)	(101)	10,889	10,779	
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'fair value through profit or loss' - net	(8,710)	(83)	(125,264)	(8,461)	(142,518)	396	476	(6,462)	(5,590)	
Back end load	-	-	60	11	71	-	-	4	4	
	(10,749)	(34)	(145,949)	(1,861)	(158,593)	686	430	7,430	8,546	
<b>EXPENSES</b>										
Remuneration to the Management Company	6.1	3	-	-	857	860	44	12	594	650
Sindh Sales Tax on remuneration of the Management Company	6.2	-	-	-	111	111	5	2	77	84
Remuneration of Trustee		53	6	858	121	1,038	68	16	849	933
Annual fee to the Securities and Exchange Commission of Pakistan		50	6	1,019	113	1,188	64	15	1,006	1,085
Allocation of expenses related to registrar services, accounting, operation and valuation services	6.3	114	14	2,153	119	2,400	66	15	1,059	1,140
Amortisation of preliminary expenses and flotation costs		(53)	(6)	77	237	255	4	1	617	622
Auditors' remuneration		4	-	(440)	5	(431)	5	2	95	102
Printing charges		(4)	(1)	(68)	-	(73)	1	-	35	36
Bank charges		5	3	3	34	45	23	18	17	58
Fees and subscription		1	-	8	-	9	4	-	83	87
Shariah advisory fee		3	1	43	5	52	2	-	34	36
		176	23	3,653	1,602	5,454	286	81	4,466	4,833
<b>Net (loss) / income for the period from operating activities</b>		(10,925)	(57)	(149,602)	(3,463)	(164,047)	400	349	2,964	3,713
Reversal of selling and marketing expense		-	-	-	-	-	-	-	-	-
Provision for Sindh Workers' Welfare Fund	7.1	5	1	338	-	344	-	-	-	-
<b>Net (loss) / income for the period before taxation</b>		(10,920)	(56)	(149,264)	(3,463)	(163,703)	400	349	2,964	3,713
Taxation	9	-	-	-	-	-	-	-	-	-
<b>Net (loss) / income for the period after taxation</b>		(10,920)	(56)	(149,264)	(3,463)	(163,703)	400	349	2,964	3,713
<b>Allocation of income for the period</b>										
Income already paid on redemption of units		-	-	-	-	-	-	-	-	-
Accounting income available for distribution		-	-	-	-	-	-	-	-	-
Relating to capital gains		-	-	-	-	-	387	349	2,964	3,700
Excluding capital gains		-	-	-	-	-	13	-	-	13
		400	349	2,964	3,713	400	349	2,964	3,713	
Earnings per unit	10									

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

**HBL Islamic Financial Planning Fund**  
**Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
*For the half year and period ended December 31, 2018*

	Half year ended December 31, 2018					Half year ended December 31, 2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	(Rupees in '000)								
Net (loss) / income for the period after taxation	(10,691)	272	(132,711)	(3,463)	(146,593)	(2,635)	(421)	(15,000)	(18,056)
Other comprehensive income for the period									
Item that may be reclassified subsequently to income statement	-	-	-	-	-	-	-	-	-
Item that will not be reclassified subsequently to income statement	-	-	-	-	-	-	-	-	-
Total comprehensive (loss) / income for the period	(10,691)	272	(132,711)	(3,463)	(146,593)	(2,635)	(421)	(15,000)	(18,056)

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Financial Planning Fund**  
**Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
*For the half year and period ended December 31, 2018*

	Quarter ended December 31, 2018					Quarter ended December 31, 2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	(Rupees in '000)								
Net (loss) / income for the period after taxation	(10,920)	(56)	(149,264)	(3,463)	(163,703)	400	349	2,964	3,713
Other comprehensive income for the period									
Item that may be reclassified subsequently to income statement	-	-	-	-	-	-	-	-	-
Item that will not be reclassified subsequently to income statement	-	-	-	-	-	-	-	-	-
<b>Total comprehensive (loss) / income for the period</b>	<b>(10,920)</b>	<b>(56)</b>	<b>(149,264)</b>	<b>(3,463)</b>	<b>(163,703)</b>	<b>400</b>	<b>349</b>	<b>2,964</b>	<b>3,713</b>

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Financial Planning Fund**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
*For the half year ended December 31, 2018*

Note	Half year ended December 31, 2018					Half year ended December 31, 2017			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
For the period from October 02, 2018 to December 31, 2018									
(Rupees in '000)									
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
	(10,691)	272	(132,711)	(3,463)	(146,593)	(2,635)	(421)	(15,000)	(18,056)
Net (loss) / income for the period before taxation									
Adjustments for:									
Mark-up on deposits with bank	(38)	(5)	(39)	(7,249)	(7,331)	(523)	(137)	(5,440)	(6,100)
Capital loss/ (gain) on sale of investment - net	1,928	(138)	21,371	660	23,821	(92)	202	(14,750)	(14,640)
Unrealised (appreciation) / diminution on re-measurement of investments at 'fair value through profit or loss' - net	8,441	(184)	104,462	8,461	121,180	2,750	232	26,971	29,953
Amortisation of preliminary expenses and flotation costs	8	2	1,159	237	1,406	8	2	1,213	1,223
Cash used in operations before working capital changes	(352)	(53)	(5,758)	(1,354)	(7,517)	(492)	(122)	(7,006)	(7,620)
<b>Decrease / (Increase) in assets</b>									
Investments	41,508	12,333	19,698	(141,000)	(67,461)	(80,100)	14,132	208,075	142,107
Preliminary expenses and flotation costs	-	-	-	(1,861)	(1,861)	-	-	-	-
Advances	(4)	(6)	(200)	(72)	(282)	(22)	(6)	(11,591)	(11,619)
	41,504	12,327	19,498	(142,933)	(69,604)	(80,122)	14,126	196,484	130,488
<b>(Decrease) / increase in liabilities</b>									
Payable to the Management Company	(293)	(1)	-	2,265	1,971	318	106	(12,047)	(11,623)
Payable to the Trustee	(4)	-	2	41	39	17	2	179	198
Payable to Securities and Exchange Commission of Pakistan	(134)	(32)	(2,009)	113	(2,062)	111	24	1,883	2,018
Accrued expenses and other liabilities	33	100	(94)	6	45	32	10	(2,809)	(2,767)
	(398)	67	(2,101)	2,425	(7)	478	142	(12,794)	(12,174)
Cash (used in) / generated from operations	40,754	12,341	11,639	(141,862)	(77,128)	(80,136)	14,146	176,684	110,694
Profit received on bank deposits	46	11	44	4,614	4,715	583	132	8,091	8,806
Net cash generated from / (used in) operating activities	40,800	12,352	11,683	(137,248)	(72,413)	(79,553)	14,278	184,775	119,500
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Amount received on issue of units	2,429	649	-	473,162	476,240	213,907	70,147	28,363	312,417
Amount paid on redemption of units	(44,194)	(12,957)	(12,034)	(1,060)	(70,245)	(136,122)	(80,530)	(379)	(217,031)
Net cash (used in) / generated from financing activities	(41,765)	(12,308)	(12,034)	472,102	405,995	77,785	(10,383)	27,984	95,386
Net (decrease) / increase in cash and cash equivalents	(965)	44	(351)	334,854	333,582	(1,768)	3,895	212,759	214,886
Cash and cash equivalents at the beginning of the period	1,721	199	1,046	-	2,966	25,286	5,166	2,018	32,470
Cash and cash equivalents at the end of the period	4	756	243	695	334,854	336,548	23,518	9,061	214,777

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director





**HBL Islamic Financial Planning Fund**  
**Condensed Interim Statement of Movement in Unit Holders' Fund**  
*For the half year ended December 31, 2018 ( Continued )*

	Half year ended December 31, 2018			Half year ended December 31, 2017		
	Strategic Allocation Plan			Strategic Allocation Plan		
	Capital value	Undistributed income / (accumulated loss)	Total	Capital value	Undistributed income / (accumulated loss)	Total
----- (Rupees in '000) -----						
<b>Net assets at beginning of the period</b>	4,219,284	63,074	4,282,358	4,224,907	650	4,225,557
<b>Issuance of Nil units (2017: 10,819 units)</b>						
Capital value (at net asset value per unit at the beginning of the period)	-	-	-	1,084	-	1,084
Element of loss	-	-	-	(3)	-	(3)
<b>Total proceeds on issuance of units</b>	-	-	-	1,081	-	1,081
<b>Redemption of 119,386 units (2017: 3,778 units)</b>						
Capital value (at net asset value per unit at the beginning of the period)	(12,117)	-	(12,117)	(378)	-	(378)
Element of income / (loss)	83	-	83	(1)	-	(1)
<b>Total payments on redemption of units</b>	(12,034)	-	(12,034)	(379)	-	(379)
Total comprehensive loss for the period	-	(132,711)	(132,711)	-	(15,000)	(15,000)
<b>Net assets at end of the period</b>	<b>4,207,250</b>	<b>(69,637)</b>	<b>4,137,613</b>	<b>4,225,609</b>	<b>(14,350)</b>	<b>4,211,259</b>
<b>Undistributed income brought forward</b>						
Realised		114,191			(834)	
Unrealised		(51,117)			1,484	
		63,074			650	
Net loss for the period		(132,711)			(15,000)	
<b>Accumulated loss carried forward</b>		<b>(69,637)</b>			<b>(14,350)</b>	
<b>Accumulated loss carried forward</b>						
Realised		34,825			12,621	
Unrealised		(104,462)			(26,971)	
		(69,637)			(14,350)	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the period</b>			<u>101.4938</u>			<u>100.0143</u>
<b>Net assets value per unit at end of the period</b>			<u>98.3415</u>			<u>99.6593</u>

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Financial Planning Fund**  
**Condensed Interim Statement of Movement in Unit Holders' Fund**  
*For the half year ended December 31, 2018 ( Continued )*

	For the period from October 02, 2018 to December 31, 2018		
	Islamic Capital Preservation Plan		
	Capital value	Undistributed income / (accumulated loss)	Total
	----- (Rupees in '000) -----		
<b>Net assets at beginning of the period</b>	-	-	-
<b>Issuance of 4,731,620 units</b>			
Capital value (at net asset value per unit at the beginning of the period)	473,162	-	473,162
Element of income	-	-	-
<b>Total proceeds on issuance of units</b>	473,162	-	473,162
<b>Redemption of 10,504 units</b>			
Capital value (at net asset value per unit at the beginning of the period)	(1,050)	-	(1,050)
Element of loss	(10)	-	(10)
<b>Total payments on redemption of units</b>	(1,060)	-	(1,060)
Total comprehensive loss for the period	-	(3,463)	(3,463)
<b>Net assets at end of the period</b>	472,102	(3,463)	468,639
<b>Undistributed income brought forward</b>			
Realised		-	
Unrealised		-	
		-	
Net loss for the period		(3,463)	
<b>Accumulated loss carried forward</b>		(3,463)	
<b>Accumulated loss carried forward</b>			
Realised		4,998	
Unrealised		(8,461)	
		(3,463)	
		(Rupees)	
<b>Net assets value per unit at beginning of the period</b>		100.0000	
<b>Net assets value per unit at end of the period</b>		99.2644	

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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

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

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

\_\_\_\_\_  
Director

# **HBL Islamic Financial Planning Fund**

## **Notes to the Condensed Interim Financial Information (Unaudited)**

*For the half year ended December 31, 2018*

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### **1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Islamic Financial Planning Fund (the "Fund"), was established under the Trust Deed executed between HBL Asset Management Limited as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Trust Deed was executed on March 22, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on May 4, 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 June 17, 2017.

The Fund is an open ended shariah compliant fund of fund scheme and is listed on Pakistan Stock Exchange Limited. The Fund has four different plans namely Conservative Allocation Plan, Active Allocation Plan, Strategic Allocation Plan and Islamic Capital Preservation Plan (collectively referred as 'Plans'). The units of Conservative Allocation and Active Allocation Plan were initially offered to public (IPO) on June 16, 2016 whereas units of Strategic Allocation Plan were offered from June 15, 2016 to June 16, 2016 and units of Islamic Capital Preservation Plan were offered from July 01, 2018 to October 01, 2018. The units are transferable and can be redeemed by surrendering them to the Fund at the option of unit holder. The duration of the Fund is perpetual however the allocation plans may have a set time frame. Each Allocation Plan announce separate NAVs which rank pari passu inter se according to the number of units of the respective Allocation Plans. Units are offered for public subscription on a continuous basis. However, term-based plans, may be offered for a limited subscription period.

The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the investor. The investment policy for each of the Plan including the newly launched Plan "Islamic Capital Preservation Plan" (launched on October 02, 2018) are as follows;

- The "Conservative Allocation Plan" is an Allocation Plan under the Fund and primarily aims to provide stable returns with some capital appreciation through a pre-determined mix of shariah compliant investments in equity, income and money market funds. This Allocation Plan is suitable for investors who have moderate risk tolerance and have a short to medium term investment horizon. The plan will exist till perpetuity.
- The "Active Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active asset allocation between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market scheme(s) based on the Fund Manager's outlook on the asset classes. The plan will exist till perpetuity.
- The "Strategic Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active allocation of funds between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market scheme(s) based on fundamental analysis of economic indicators, underlying asset values and a strategy of risk aversion to market volatility. Fund Manager take a medium term strategic view of the portfolio assets to deliver competitive returns to investors. The duration of this plan is 24 months (Two Years). HBL Islamic Financial Planning Fund - Strategic Allocation Plan is due to mature on June 16, 2019, unless the Management Company decides otherwise.
- The "Islamic Capital Preservation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through dynamic asset allocation between Shariah Compliant Equities and Shariah Compliant Money Market based Collective Investment Schemes, Shariah compliant saving accounts and term deposits while aiming providing capital preservation on the initial amount excluding front end load upon maturity of the allocation plan. The duration of this plan is 24 months (Two Years).

JCR-VIS Credit Rating Company has assigned a management quality rating of 'AM2+' (AM Two Plus) to the Management Company.

Title to the assets of the Fund are held in the name of MCB Financial Services Limited as trustee of the Fund.

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**1.1** No comparative figures / information in condensed interim statement of asset and liabilities condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unitholders' fund and condensed interim statement of cash flows have been disclosed in this condensed interim financial information for Islamic Capital Preservation Plan as the Plan commenced its operations on October 02, 2018 and this is the first condensed interim financial information of the Plan since inception.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

**2.1.1** This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'NBFC Regulations'), provisions of and directives issued under the Companies Act, 2017 and the directives issued by the SECP.

Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, provisions of and directives issued under the Companies Act, 2017 and the directives issued by the SECP differ with the requirements of the IAS 34, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, provisions of and directives issued under the Companies Act, 2017 and the directives issued by the SECP have been followed.

**2.1.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS 34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.

**2.1.3** The comparative statement of assets and liabilities presented in this condensed interim financial information has been extracted from the annual audited financial statements of the Fund for the year ended June 30, 2018, whereas the comparative condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of cashflows, condensed interim statement of movement in unit holders' fund are extracted from the unaudited condensed interim financial information for the half year ended December 31, 2017.

**2.1.4** This condensed interim financial information is unaudited, but has been reviewed by the auditors. Further, the figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarter ended December 31, 2018 have not been reviewed.

**2.1.5** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2018.

### **2.2 Basis of measurement**

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

This condensed interim financial information has been prepared following accrual basis of accounting except for cash flow information.

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

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees, except otherwise stated.

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### **3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, JUDGEMENT AND CHANGES THEREIN**

- 3.1** The accounting policies adopted for the preparation of the condensed interim financial information are the same as those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2018, except as explained in note 3.6.
- 3.2** The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3** The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at June 30, 2018.
- 3.4** There are certain standards, interpretations and amendments to approved accounting standards which have been published and are mandatory for the Fund's accounting period beginning on or after July 01, 2018. These standards, interpretations and amendments are either not relevant to the Fund's operations or are not expected to have a significant effect on this condensed interim financial information except as disclosed in note 3.6.
- 3.5** The Fund's financial risk management objectives and policies are consistent with that disclosed in annual audited financial statements of the Fund for the year ended June 30, 2018.
- 3.6** Except as described below, the accounting policies applied in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018.

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 for accounting periods beginning on or after July 1, 2018. A number of other new standards are effective from July 1, 2018 but they do not have a material effect on the Fund's condensed interim financial information.

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

The details of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below.

#### **i. Classification and measurement of financial assets and financial liabilities**

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit and loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

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

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

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

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

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

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

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

<b>Financial assets at Fair Value through Profit or Loss</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss.
<b>Debt investments at Fair value through Other Comprehensive Income</b>	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
<b>Equity investments at Fair value through Other Comprehensive Income</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

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

		<b>Held by Active Allocation Plan</b>			
	<b>Note</b>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39</b>	<b>New carrying amount under IFRS 9</b>
----- (Rupees in '000) -----					
<b>Financial assets</b>					
Bank balances	(b)	Loans and receivables	Amortised cost	1,721	1,721
Investment in units of Mutual Funds	(a)	trading	FVTPL	245,764	245,764
Accrued markup	(b)	Loans and receivables	Amortised cost	12	12
Advances and prepayments	(b)	Loans and receivables	Amortised cost	22	22
				<b>247,519</b>	<b>247,519</b>
				<b>247,519</b>	<b>247,519</b>

		<b>Held by Conservative Allocation Plan</b>			
	<b>Note</b>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39</b>	<b>New carrying amount under IFRS 9</b>
----- (Rupees in '000) -----					
<b>Financial assets</b>					
Bank balances	(b)	Loans and receivables	Amortised cost	199	199
Investment in units of Mutual Funds	(a)	trading	FVTPL	36,381	36,381
Accrued markup	(b)	Loans and receivables	Amortised cost	11	11
Advances and prepayments	(b)	Loans and receivables	Amortised cost	12	12
				<b>36,603</b>	<b>36,603</b>
				<b>36,603</b>	<b>36,603</b>

		<b>Held by Strategic Allocation Plan</b>			
	<b>Note</b>	<b>Original classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Original carrying amount under IAS 39</b>	<b>New carrying amount under IFRS 9</b>
----- (Rupees in '000) -----					
<b>Financial assets</b>					
Bank balances	(b)	Loans and receivables	Amortised cost	1,046	1,046
Investment in units of Mutual Funds	(a)	trading	FVTPL	4,285,015	4,285,015
Accrued markup	(b)	Loans and receivables	Amortised cost	10	10
Advances and prepayments	(b)	Loans and receivables	Amortised cost	660	660
				<b>4,286,731</b>	<b>4,286,731</b>
				<b>4,286,731</b>	<b>4,286,731</b>

(a) Listed equity securities classified as financial assets at fair value through profit or loss - held for trading have been measured at fair value through profit or loss with value changes continue to recognised in income statement.

(b) These financial assets classified as 'loans and receivables' have been classified as amortised cost.

## ii. Impairment of financial assets

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

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

## iii. Transition

The Fund has used the exemption not to restate comparative periods. Comparative periods have not generally been restated. Differences, if any, in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in net assets attributable to unit holders as at July 01, 2018. Accordingly, comparative information does not reflect the requirements of IFRS 9, but rather those of IAS 39.

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

- The determination of the business model within which a financial asset is held.

- The revocation of previous designations of certain financial assets as measured at FVTPL.

	December 31, 2018 (Un-Audited)					June 30, 2018 (Audited)			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
Note	(Rupees in '000)					(Rupees in '000)			

## 4. BANK BALANCES

Savings accounts	4.1	756	243	695	334,854	336,548	1,721	199	1,046	2,966
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4.1 This represents bank accounts held with various banks. Mark-up rates on these accounts range between 4% to 10% (2018:3.6% to 5.6%) per annum.

	December 31, 2018 (Un-Audited)					June 30, 2018 (Audited)			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
Note	(Rupees in '000)					(Rupees in '000)			

## 5. INVESTMENTS

### At fair value through profit or loss

Units of mutual funds	5.1	193,887	24,370	4,139,484	131,879	4,489,620	245,764	36,381	4,285,015	4,567,160
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## 5.1 Units of mutual funds

Name of Investee Funds	As at July 1, 2018	Purchases during the period	Redemptions during the period	As at December 31, 2018	Total carrying value as at December 31, 2018	Total market value as at December 31, 2018	Appreciation/ (diminution) as at December 31, 2018	Market value as a percentage of net assets of Plan	Market value as a percentage of total value of Investments of Plan
	Number of units				Rupees in '000			%	
<b>Active Allocation Plan</b>									
HBL Islamic Income Fund	917,910	264,394	379,014	803,290	81,933	84,087	2,154	43.24	43.37
HBL Islamic Equity Fund	437,975	-	26,211	411,764	38,083	34,728	(3,355)	17.86	17.91
HBL Islamic Stock Fund	963,012	3,600	230,574	736,038	82,312	75,072	(7,240)	38.61	38.72
HBL Islamic Dedicated Equity Fund	-	203,782	203,782	-	-	-	-	-	-
As at December 31, 2018 (Un-Audited)	2,318,897	471,776	839,581	1,951,092	202,328	193,887	(8,441)	99.71	100.00
As at June 30, 2018 (Audited)	1,689,091	4,008,868	3,379,062	2,318,897	249,435	245,764	(3,671)	100.00	100.00
<b>Conservative Allocation Plan</b>									
HBL Islamic Income Fund	273,740	17,876	105,563	186,053	18,858	19,476	618	79.46	79.92
HBL Islamic Equity Fund	71,636	8,735	26,653	53,718	4,937	4,531	(406)	18.48	18.59
HBL Islamic Stock Fund	5,913	1,003	3,358	3,558	391	363	(28)	1.48	1.49
As at December 31, 2018 (Un-Audited)	351,289	27,614	135,574	243,329	24,186	24,370	184	99.43	100.00
As at June 30, 2018 (Audited)	490,763	989,492	1,128,966	351,289	36,701	36,381	(320)	100.00	100.00
<b>Strategic Allocation Plan</b>									
HBL Islamic Income Fund	20,391,293	8,783,237	6,132,504	23,042,026	2,344,391	2,411,989	67,598	58.29	58.27
HBL Islamic Equity Fund	10,424,976	-	7,728,487	2,696,489	249,396	227,424	(21,972)	5.50	5.49
HBL Islamic Stock Fund	10,314,998	865,349	30,844	11,149,503	1,250,112	1,137,188	(112,924)	27.48	27.47
HBL Islamic Dedicated Equity Fund	-	4,996,012	1,130,174	3,865,838	400,047	362,883	(37,164)	8.77	8.77
As at December 31, 2018 (Un-Audited)	41,131,267	14,644,598	15,022,009	40,753,856	4,243,946	4,139,484	(104,462)	100	100.00
As at June 30, 2018 (Audited)	40,212,482	48,703,119	47,784,334	41,131,267	4,336,132	4,285,015	(51,117)	100	100.00
<b>Islamic Capital Preservation Plan</b>									
HBL Islamic Dedicated Equity Fund	-	1,651,792	246,865	1,404,927	140,340	131,879	(8,461)	28.14	100.00
As at December 31, 2018 (Un-Audited)	-	1,651,792	246,865	1,404,927	140,340	131,879	(8,461)	28.14	100.00
<b>Total as at December 31, 2018</b>	<b>43,801,453</b>	<b>16,795,780</b>	<b>16,244,029</b>	<b>44,353,204</b>	<b>4,610,800</b>	<b>4,489,620</b>	<b>(121,180)</b>		
<b>Total as at June 30, 2018</b>	<b>42,392,336</b>	<b>53,701,479</b>	<b>52,292,362</b>	<b>43,801,453</b>	<b>4,622,268</b>	<b>4,567,160</b>	<b>(55,108)</b>		

## 6. PAYABLE TO THE MANAGEMENT COMPANY

Note	December 31, 2018 (Un-Audited)					June 30, 2018 (Audited)			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	(Rupees in '000)								
Formation cost	-	-	-	1,900	1,900	-	-	-	-
Remuneration to the Management Company	6.1	1	-	281	282	-	-	-	-
Sindh Sales Tax on Management Company's remuneration	6.2	-	-	37	37	-	-	-	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	6.3	17	3	356	40	21	4	356	381
Sales load payable	-	-	-	7	7	290	-	-	290
	18	3	356	2,265	2,642	311	4	356	671

- 6.1** As per the offering document of the Fund, the Management Company shall charge a fee at the rate of 1% of the average annual net assets on daily basis of the plans. However, no management fee is charged on that part of the net assets which have been invested in mutual funds managed by the Management Company. The fee is payable monthly in arrears.
- 6.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (June 30, 2018: 13%) on the services provided by the Management Company as required by Sindh Sales Tax on Services Act, 2011.
- 6.3** As per Regulation 60(3)(s) of NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, 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 percent of the average annual net assets, being lower amount, to the Fund during the period.

## 9. TAXATION

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current period, as the Management Company intends to distribute more than 90 percent of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) for the year ending June 30, 2019 to its unit holders.

## 10. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed in this condensed interim financial information as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable.

## 11. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, MCB Financial Services Limited (MCBFSL), 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.

Transactions and balances with parties who were connected persons due to holding 10% or more units in the comparative period and not in the current period are not disclosed in the comparative period.

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

Half year ended December 31, 2018					For the period from October 02, 2018 to December 31, 2018	Half year ended December 31, 2017			
Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
(Rupees in '000)									

### 11.1 Transactions during the period

#### HBL Asset Management Limited - Management Company

Remuneration to the Management Company	6	1	-	857	864	95	21	1,116	1,232
Sindh Sales Tax on remuneration of the Management Company	1	-	-	111	112	12	3	145	160
Allocation of expenses related to registrar services, accounting, operation and valuation services	114	14	2,153	119	2,400	122	27	2,121	2,270

#### Habib Bank Limited - Sponsor

Mark-up on deposits with bank	29	5	14	580	628	153	64	52	269
Bank Charges	9	8	6	1	24	-	-	-	-
Issue of 684,657 (2017: nil) units	-	-	-	70,013	70,013	-	-	-	-

#### MCB Financial Services Limited - Trustee

Remuneration of the Trustee	116	14	1,724	121	1,975	125	28	1,706	1,859
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#### HBL Islamic Income Fund - CIS managed by Management Company

Purchase of 264,394 (2017: 1,143,123) units	22,777	-	-	-	22,777	116,100	-	-	116,100
Purchase of 17,876 (2017: 466,592) units	-	1,822	-	-	1,822	-	47,500	-	47,500
Purchase of 8,783,237 (2017: nil) units	-	-	800,347	-	800,347	-	-	-	-
Redemption of 379,014 (2017: 1,128,259) units	39,085	-	-	-	39,085	115,000	-	-	115,000
Redemption of 105,563 (2017: 584,954) units	-	10,785	-	-	10,785	-	59,720	-	59,720
Redemption of 6,132,504 (2017: 13,340,609) units	-	-	633,680	-	633,680	-	-	1,362,800	1,362,800

	Half year ended December 31, 2018			For the period from October 02, 2018 to December 31, 2018	Half year ended December 31, 2017				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
(Rupees in '000)									
<b>HBL Islamic Equity Fund - CIS managed</b>									
<b>by Management Company</b>									
Purchase of Nil (2017: 566,975) units	-	-	-	-	-	54,000	-	-	54,000
Purchase of 8,735 (2017: 103,444) units	-	776	-	-	776	-	9,425	-	9,425
Purchase of Nil (2017: 8,183,463) units	-	-	-	-	-	-	-	775,000	775,000
Redemption of 26,211 (2017: 55,258) units	2,418	-	-	-	2,418	5,000	-	-	5,000
Redemption of 26,653 (2017: 120,243) units	-	2,518	-	-	2,518	-	11,338	-	11,338
Redemption of 7,728,487 (2017: nil) units	-	-	690,000	-	690,000	-	-	-	-
<b>HBL Islamic Money Market Fund - CIS managed</b>									
<b>by Management Company</b>									
Purchase of Nil (2017: 974,853) units	-	-	-	-	-	-	-	100,000	100,000
Redemption of Nil (2017: 785,072) units	-	-	-	-	-	-	-	79,275	79,275
<b>HBL Islamic Stock Fund - CIS managed</b>									
<b>by Management Company</b>									
Purchase of 3,600 (2017: 276,020) units	400	-	-	-	400	30,000	-	-	30,000
Purchase of 1,003 (2017: 4,522,270) units	-	105	-	-	105	-	-	490,500	490,500
Purchase of 865,349 (2017: nil) units	-	-	100,000	-	100,000	-	-	-	-
Redemption of 230,574 (2017: nil) units	25,370	-	-	-	25,370	-	-	-	-
Redemption of 3,358 (2017: nil) units	-	370	-	-	370	-	-	-	-
Redemption of 30,844 (2017: nil) units	-	-	3,365	-	3,365	-	-	-	-
<b>Darayus Happy Minwalla - Connected Person</b>									
<b>due to 10% holding</b>									
Issue of Nil (2017: 2,383) units	-	-	-	-	-	-	-	237	237
<b>Imperial Developers &amp; Builders (Private) Limited</b>									
<b>- Connected Person</b>									
<b>due to 10% holding</b>									
Issue of Nil (2017: 1,574) units	-	-	-	-	-	-	-	157	157
<b>HBL Islamic Dedicated Equity Fund - CIS managed</b>									
<b>by Management Company</b>									
Purchase of 203,782 (2017: nil) units	22,000	-	-	-	22,000	-	-	-	-
Purchase of 4,996,012 (2017: nil) units	-	-	517,000	-	517,000	-	-	-	-
Purchase of 1,651,792 (2017: nil) units	-	-	-	165,000	165,000	-	-	-	-
Redemption of 203,782 (2017: nil) units	19,811	-	-	-	19,811	-	-	-	-
Redemption of 1,130,174 (2017: nil) units	-	-	110,000	-	110,000	-	-	-	-
Redemption of 246,865 (2017: nil) units	-	-	-	24,000	24,000	-	-	-	-
<b>Pakistan Society for Welfare of Mentally Retarded Child</b>									
<b>Connected person due to 10% holding*</b>									
Issue of 811,054 (2017: nil) units	-	-	-	81,105	81,105	-	-	-	-
<b>Nashid Anam Shahid - Connected person</b>									
<b>due to 10% holding*</b>									
Redemption of 5,151 (2017: nil) units	-	525	-	-	525	-	-	-	-
<b>New Jubilee Insurance Co. Limited Staff Provident Fund</b>									
<b>- Associated</b>									
Issue of 50,000 (2017: nil) units	-	-	-	5,000	5,000	-	-	-	-
<b>Barrett Hodgson Pakistan (Private) Limited - Associated*</b>									
Issue of 1,002,789 (2017: nil) units	-	-	-	100,279	100,279	-	-	-	-
December 31, 2018 (Un-Audited)					June 30, 2018 (Audited)				
Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
(Rupees in '000)									

## 11.2 Balances outstanding as at period / year end

<b>HBL Asset Management Limited - Management Company</b>									
Remuneration payable to the management Company	1	-	-	281	282	-	-	-	-
Sindh Sales Tax on Management Company's remuneration	-	-	-	37	37	-	-	-	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	17	3	356	40	416	21	4	356	381
Sales load payable	-	-	-	7	7	290	-	-	290
Formation cost	-	-	-	1,900	1,900	-	-	-	-

	December 31, 2018 (Un-Audited)					June 30, 2018 (Audited)			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
(Rupees in '000)									
<b>HBL Asset Management Limited -</b>									
<b>Employees Provident Fund</b>									
Units held 11,575 (June 30, 2018: 11,575) units	1,102	-	-	-	1,102	1,162	-	-	1,162
<b>Habib Bank Limited - Sponsor</b>									
Mark-up receivable on deposits with bank	3	-	1	1	5	11	15	2	28
Balance in savings account	636	84	84	1,764	2,568	1,517	29	339	1,885
Units held 684,657 (June 30, 2018: nil) units	-	-	-	70,013	70,013	-	-	-	-
<b>MCB Financial Services Limited - Trustee</b>									
Remuneration payable to the Trustee	17	3	280	41	341	21	3	278	302
<b>Darayus Happy Minwalla - Connected Person due to 10% holding</b>									
Units held 15,190,277 (June 30, 2018: 15,190,277) units	-	-	1,493,835	-	1,493,835	-	-	1,541,719	1,541,719
<b>Imperial Developers &amp; Builders (Private) Limited - Connected Person due to 10% holding</b>									
Units held 20,057,174 (June 30, 2018: 20,057,174) units	-	-	1,972,453	-	1,972,453	-	-	2,035,679	2,035,679
<b>Mohsin Safdar - Connected Person due to 10% holding</b>									
Units held 59,748 (June 30, 2018: 59,748) units	-	6,103	-	-	6,103	-	6,059	-	6,059
<b>Mrs. Nashid Anam Shahid - Connected Person due to 10% holding</b>									
Units held 34,455 (June 30, 2018: 59,030) units	-	2,993	-	-	2,993	-	5,987	-	5,987
<b>Directors and Executives</b>									
Units held Nil (June 30, 2018: 500,000) units	-	-	-	-	-	-	51,880	-	51,880
<b>Falak Naz - Connected Person due to 10% holding*</b>									
Units held 34,036 (June 30, 2018: 34,036) units	-	3,477	-	-	3,477	-	3,452	-	3,452
<b>Archroma Pakistan Limited - Employees Gratuity Fund - Connected Person due to 10% holding*</b>									
Units held 634,327 (June 30, 2018: nil) units	-	-	62,381	-	62,381	-	-	-	-
<b>Syed Tanveer Ahmad - Connected Person due to 10% holding*</b>									
Units held 24,943 (June 30, 2018: nil) units	-	2,548	-	-	2,548	-	-	-	-
<b>HBL Islamic Income - CIS managed by Management Company</b>									
Units held 803,290 (June 30, 2018: 917,910) units	34,728	-	-	-	34,728	97,559	-	-	97,559
Units held 186,053 (June 30, 2018: 273,740) units	-	19,476	-	-	19,476	-	29,094	-	29,094
Units held 23,042,026 (June 30, 2018: 20,391,293) units	-	-	2,411,989	-	2,411,989	-	-	2,167,258	2,167,258
<b>HBL Islamic Equity Fund - CIS managed by Management Company</b>									
Units held 411,764 (June 30, 2018: 437,975) units	34,728	-	-	-	34,728	40,508	-	-	40,508
Units held 53,718 (June 30, 2018: 71,636) units	-	4,531	-	-	4,531	-	6,626	-	6,626
Units held 2,696,489 (June 30, 2018: 10,424,976) units	-	-	227,424	-	227,424	-	-	964,196	964,196
<b>HBL Islamic Dedicated Equity Fund - CIS managed by Management Company</b>									
Units held 3,865,838 (June 30, 2018: nil) units	-	-	362,883	-	362,883	-	-	-	-
Units held 1,404,927 (June 30, 2018: nil) units	-	-	-	131,879	131,879	-	-	-	-
<b>HBL Islamic Stock Fund - CIS managed by Management Company</b>									
Units held 736,038 (June 30, 2018: 963,012) units	75,072	-	-	-	75,072	107,697	-	-	107,697
Units held 3,558 (June 30, 2018: 5,913) units	-	363	-	-	363	-	661	-	661
Units held 11,149,503 (June 30, 2018: 10,314,998) units	-	-	1,137,188	-	1,137,188	-	-	1,153,561	1,153,561

Units as at December 31, 2018 are calculated on the basis of latest announced NAV i.e December 31, 2018.

\*Comparative transactions / balances of these parties have not been disclosed as these parties were not related parties in last period

## 12. 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 half year ended December 31, 2018 is 0.17%, 0.22%, 0.17% and 0.34% (December 31, 2017: 0.19%, 0.29% and 0.21%) which includes 0.06%, 0.07%, 0.05% and 0.05% (December 31, 2017: 0.05%, 0.07% and 0.06%) representing government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan, Strategic Allocation Plan and Islamic Capital Preservation Plan, respectively.

### 13. 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.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (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.

		December 31, 2018 (Un-Audited)						
		Active Allocation Plan						
		Carrying amount			Fair Value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>Note</b>		(Rupees in '000)						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
		193,887	-	193,887	193,887	-	-	193,887
		193,887	-	193,887	193,887	-	-	193,887
<b>Financial assets not measured at fair value</b>								
	13.1	-	756	756				
		-	4	4				
		-	760	760				
<b>Financial liabilities not measured at fair value</b>								
	13.1	-	18	18				
		-	17	17				
		-	52	52				
		-	87	87				

		June 30, 2018 (Audited)						
		Active Allocation Plan						
		Carrying amount			Fair Value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>Note</b>		(Rupees in '000)						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
	Investments	245,764	-	245,764	245,764	-	-	245,764
		245,764	-	245,764	245,764	-	-	245,764
<b>Financial assets not measured at fair value</b>								
	13.1							
	Bank balances	-	1,721	1,721				
	Accrued mark-up	-	12	12				
		-	1,733	1,733				
<b>Financial liabilities not measured at fair value</b>								
	13.1							
	Payable to the Management Company	-	311	311				
	Payable to the Trustee	-	21	21				
	Accrued expenses and other liabilities	-	19	19				
		-	351	351				

		December 31, 2018 (Un-Audited)						
		Conservative Allocation Plan						
		Carrying amount			Fair Value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>Note</b>		(Rupees in '000)						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
	Investments	24,370	-	24,370	24,370	-	-	24,370
		24,370	-	24,370	24,370	-	-	24,370
<b>Financial assets not measured at fair value</b>								
	13.1							
	Bank balances	-	243	243				
	Accrued mark-up	-	5	5				
		-	248	248				
<b>Financial liabilities not measured at fair value</b>								
	13.1							
	Payable to the Management Company	-	3	3				
	Payable to the Trustee	-	3	3				
	Accrued expenses and other liabilities	-	98	98				
		-	104	104				

June 30, 2018 (Audited)							
Conservative Allocation Plan							
Carrying amount			Fair Value				
Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total	
<b>Note</b> ----- (Rupees in '000) -----							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Investments	36,381	-	36,381	36,381	-	-	36,381
	<u>36,381</u>	<u>-</u>	<u>36,381</u>	<u>36,381</u>	<u>-</u>	<u>-</u>	<u>36,381</u>
<b>Financial assets not measured at fair value</b>							
Bank balances	-	199	199				
Accrued mark-up	-	11	11				
	<u>-</u>	<u>210</u>	<u>210</u>				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	4	4				
Payable to the Trustee	-	3	3				
Accrued expenses and other liabilities	-	3	3				
	<u>-</u>	<u>10</u>	<u>10</u>				

December 31, 2018 (Un-Audited)							
Strategic Allocation Plan							
Carrying amount			Fair Value				
Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total	
<b>Note</b> ----- (Rupees in '000) -----							
<b>On-balance sheet financial instruments</b>							
<b>Financial assets measured at fair value</b>							
Investments	4,139,484	-	4,139,484	4,139,484	-	-	4,139,484
	<u>4,139,484</u>	<u>-</u>	<u>4,139,484</u>	<u>4,139,484</u>	<u>-</u>	<u>-</u>	<u>4,139,484</u>
<b>Financial assets not measured at fair value</b>							
Bank balances	-	695	695				
Accrued mark-up	-	5	5				
	<u>-</u>	<u>700</u>	<u>700</u>				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	356	356				
Payable to the Trustee	-	280	280				
Accrued expenses and other liabilities	-	231	231				
	<u>-</u>	<u>867</u>	<u>867</u>				

		June 30, 2018 (Audited)						
		Strategic Allocation Plan						
		Carrying amount			Fair Value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>Note</b>		(Rupees in '000)						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
	Investments	4,285,015	-	4,285,015	4,285,015	-	-	4,285,015
		<u>4,285,015</u>	<u>-</u>	<u>4,285,015</u>	<u>4,285,015</u>	<u>-</u>	<u>-</u>	<u>4,285,015</u>
<b>Financial assets not measured at fair value</b>								
	13.1							
	Bank balances	-	1,046	1,046				
	Accrued mark-up	-	10	10				
		<u>-</u>	<u>1,056</u>	<u>1,056</u>				
<b>Financial liabilities not measured at fair value</b>								
	13.1							
	Payable to the Management Company	-	356	356				
	Payable to the Trustee	-	278	278				
	Accrued expenses and other liabilities	-	322	322				
		<u>-</u>	<u>956</u>	<u>956</u>				

		December 31, 2018 (Un-Audited)						
		Islamic Capital Preservation Plan						
		Carrying amount			Fair Value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>Note</b>		(Rupees in '000)						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
	Investments	131,879	-	131,879	131,879	-	-	131,879
		<u>131,879</u>	<u>-</u>	<u>131,879</u>	<u>131,879</u>	<u>-</u>	<u>-</u>	<u>131,879</u>
<b>Financial assets not measured at fair value</b>								
	13.1							
	Bank balances	-	334,854	334,854				
	Accrued mark-up	-	2,635	2,635				
		<u>-</u>	<u>337,489</u>	<u>337,489</u>				
<b>Financial liabilities not measured at fair value</b>								
	13.1							
	Payable to the Management Company	-	2,265	2,265				
	Payable to the Trustee	-	41	41				
	Accrued expenses and other liabilities	-	6	6				
		<u>-</u>	<u>2,312</u>	<u>2,312</u>				

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**13.1** 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.

**13.2 Transfers during the period**

No transfers were made between various levels of fair value hierarchy during the period.

**14. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on February 08, 2019 by the Board of Directors of the Management Company.

**15. GENERAL**

**15.1** Figures have been rounded off to the nearest thousand rupees.

**15.2** Corresponding figures have been arranged and reclassified, wherever necessary, for the purpose of comparison and more appropriate presentation, the effect of which is not material.

**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**

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# **HBL**

## **HBL Islamic Dedicated Equity Fund**

## FUND INFORMATION

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Name of Fund	HBL Islamic Dedicated Equity Fund
Name of Auditor	Deloitte Yousuf Adil Chartered Accountants
Name of Trustee	MCB Financial Services Limited (MCBFSL)
Name of Shariah Advisor	Al Hilal Shariah Advisors (Pvt.) Limited
Bankers	Dubai Islamic Bank Limited Bank Islamic Pakistan Limited

## TRUSTEE REPORT TO THE UNIT HOLDERS



### MCB FINANCIAL SERVICES LIMITED

#### REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

#### HBL ISLAMIC DEDICATED EQUITY FUND

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

HBL Islamic Dedicated Equity Fund, an open-end Scheme established under a Trust Deed dated June 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and MCB Financial Services Limited, as the Trustee. The Fund was authorized by Securities & Exchange Commission of Pakistan as a unit trust scheme on 4<sup>th</sup> July 2018.

1. HBL Asset Management Company Limited, the Management Company of HBL Islamic Dedicated Equity Fund has, in all material respects, managed HBL Islamic Dedicated Equity Fund during the period from 1<sup>st</sup> October 2018 to 31<sup>st</sup> December, 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

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: February 7, 2019

# AUDITORS REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

# Deloitte.

**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi-75350  
Pakistan

Tel: +92 (0) 21 3454 6494-7  
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

## Auditors' report to the Unit Holders on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **HBL Islamic Dedicated Equity Fund** (the Fund) as at December 31, 2018, and the related condensed interim income statement, condensed interim statement of other comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the condensed interim financial information for the period October 01, 2018 till December 31, 2018 (here-in-after referred to as the 'condensed interim financial information'). **HBL Asset Management Limited** (the Management Company) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

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

### Conclusion

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

*Deloitte Yousuf Adil*  
Chartered Accountants

**Engagement Partner**  
Hena Sadiq

**Place:** Karachi  
**Date:** February 11, 2019

Member of  
**Deloitte Touche Tohmatsu Limited**

**HBL Islamic Dedicated Equity Fund**  
**Condensed Interim Statement of Assets and Liabilities (Un-Audited)**  
*As at December 31, 2018*

	Note	(Un-Audited) December 31, 2018 (Rupees in '000)
<b>Assets</b>		
Bank balances	5	36,359
Investments	6	456,353
Dividend receivable and accrued mark-up		4,839
Deposits and prepayments		3,645
<b>Total assets</b>		<b>501,196</b>
<b>Liabilities</b>		
Payable to the Management Company	8	1,567
Payable to the Trustee		47
Payable to Securities and Exchange Commission of Pakistan		113
Payable against purchase of equity securities		2,740
Accrued expenses and other liabilities	9	1,966
<b>Total liabilities</b>		<b>6,433</b>
<b>Net assets</b>		<b>494,763</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>494,763</b>
<b>Contingencies and commitments</b>	10	-
		- (Number of units) -
<b>Number of units in issue</b>		<b>5,270,765</b>
		----- (Rupees) -----
<b>Net assets value per unit</b>		<b>93.8692</b>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Dedicated Equity Fund**  
**Condensed Interim Income Statement (Un-Audited)**  
*For the Period October 1, 2018 to December 31, 2018*

	Note	For the Period October 1, 2018 to December 31, 2018 (Rupees in '000)
<b>Income</b>		
Dividend income		4,561
Mark-up on deposits with banks		1,028
Capital loss on sale of investments - net		(13,028)
		(7,439)
Unrealised diminution on re-measurement of investments classified as financial asset at fair value through profit or loss - net		(42,433)
		(49,872)
<b>Expenses</b>		
Remuneration of the Management Company		2,688
Remuneration of the Trustee		121
Annual fee to Securities and Exchange Commission of Pakistan		113
Selling and marketing expenses		476
Allocation of expenses related to registrar services, accounting, operation and valuation services		119
Securities transaction costs		-
Auditors' remuneration		79
Settlement and bank charges		169
Shariah advisory fee		47
Income from Shariah non-compliant transactions		177
Other expense		1,565
		5,554
<b>Net loss from operating activities</b>		(55,426)
Element of income and capital gains included in prices of units issued less those in units redeemed - net		-
Provision for Sindh Workers' Welfare Fund	11	-
<b>Net loss for the period before taxation</b>		(55,426)
Taxation	12	-
<b>Net loss for the period after taxation</b>		(55,426)
<b>Allocation of net (loss) / income for the period:</b>		
Income already paid on redemption of units		-
Accounting (loss) / income available for distribution:		
- Relating to capital gains		-
- Excluding capital gains		-
		-
		(55,426)

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

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

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

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

**HBL Islamic Dedicated Equity Fund**  
**Condensed Interim Statement of Comprehensive Income (Un-Audited)**  
*For the Period October 1, 2018 to December 31, 2018*

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	<b>For the Period October 1, 2018 to December 31, 2018 (Rupees in '000)</b>
<b>Net loss for the period after taxation</b>	<b>(55,426)</b>
Other comprehensive income for the period	-
<b>Total comprehensive loss for the period</b>	<b>(55,426)</b>

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The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

**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**

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**HBL Islamic Dedicated Equity Fund**  
**Condensed Interim Statement of Movement in Unit Holders' Fund**  
*For the Period October 1, 2018 to December 31, 2018*

For the Period October 1, 2018 to  
December 31, 2018

	Capital value	Undistributed income / (Accumulated loss)	Unrealised income / (loss) on investment	Total
	(Rupees in '000)			
<b>Net assets at beginning of the period</b>	-	-	-	-
Issue of 6,851,583 units				
- Capital value (at net asset value per unit at the beginning of the period)	685,158	-	-	685,158
- Element of income	18,842	-	-	18,842
Total proceeds on issue of units	704,000	-	-	704,000
Redemption of 1,580,819 units				
- Capital value (at net asset value per unit at the beginning of the period)	(158,082)	-	-	(158,082)
- Element of income	4,271	-	-	4,271
Total payments on redemption of units	(153,811)	-	-	(153,811)
Total comprehensive income for the period	-	(55,426)	-	(55,426)
Distribution during the period	-	-	-	-
	-	(55,426)	-	(55,426)
<b>Net assets at end of the period</b>	550,189	(55,426)	-	494,763
<b>Undistributed income brought forward</b>				
- Realised		-		
- Unrealised		-		
Net loss for the period		(55,426)		
Distribution during the period		-		
<b>Accumulated loss carried forward</b>		(55,426)		
<b>Accumulated loss carried forward</b>				
- Realised		(12,993)		
- Unrealised		(42,433)		
		(55,426)		
<b>Net assets value per unit at end of the period</b>				93.8692

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

Chief Financial Officer

Chief Executive Officer

Director

**HBL Islamic Dedicated Equity Fund**  
**Condensed Interim Cash Flow Statement (Unaudited)**  
*For the Period October 1, 2018 to December 31, 2018*

	For the Period October 1, 2018 to December 31, 2018 (Rupees in '000)
<b>Cash flows from operating activities</b>	
Net loss for the period before taxation	(55,426)
<b>Adjustments</b>	
Capital loss during the period	13,028
Dividend income	(4,561)
Mark-up on deposits with banks	(1,028)
Unrealised diminution on re-measurement of investments classified as financial asset at fair value through profit or loss - net	42,433
	(5,554)
<b>Decrease / (Increase) in assets</b>	
Investments - net	(511,814)
Dividend receivable and accrued mark-up	750
Deposits and prepayments	(3,645)
	(514,709)
<b>Increase in liabilities</b>	
Payable to the Management Company	1,567
Payable to the Trustee	47
Payable to the Securities and Exchange Commission of Pakistan	113
Payable against purchase of equity securities	2,740
Accrued expenses and other liabilities	1,966
	6,433
<b>Net cash used in operating activities</b>	(513,830)
<b>Cash flows from financing activities</b>	
Amount received on issue of units	704,000
Payment against redemption of units	(153,811)
<b>Net cash generated from financing activities</b>	550,189
<b>Net increase in cash and cash equivalents</b>	36,359
Cash and cash equivalents at beginning of the period	-
<b>Cash and cash equivalents at end of the period</b>	36,359

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

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

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

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

# **HBL Islamic Dedicated Equity Fund**

## **Notes to the Condensed Interim Financial Information (Unaudited)**

*For the Period October 1, 2018 to December 31, 2018*

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### **1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** HBL Islamic Dedicated Equity Fund (the Fund) was established under a Trust Deed, dated June 22, 2017, executed between HBL Asset Management Limited as the Management Company and MCB Financial Services limited (MCBFSL) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan as a unit trust scheme on July 04, 2018.
- 1.2** The Management Company of the Fund has been registered as Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi, Pakistan.
- 1.3** The Fund is an open-ended mutual fund. The units are transferable and can also be redeemed by surrendering to the Fund.
- 1.4** The principal activity of the Fund is to provide capital appreciation to investors schemes by investing in Shariah Compliant equity securities.
- 1.5** JCR-VIS Credit Rating Company has assigned a management quality rating of AM2+ (Positive Outlook) to the Management Company.
- 1.6** Title to the assets of the Fund are held in the name of MCB Financial Services Limited as trustee of the Fund.

### **2. BASIS OF PREPARATION**

#### **2.1 Statement of Compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of 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.

- 2.1.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of IAS-34. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.
- 2.1.3** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2018.

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## 2.2 Basis of measurement

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

## 2.3 Functional and presentation currency

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

## 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; and
- (ii) impairment of financial assets

## 3. NEW ACCOUNTING STANDARDS AND AMENDMENTS

3.1 The following standards and amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards and interpretations are either not relevant to the Fund's operations or are not expected to have significant impact on the Funds's financial statements other than certain additional disclosures:

	<b>Effective from accounting period beginning on or after</b>
- IFRS 16 'Leases'	January 01, 2019
- Amendments to IFRS 9 'Financial Instruments' Prepayment features with negative compensation	January 01, 2019
- 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 date is deferred indefinitely earlier adoption is permitted
- Amendments to IAS 28 'Investments in Associates and Joint Ventures' 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
- 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

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- Annual Improvements to IFRS Standards 2015-2017 Cycle amendments to: January 01, 2019
    - IFRS 3 Business Combinations;
    - IFRS 11 Joint Arrangements;
    - IAS 12 Income Taxes; and
    - IAS 23 Borrowing Costs.

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

- Amendments to References to the Conceptual Framework in IFRS Standards January 01, 2020
- Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business' January 01, 2020
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards January 01, 2020

**3.2** 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. 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**

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL):

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

A debt investment is measured at fair value through other comprehensive income (FVOCI) if it meets both of the following conditions and is not designated as at FVTPL:

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

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

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

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

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

#### 4.2.1.2 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 impairment requirements in relation to debt securities for mutual funds.

#### 4.2.1.3 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.

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#### **4.2.1.4 Financial liabilities**

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

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

#### **4.2.1.5 Offsetting of financial assets and financial 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 Preliminary 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 statement in the period in which such distributions are declared.

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#### 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

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".

#### 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 dividend is established.
- 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.
- Profit on bank deposits is 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 a time apportionment basis using the effective interest method.

		<b>(Un-Audited) December 31, 2018 (Rupees in '000)</b>
	<b>Note</b>	
<b>5. BANK BALANCES</b>		
Balances with banks in:		
Savings accounts	5.1	<u><u>36,359</u></u>

		December 31, 2018
		(Rupees in '000)
6. INVESTMENTS	Note	
<b>Financial assets at fair value through profit or loss account</b>		
- Listed equity securities	6.1	<u><u>456,353</u></u>

### 6.1 Listed equity securities - At fair value through profit or loss

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

Name of the Investee Company	As at July 01, 2018	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2018	Market value as at December 31, 2018 Rupees in '000'	Market value as a percentage of Total Investments	Market value as a percentage of Net Assets	Par value as a percentage of issued capital of the investee company
----- Number of shares -----									
<b>TEXTILE COMPOSITE</b>									
Kohinoor Textile Mills Limited	-	176,000	-	62,000	114,000	5,139	1.13%	1.04%	0.11%
Nishat Mills Limited	-	247,900	-	90,000	157,900	19,979	4.38%	4.04%	0.04%
	-	423,900	-	152,000	271,900	25,118	5.50%	5.08%	
<b>CEMENT</b>									
Cherat Cement Company Limited.	-	83,000	-	83,000	-	-	-	-	-
D G Khan Cement Company Limited.	-	122,500	-	122,500	-	-	-	-	-
Kohat Cement Limited	-	65,500	1,650	12,000	55,150	4,684	1.03%	0.95%	0.04%
Lucky Cement Limited	-	72,000	-	19,000	53,000	23,038	5.05%	4.66%	0.02%
Maple Leaf Cement Factory Limited	-	363,000	-	305,000	58,000	2,358	0.52%	0.48%	0.01%
	-	706,000	1,650	541,500	166,150	30,080	6.59%	7.08%	
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	-	710,500	-	200,000	510,500	43,796	9.60%	8.85%	0.04%
K-Electric Limited	-	2,850,000	-	1,150,000	1,700,000	10,098	2.21%	2.04%	0.01%
Pakgen Power Limited	-	210,000	-	-	210,000	3,578	0.78%	0.72%	0.06%
	-	3,770,500	-	1,350,000	2,420,500	57,472	12.59%	11.62%	
<b>ENGINEERING</b>									
Amreli Steels Limited	-	108,500	-	108,500	-	-	-	-	-
International Industries Limited	-	42,000	-	10,000	32,000	4,930	1.08%	1.00%	0.03%
International Steels Limited	-	157,000	-	81,000	76,000	4,999	1.10%	1.01%	0.02%
	-	307,500	-	199,500	108,000	9,929	2.18%	3.01%	
<b>PHARMACEUTICALS</b>									
AGP Limited	-	159,500	-	20,500	139,000	12,153	2.66%	2.46%	-
The Searle Company Limited	-	29,000	3,450	12,000	20,450	5,022	1.10%	1.02%	0.01%
	-	188,500	3,450	32,500	159,450	17,175	3.76%	3.47%	
<b>PAPER &amp; BOARD</b>									
Packages Limited	-	18,000	-	5,000	13,000	5,028	1.10%	1.02%	0.01%

Name of the Investee Company	As at July 01, 2018	Purchases during the period	Bonus / Rights issue	Sales during the period	As at December 31, 2018	Market value as at December 31, 2018 Rupees in '000'	Market value as a percentage of Total Investments	Market value as a percentage of Net Assets	Par value as a percentage of issued capital of the investee company
----- Number of shares -----									
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	-	33,000	170	8,000	25,170	31,107	6.82%	6.29%	0.02%
Oil & Gas Developet Company Limited	-	437,600	-	103,500	334,100	42,765	9.37%	8.64%	0.01%
Pakistan Oilfields Limited	-	82,850	-	30,000	52,850	22,452	4.92%	4.54%	0.02%
Pakistan Petroleum Limited	-	360,300	3,300	77,500	286,100	42,818	9.38%	8.65%	0.01%
	-	913,750	3,470	219,000	698,220	139,142	30.49%	28.12%	
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Hascol Petroleum Limited	-	22,700	5,675	28,375	-	-	-	-	-
Pakistan State Oil Company Limited	-	126,700	-	16,600	110,100	24,820	5.44%	5.02%	0.03%
Sui Northern Gas Pipeline Limited	-	207,500	-	110,000	97,500	7,514	1.65%	1.52%	0.02%
	-	356,900	5,675	154,975	207,600	32,334	7.09%	6.54%	
<b>COMMERCIAL BANKS</b>									
Meezan Bank Limited	-	391,000	-	131,500	259,500	23,975	5.25%	4.85%	0.02%
<b>FERTILIZER</b>									
Dawood Hercules Corporation Limited *	-	50,000	-	-	50,000	5,558	1.22%	1.12%	0.01%
Engro Corporation Limited	-	199,000	-	40,000	159,000	46,281	10.14%	9.35%	0.03%
Engro Fertilizers Limited	-	381,500	-	170,000	211,500	14,604	3.20%	2.95%	0.02%
Fauji Fertilizer Company Limited	-	110,000	-	-	110,000	10,214	2.24%	2.06%	0.01%
	-	740,500	-	210,000	530,500	76,657	16.80%	15.49%	
<b>CHEMICAL</b>									
Engro Polymer & Chemicals Limited	-	553,000	-	50,000	503,000	18,681	4.09%	3.78%	0.04%
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>									
Thal Limited	-	60,050	-	11,500	48,550	20,762	4.55%	4.20%	0.06%
<b>Grand total</b>					<b>5,386,370</b>	<b>456,353</b>	<b>100%</b>	<b>94%</b>	
<b>Cost of investments at December 31, 2018</b>						<b>498,786</b>			

\* Related party due to common directorship

**6.1.1** Investments include shares having market value aggregating to Rs. 55.806 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular 11 dated October 23, 2007 issued by the SECP.

## 7. DEPOSITS AND PREPAYMENTS

Security deposit with National Clearing Company of Pakistan Limited	2,500
Security deposit with Central Depository Company of Pakistan Limited	100
Preliminary cost	1,045
	<b>3,645</b>

(Un-Audited)  
December 31,  
2018  
(Rupees in '000)

Note

	Note	(Un-Audited) December 31, 2018 (Rupees in '000)
<b>8. PAYABLE TO THE MANAGEMENT COMPANY</b>		
Management fee		925
Sindh Sales Tax on Management Company's remuneration		120
Selling and marketing payable		476
Allocation of expenses related to registrar services, accounting, operation and valuation services		46
		1,567
<b>9. ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Charity payable	9.1	177
Auditors' remuneration		79
Payable to brokers		541
Other payables		1,169
		1,966
<b>9.1</b>	This represents amount attributable to income earned from shariah non-compliant avenues, earmarked for onward distribution as charity in accordance with the instructions of the Shariah Advisor.	
<b>10. CONTINGENCIES AND COMMITMENTS</b>	There were no contingencies and commitments outstanding as at December 31, 2018.	
<b>11. PROVISION FOR SINDH WORKERS' WELFARE FUND</b>	As there is loss for the period ended December 31, 2018, therefore, no provision for SWWF has been recognised in these condensed interim financial information.	
<b>12. TAXATION</b>	The Fund's income is exempt from income tax as per Clause 99 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current period, as the Management Company intends to distribute more than 90 percent of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) for the year June 30, 2019 to its unit holders.	
<b>13. TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS</b>	Connected persons / related parties 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 agreed / contracted rates and terms determined in accordance with market rates. and the Trust Deed respectively.	

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

Details of significant transactions with connected persons during the period and balances with them at period end are as follows:

		<b>For the Period October 1, 2018 to December 31, 2018 (Rupees in '000)</b>
<b>13.1</b>	<b>Transactions during the period</b>	
	<b>HBL Asset Management Limited - Management Company</b>	
	Remuneration of the Management Company	2,688
	Allocation of expenses related to registrar services, accounting, operation and valuation services	119
	Selling and marketing cost	476
	<b>Central Depository Company of Pakistan Limited - Trustee</b>	
	Remuneration	121
	<b>MCBFSL Trustee HBL IFPF Islamic Capital Preservation Plan</b>	
	Issue of units 1,651,792 units	165,000
	Redemption of units 246,865 units	24,000
	<b>MCBFSL Trustee HBL IFPF Active Allocation Plan</b>	
	Issue of units 203,779 units	22,000
	Redemption of units 203,779 units	19,811
	<b>MCBFSL Trustee HBL IFPF Strategic Allocation Plan</b>	
	Issue of units 4,996,012 units	517,000
	Redemption of units 1,130,175 units	110,000
<b>13.2</b>	<b>Amounts outstanding as at period / year end</b>	
	<b>HBL Asset Management Limited - Management Company</b>	
	Management fee payable	925
	Sales tax payable	120
	Allocation of expenses related to registrar services, accounting, operation and valuation services	46
	Selling and marketing cost	476
	<b>Central Depository Company of Pakistan Limited - Trustee</b>	
	Remuneration payable	42
	Sindh Sales Tax	5
	<b>MCBFSL Trustee HBL IFPF Islamic Capital Preservation Plan</b>	
	Investment held in the Fund: 1,404,927 units	131,879
	<b>MCBFSL Trustee HBL IFPF Strategic Allocation Plan</b>	
	Investment held in the Fund: 3,865,838 units	362,883

## 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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:

- 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.

		December 31, 2018 (Un-Audited)								
		Carrying amount				Fair Value				
	Note	Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Other financial assets / liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)								
<b>Financial assets measured at fair value</b>										
Investments										
- Listed equity securities	6	456,353	-	-	-	456,353	456,353	-	-	456,353
<b>Financial assets not measured at fair value</b>										
Bank balances		-	-	-	36,359	36,359	-	-	-	-
Dividend receivable and accrued mark-up		-	-	-	4,839	4,839	-	-	-	-
Other receivables		-	-	-	2,600	2,600	-	-	-	-
		-	-	-	43,798	43,798	-	-	-	-
<b>Financial liabilities not measured at fair value</b>										
Payable to the Management Company		-	-	-	1,447	1,447	-	-	-	-
Payable to the Trustee		-	-	-	42	42	-	-	-	-
Payable to the Securities and Exchange Commission of Pakistan		-	-	-	100	100	-	-	-	-
Accrued expenses and other liabilities		-	-	-	1,966	1,966	-	-	-	-
		-	-	-	3,555	3,555	-	-	-	-

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

**14.2 Transfers during the period**

There were no transfers between various levels of fair value hierarchy during the period.

**15. 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 half year ended December 31, 2018 is 1.07%, which includes 0.08% representing government levy, Workers' Welfare Fund and SECP fee.

**16 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on February 08, 2019. —

**17. GENERAL**

**17.1** Figures have been rounded off to the nearest thousand rupees.

**17.2** This condensed interim financial information is unaudited and has been reviewed by the auditors.

**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**

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# HBL

# ASSET MANAGEMENT LTD.

ایس ایٹ مینجمنٹ لمیٹڈ

**Head Office Karachi:**

7th Floor, Emerald Tower, Clifton,  
Karachi.  
UAN:111 HBL AMC (111-425-262)  
Fax: 021-35168455  
info@hblasasset.com

**Lahore:**

102-103, Upper Mall, Lahore  
Tel: 042-36281600  
042-36281640-3  
042-36281610  
Fax: 042-36281686

**Islamabad:**

HBL Corporate Center,  
HBL building, Jinnah Avenue,  
Islamabad  
Tel: 051-2821183  
Fax: 051-2822206