

HBL

ASSET MANAGEMENT LTD.
ايسيت مينجمنت لميٲٲ

HBL ISLAMIC STOCK FUND

HBL ISLAMIC ASSET ALLOCATION FUND

HBL ISLAMIC MONEY MARKET FUND

HBL ISLAMIC EQUITY FUND

(FORMERLY: PICIC ISLAMIC STOCK FUND)

HBL ISLAMIC INCOME FUND

(FORMERLY: PICIC ISLAMIC INCOME FUND)

Quarterly Report

March 31, 2017

(Un-Audited)

TABLE OF CONTENTS

| | |
|---|-------|
| Report of the Directors of the Management Company | 03-04 |
| HBL ISLAMIC MONEY MARKET FUND | |
| Fund and Corporation Information | 06 |
| Statement of Assets and Liabilities | 07 |
| Income Statement | 08 |
| Distribution Statement | 09 |
| Statement of Movement in Unit Holders' Fund | 10 |
| Cash Flow Statement | 11 |
| Notes to the Financial Information | 12-18 |
| HBL ISLAMIC ASSET ALLOCATION FUND | |
| Fund and Corporation Information | 20 |
| Statement of Assets and Liabilities | 21 |
| Income Statement | 22 |
| Distribution Statement | 23 |
| Statement of Movement in Unit Holders' Fund | 24 |
| Cash Flow Statement | 25 |
| Notes to the Financial Information | 26-36 |
| HBL ISLAMIC STOCK FUND | |
| Fund and Corporation Information | 38 |
| Statement of Assets and Liabilities | 39 |
| Income Statement | 40 |
| Distribution Statement | 41 |
| Statement of Movement in Unit Holders' Fund | 42 |
| Cash Flow Statement | 43 |
| Notes to the Financial Information | 44-54 |
| HBL ISLAMIC INCOME FUND (PICIC ISLAMIC INCOME FUND) | |
| Fund and Corporation Information | 56 |
| Statement of Assets and Liabilities | 57 |
| Income Statement | 58 |
| Distribution Statement | 59 |
| Statement of Movement in Unit Holders' Fund | 60 |
| Cash Flow Statement | 61 |
| Notes to the Financial Information | 62-69 |
| HBL ISLAMIC EQUITY FUND (PICIC ISLAMIC STOCK FUND) | |
| Fund and Corporation Information | 72 |
| Statement of Assets and Liabilities | 73 |
| Income Statement | 74 |
| Distribution Statement | 75 |
| Statement of Movement in Unit Holders' Fund | 76 |
| Cash Flow Statement | 77 |
| Notes to the Financial Information | 78-87 |

REVIEW REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS ENDED MARCH 31, 2017

The Board of Directors of HBL Asset Management Limited, the Management Company of following Shariah Compliant Funds is pleased to submit herewith its Directors Review Report together with the unaudited condensed Interim Financial Statements for the three months ended March 31, 2017:

- HBL Islamic Money Market Fund
- HBL Islamic Asset Allocation Fund
- HBL Islamic Stock Fund
- HBL Islamic Income Fund (Formerly PICIC Islamic Income Fund)
- HBL Islamic Equity Fund (Formerly PICIC Islamic Stock Fund)

MARKET REVIEW

Economic & Money Market Review

Pakistan's economic performance in 9MFY17 continued to post an improvement compared to the year before, albeit at a slower pace. Large-scale manufacturing (LSM) growth came in at 3.5% (7MFY17) vs. 4.5% in the same period last year, mainly due to slower growth in the textile, petroleum products, and automobile sectors. CPI inflation, though historically still very low, has surged to 4.0% in 9MFY17 compared to 2.6% in the same period last year; higher fuel and food prices were the primary contributors to acceleration in inflation. Pakistan's fiscal deficit shown a marked deterioration in 1HFY17 where the fiscal deficit-to-GDP ratio has risen to 2.4% from 1.7% in the comparable period last year due to meager growth of 6.2% in tax revenues which could not keep pace with a 15.7% increase in development spending and 10.9% increase in defence spending. Concerns on the external accounts position have re-emerged as the current account deficit for 8MFY17 has increased to 2.6% of GDP vs. 1.3% in the same period last year on the back of falling textile exports, rising oil & machinery imports, and a decline in foreign remittance inflow especially from the Middle East. Foreign exchange reserves fell by 6.7% FY17TD; nevertheless, the SBP's foreign exchange reserves provide adequate import cover of 4.2 months, thus fending off any concerns of a major devaluation in the USDPKR rate. Challenges posed by the twin-deficit situation are likely to linger, however, with adequate support from strategic regional economies, the Pakistani economy looks set to overcome these. With GDP growth expected to accelerate to 5.0% this year, inflation likely to remain comfortably in single-digits, and pro-growth policy action in the run-up to general elections next year, Pakistan's economic outlook is positive.

The last GoP Ijara Sukuk auction was held in December 2015, and since then there has been no auction conducted, largely due to the lack of a suitable asset to back the issue. As a result, of this shortage of Shariah compliant investments, yields on the Ijara Sukuks continue to be unappealing to investors. However, during 3QFY17, some corporate Sukuks were brought to market, which were well-received by investors. The yield curve has steepened during the period as secondary market yields on 3, 5 and 10-year PIBs have increased by 46, 53 and 73 bps respectively. Meanwhile, yields on the 3, 6 and 12-month T-Bills rose by 9, 15 and 12 bps respectively. The SBP raised PKR 773 billion through PIBs compared to the cumulative target of PKR 650 billion and maturities of PKR 1.90 trillion. All PIB auctions held during 2QFY17 were scrapped. However, following the release of below-expected CPI data for the month of December 2016, the market anticipated that there would be no major hike in the discount rate, and thus placed bids at appropriate levels. The 5 and 10-year PIB cutoffs declined by 1 and 8 bps respectively FY17TD whereas the 3-year PIB cutoff remained unchanged. The large maturity of PIBs resulted in a net retirement of PKR 194 billion of government borrowing from commercial banks in FY17 till 24 March 2017, while government borrowing from the SBP came in at PKR 933 billion during the period vs. a net retirement of PKR 492 billion in the same period last year. Through T-Bills, the SBP raised PKR 5.67 trillion compared to the cumulative target of PKR 5.21 trillion and maturities of PKR 4.73 trillion. Going forward, it seems that the SBP is likely to continue its status-quo stance on monetary policy for longer than the market had expected, which will keep the market divided as to the timing of the first change in the policy rate.

Stock Market Review

Driven by strong inflow of domestic liquidity, rising oil prices and higher policy rate expectations, the KMI30 Index surged by 23.7% in 9MFY17. However, most of the gains for the fiscal year were concentrated in the first half of the year and political turmoil and regulatory action stifled market performance in 3QFY17. Mutual funds emerged as the largest net buyers of USD 419 million, followed by insurance firms (USD 152 million) and companies (USD 131 million). This strong buying by local institutional investors was sufficient to absorb the steady selling of foreign investors, who offloaded USD 483 million of Pakistani equities. The rally was driven mainly by the E&P and cement sectors which were expected to benefit from higher oil prices and strong growth in volumetric sales respectively. On the flip side, selected scrips in the paper & board and automobile assembling sectors were the main drags on the KMI30 Index's performance. Furthermore, average daily trading volume shares in the KMI30 Index posted a sizable improvement of 54% Y/Y in 9MFY17 to 80 million shares, while average turnover increased by 36% Y/Y to PKR 6.3 billion. M&A and IPO activity also remained robust in the period, particularly in the food & personal care, cement and automobile parts sectors. Going forward, we expect the market to continue its upward trajectory, given that Pakistan is still trading at a sizable discount to its Emerging Market peers in terms of P/E multiples and dividend yield. These attractive valuations should act as a catalyst for inflows from foreign investors, adding to the anticipated inflow from passive Emerging Market Index funds. The recent acquisition of a 40% stake in the PSX by Chinese investors should also pave the way for the introduction of new products and greater visibility of the Pakistani market on the global stage. Over the longer term, the gathering momentum of the China-Pakistan Economic Corridor (CPEC) projects are likely to stimulate investment-led GDP growth which bodes well for Pakistan's equity market as well.

FUND'S PERFORMANCE**HBL ISLAMIC MONEY MARKET FUND**

The total income and net income of the Fund was Rs. 27.59 million and Rs. 21.70 million respectively during the period ended March 31, 2017. The Net Asset Value (NAV) of the Fund Rs. 103.8832 per unit at March 31, 2017; there by giving an annualized return of 4.33%. During the same year the benchmark returns (3 months average deposit rates of three (3) AA rated Islamic Banks or Islamic windows of Conventional Banks as selected by MUFAP) was 3.45%.The size of the Fund increased by Rs. 0.18 billion as at March 31, 2017.

HBL ISLAMIC ASSET ALLOCATION FUND

The total income and net income of the Fund was Rs. 130.92 million and Rs. 108.39 million respectively during the period ended March 31, 2017. The Net Asset Value (NAV) of the Fund Rs. 112.6927per unit at March 31, 2017; there by giving a return of 9.90%. During the same year the benchmark returns (Weighted average daily return of KMI30 Index and 6M deposit rate of A rated (and above) Islamic Banks or Islamic Banking windows of scheduled commercial banks, based on the actual proportion held by the scheme) was 8.16%. The size of the Fund increased by Rs. 0.15 billion as at March 31, 2017.

HBL ISLAMIC STOCK FUND

The total income and net income of the Fund was Rs. 180.13 million and Rs.163.64 million respectively during the period ended March 31, 2017. The Net Asset Value (NAV) of the Fund Rs. 162.2597 per unit at March 31, 2017; there by giving a return of 26.75%. During the same year the benchmark returns (KMI 30 Index) was 23.67%. The size of the Fund increased by Rs.0.18 billion as at March 31, 2017.

HBL ISLAMIC INCOME FUND (FORMERLY PICIC ISLAMIC INCOME FUND)

The total income and net income of the Fund was Rs. 20.30 million and Rs. 15.75 million respectively during the period ended March 31, 2017. The Net Asset Value (NAV) of the Fund Rs. 104.4967 per unit at March 31, 2017; there by giving an annualized return of 4.97%. During the same year the benchmark returns (Avg. of 6M profit rate of 3 Islamic Banks or Islamic Windows of Conventional Banks rated "A" and above) was 3.66%. The size of the Fund increased by Rs. 0.21 billion as at March 31, 2017.

HBL ISLAMIC EQUITY FUND (FORMERLY PICIC ISLAMIC STOCK FUND)

The total income and net income of the Fund was Rs.107.79 million and Rs. 92.39 million respectively during the period ended March 31, 2017. The Net Asset Value (NAV) of the Fund Rs. 134.8788 per unit at March 31, 2017; there by giving a return of 26.68%. During the same year the benchmark returns (KMI 30 Index) was 23.67%. The size of the Fund increased by Rs. 0.09 billion as at March 31, 2017.

RATING UPDATE

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has assigned asset manager rating at "AM2" to the Management Company. The stability ratings for HBL Islamic Money Market Fund "AA (f)" and PICIC Islamic Income Fund "A(f)" respectively.

ACKNOWLEDGEMENT

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

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

Karachi
Date:April 27, 2017

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

HBL

Islamic Money Market Fund

FUND AND CORPORATE INFORMATION

Management Company
HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

| | | |
|-------------|-------------------------|----------------------------|
| Chairperson | Mr. Towfiq Habib Chinoy | (Non-Executive Director) |
| | Mr. Farid Ahmed Khan | (Executive Director & CEO) |

Risk Management Committee

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

Company Secretary &
Chief Financial Officer

Mr. Noman Qurban

External Auditors

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

Internal Auditors

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

Trustee

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

Bankers

Bank Al-Habib Limited
Habib Bank Limited
Habib Metropolitan Bank Limited
Meezan Bank Limited
National Bank of Pakistan
Askari Bank Limited

Legal Advisors

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

Website

www.hblasset.com

Head Office

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

Registered Office

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

HBL ISLAMIC MONEY MARKET FUND
Condensed Interim Statement of Assets and Liabilities
As at March 31, 2017

| | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|---|-----------------------------------|-------------------------------|
| Note | (Rupees in '000) | |
| Assets | | |
| Bank balances | 4 | 704,371 |
| Accrued mark-up | | 3,162 |
| Advances, prepayment and other receivables | | 141 |
| Total assets | | 707,674 |
| Liabilities | | |
| Payable to the Management Company | 5 | 708 |
| Payable to Trustee | | 98 |
| Payable to the Securities and Exchange Commission of Pakistan | | 332 |
| Accrued expenses and other liabilities | 6 | 20,124 |
| Total liabilities | | 21,262 |
| Net assets | | 686,412 |
| Unit holders' fund (as per statement attached) | | 686,412 |
| | | (Number of units) |
| Number of units in issue | | 6,607,535 |
| | | (Rupees) |
| Net assets value per unit | | 103.8832 |

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Condensed Interim Income Statement and Statement of
Comprehensive Income (Un-Audited)
For the nine months and quarter ended March 31, 2017

| | Note | Nine Months Ended | | Quarter Ended | |
|---|------|-------------------|---------------|---------------|--------------|
| | | March 31, | | March 31, | |
| | | 2017 | 2016 | 2017 | 2016 |
| (Rupees in '000) | | | | | |
| Income | | | | | |
| Mark-up on deposits with banks | | 24,919 | 21,710 | 8,945 | 6,814 |
| Expenses | | | | | |
| Remuneration to the Management Company | | 4,965 | 4,660 | 1,910 | 1,555 |
| Remuneration of Trustee | | 746 | 599 | 288 | 201 |
| Annual fee of the Securities and Exchange Commission of Pakistan | | 329 | 264 | 126 | 88 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 7 | 438 | 169 | 168 | 122 |
| Auditors' remuneration | | 267 | 282 | 89 | 90 |
| Printing expense | | 228 | - | 57 | - |
| Settlement and bank charges | | 27 | 22 | 7 | 3 |
| Amortisation of preliminary expenses and floatation costs | | - | 173 | - | 57 |
| Other expenses | | 368 | 220 | 68 | 90 |
| | | 7,368 | 6,389 | 2,713 | 2,207 |
| Net income from operating activities | | 17,551 | 15,321 | 6,232 | 4,607 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | | 2,670 | 137 | (1,303) | 299 |
| Provision for Workers' Welfare Fund / Sindh Workers' Welfare Fund | 6.2 | 1,478 | - | 1,478 | - |
| Net income for the period before taxation | | 21,699 | 15,458 | 6,407 | 4,906 |
| Taxation | 8 | - | - | - | - |
| Net income for the period after taxation | | 21,699 | 15,458 | 6,407 | 4,906 |
| Other comprehensive income for the period | | | | | |
| Items that may be reclassified subsequently to income statement | | | | | |
| | | - | - | - | - |
| Total comprehensive income for the period | | 21,699 | 15,458 | 6,407 | 4,906 |

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Condensed Interim Distribution Statement (Un-Audited)
For the nine months ended March 31, 2017

| | Nine Months Ended | |
|---|-------------------|---------------|
| | March 31, | |
| | 2017 | 2016 |
| | (Rupees in '000) | |
| Undistributed income brought forward - realised | 3,176 | 1,815 |
| Net income for the period | 21,699 | 15,458 |
| Element of income and capital gains included in the prices of units issued less those in units redeemed - amount representing income that form part of unit holders' fund | 963 | 27 |
| Undistributed income carried forward - realised | <u>25,838</u> | <u>17,300</u> |

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)
For the nine months ended March 31, 2017

| | Nine Months Ended March 31, | |
|--|--------------------------------|-----------------|
| | 2017 | 2016 |
| | (Rupees in '000) | |
| Net assets at beginning of the period | 506,741 | 457,348 |
| Issue of 3,849,621 units (2016: 660,578 units) | 395,015 | 67,349 |
| Redemption of 2,278,611 units (2016: 593,254 units) | (234,373) | (60,468) |
| | 160,642 | 6,881 |
| Element of (income) / loss and capital (gains) / loss included in prices of units issued less those in units redeemed | - | (137) |
| - Transferred to income statement and statement of comprehensive income | (2,670) | - |
| - Transferred to distribution statement | (963) | - |
| Total comprehensive income for the period | (3,633) | - |
| Net Income for the period | 21,699 | 15,458 |
| Net element of income and capital gain included in prices of units issued less those in units redeemed - transferred to distribution statement | 963 | - |
| Net assets at end of the period | 686,412 | 479,550 |
| Net asset value per unit at the beginning of the period | <u>100.6132</u> | <u>100.4237</u> |
| Net asset value per unit at the end of the period | <u>103.8832</u> | <u>102.7533</u> |

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Condensed Interim Cash Flow Statement (Un-Audited)
For the nine months ended March 31, 2017

| | Nine Months Ended | |
|---|-------------------------------|----------------|
| | 2017 | 2016 |
| Note | March 31, (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the period | 21,699 | 15,458 |
| Adjustments | | |
| Amortisation of preliminary expenses and floatation costs | - | 173 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | (2,670) | (137) |
| | 19,029 | 15,494 |
| (Increase) / decrease in assets | | |
| Accrued mark-up | (1,005) | (49) |
| Advances, prepayment and other receivables | 1,973 | 215 |
| | 968 | 166 |
| Increase / (decrease) in liabilities | | |
| Payable to the Management Company | 197 | 168 |
| Payable to Trustee | 27 | 83 |
| Payable to the Securities and Exchange Commission of Pakistan | (20) | (94) |
| Accrued expenses and other liabilities | 9,260 | (1,703) |
| | 9,464 | (1,546) |
| Net cash generated from operating activities | 29,461 | 14,114 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Amount received on issue of units | 395,015 | 67,349 |
| Payment against redemption of units | (234,373) | (60,468) |
| Net cash generated from financing activities | 160,642 | 6,881 |
| Net increase in cash and cash equivalents | 190,103 | 20,995 |
| Cash and cash equivalents at beginning of the period | 514,268 | 464,049 |
| Cash and cash equivalents at end of the period | 704,371 | 485,044 |

The annexed notes 1 to 13 form an integral part of the condensed interim financial information.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC MONEY MARKET FUND
Notes to the Condensed Interim Financial Information (Un-Audited)
For the nine months ended March 31, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

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 authorized by the Securities and Exchange Commission of Pakistan (the SECP) as a unit trust scheme on December 10, 2010.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Financial Company (NBFC) Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par from May 9, 2011 to May 10, 2011.

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.

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of 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, 2016.

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 March 31, 2017.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES 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, 2016, except for the following:

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

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

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

| | | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|-------------------------|--|-----------------------------------|-------------------------------|
| | Note | (Rupees in '000) | |
| 4. BANK BALANCES | | | |
| Savings accounts | 4.1 | <u>704,371</u> | <u>514,268</u> |
| 4.1 | This represents bank accounts held with different banks. Mark up rates on these accounts ranges between 3.00% - 5.50% (June 2016: 3.00% - 6.50% per annum) per annum. | | |

| | | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|---|------|-----------------------------------|-------------------------------|
| | Note | (Rupees in '000) | |
| 5. PAYABLE TO THE MANAGEMENT COMPANY | | | |
| Management Fee | 5.1 | 571 | 406 |
| Sindh Sales Tax | 5.2 | 80 | 65 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 7 | 58 | 40 |
| | | <u>708</u> | <u>511</u> |

- 5.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 1% per annum for the current year (June 2016: 1% per annum).
- 5.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2016: 14 %) on the remuneration of the Management Company through Finance Act, 2015 effective from July 1, 2016

| | | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|--|------|-----------------------------------|-------------------------------|
| | Note | (Rupees in '000) | |
| 6. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration | | 254 | 307 |
| Federal Excise Duty | 6.1 | 2,185 | 2,185 |
| Advance against units to be issued | | 12,200 | 310 |
| Payable against conversion of units | | 160 | 3,364 |
| Payable to unit holders against redemption | | 3,855 | 988 |
| Withholding tax payable | | - | 743 |
| Provision for Workers' Welfare Fund | 6.2 | - | 2,802 |
| Provision for Sindh Workers' Welfare Fund | 6.2 | 1,324 | - |
| Other payable | | 146 | 165 |
| | | 20,124 | 10,864 |

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

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

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company with effect from June 13, 2013 aggregating to Rs. 2.185 million. Had the provision not being made, the Net Asset Value per unit as at March 31, 2017 would have been higher by Rs. 0.3307 (June 30, 2016: Rs. 0.4338) per unit.

6.2 WORKERS' WELFARE FUND (WWF) AND SINDH WORKERS' WELFARE FUND (SWWF)

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

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

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

- As an abundant caution, the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014 till 31 March, 2017, and
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

Subsequent to the period ended December 31, 2016, in the wake of the above developments i.e. decision of the SCP and communications took place with regard to SWWF, the MUFAP also, on behalf of Asset Management Companies (AMCs) and Collective Investment Schemes (CISs), obtained legal opinion on December 05, 2016 and called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members the following, effective from January 12, 2017:

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

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

Considering the recommendation of the MUFAP, the Management Company, reversed the excess provision of WWF of Rs.1.62 million on January 12, 2017.

As a matter of abundant caution, the Management Company has decided to retain the provision for SWWF amounting to Rs. 1.324 million in these condensed interim financial statements.

7. ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES , ACCOUNTING, OPERATION AND VALUATION SERVICES

As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum up to 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.

8. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realized or unrealized is distributed amongst the unit holders in cash. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders.

The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2017 as reduced by capital gains (whether realized or unrealized) to its unit holders in the form of cash.

9. 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 March 31, 2017 is 0.87% which includes 0.11% representing government levy and SECP fees.

10. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties comprise 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.

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

Remuneration of the Trustee is determined in accordance with the provisions of the Trust Deed.

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

| | | Un-audited Nine months ended March 31, | |
|-------------|--|--|-----------|
| | | 2017 | 2016 |
| | | (Rupees in '000) | |
| 10.1 | Transactions during the period | | |
| | HBL Asset Management Limited - Management Company | | |
| | Management fee inclusive of sales tax and others | 4,965 | 4,660 |
| | Allocation of expenses related to registrar services, accounting, operation and valuation services | 438 | 169 |
| | Habib Bank Limited - Sponsor | | |
| | Mark-up earned during the period | 318 | 3,937 |
| | Mark-up received during the period | 330 | 4,651 |
| | Bank charges paid | - | 14 |
| | Executives of the Management Company | | |
| | Issue of 10,175 units (2016: 14,668 units) | 1,044 | 1,500 |
| | Redemption of 18,896 units (2016: 4,909 units) | 1,933 | 501 |
| | Central Depository Company of Pakistan Limited - Trustee | | |
| | Remuneration | 746 | 599 |
| | | (Un-Audited) | (Audited) |
| | | March 31, | June 30, |
| | | 2017 | 2016 |
| | | (Rupees in '000) | |
| 10.2 | Amounts outstanding as at period end | | |
| | HBL Asset Management Limited - Management Company | | |
| | Management fee | 571 | 406 |
| | Sindh Sales Tax | 80 | 65 |
| | Allocation of expenses related to registrar services, accounting, operation and valuation services | 58 | 40 |
| | Habib Bank Limited - Sponsor | | |
| | Investment held in the Fund by the sponsor: 3,684,164 units (June 30, 2016: 3,684,164 units) | 382,723 | 370,676 |
| | Bank balances held with the sponsor | 20,736 | 25,768 |
| | Profit receivable on bank deposits from sponsor | 16 | 28 |
| | Executives of the Management Company | | |
| | Investment held in the Fund: Nil units (June 30, 2016: 119 units) | - | 12 |
| | Central Depository Company of Pakistan Limited - Trustee | | |
| | Remuneration payable | 98 | 71 |

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. The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. IFRS 13, 'Fair Value Measurements' 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.

| | | March 31, 2017 (Un-Audited) | | | | | | |
|---|------|-----------------------------|-----------------------------|----------------|------------|----------|----------|----------|
| | | Carrying amount | | | Fair Value | | | |
| | | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| Note | | (Rupees in '000) | | | | | | |
| On-balance sheet financial instruments | | | | | | | | |
| Financial assets not measured at fair value | | | | | | | | |
| | 11.1 | | | | | | | |
| | | 704,371 | - | 704,371 | - | - | - | - |
| | | 3,162 | - | 3,162 | - | - | - | - |
| | | <u>707,533</u> | <u>-</u> | <u>707,533</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities not measured at fair value | | | | | | | | |
| | 11.1 | | | | | | | |
| | | - | 708 | 708 | - | - | - | - |
| | | - | 98 | 98 | - | - | - | - |
| | | - | 332 | 332 | - | - | - | - |
| | | - | 16,615 | 16,615 | - | - | - | - |
| | | - | <u>686,412</u> | <u>686,412</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | <u>-</u> | <u>704,165</u> | <u>704,165</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| June 30, 2016 (Audited) | | | | | | | | |
| | | Carrying amount | | | Fair Value | | | |
| | | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| Note | | (Rupees in '000) | | | | | | |
| On-balance sheet financial instruments | | | | | | | | |
| Financial assets not measured at fair value | | | | | | | | |
| | 11.1 | | | | | | | |
| | | 514,268 | - | 514,268 | - | - | - | - |
| | | 2,157 | - | 2,157 | - | - | - | - |
| | | <u>2,059</u> | <u>-</u> | <u>2,059</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | <u>518,484</u> | <u>-</u> | <u>518,484</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities not measured at fair value | | | | | | | | |
| | 11.1 | | | | | | | |
| | | - | 511 | 511 | - | - | - | - |
| | | - | 71 | 71 | - | - | - | - |
| | | - | 352 | 352 | - | - | - | - |
| | | - | 5,877 | 5,877 | - | - | - | - |
| | | - | <u>506,741</u> | <u>506,741</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| | | <u>-</u> | <u>513,552</u> | <u>513,552</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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.

12. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **April 27, 2017**.

13. GENERAL

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

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

Chief Executive

Director

HBL
Islamic Asset Allocation Fund

FUND AND CORPORATE INFORMATION

Management Company HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

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

Risk Management Committee

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

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

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

Internal Auditors

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

Trustee

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

Bankers

Bank Al-Habib Limited
Habib Bank Limited
Dubai Islamic Bank
Bank Isalmi Pakistan Limited
Askari Bank Limited
Soneri Bank Limited

Legal Advisors

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

Website

www.hblasset.com

Head Office

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

Registered Office

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

HBL Islamic Asset Allocation Fund
Condensed Interim Statement of Assets and Liabilities
As at March 31, 2017

| | | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|---|------|-----------------------------------|-------------------------------|
| | Note | (Rupees in '000) | |
| Assets | | | |
| Bank balances | 4 | 1,034,691 | 608,618 |
| Investments | 5 | 487,315 | 732,752 |
| Dividend receivable and accrued mark-up | | 6,969 | 9,911 |
| Preliminary expenses and floatation costs | | 812 | 974 |
| Advances, deposits and other receivables | 6 | 2,601 | 9,518 |
| Total assets | | 1,532,390 | 1,361,773 |
| Liabilities | | | |
| Payable to the Management Company | 7 | 6,835 | 6,522 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 316 | 218 |
| Payable to the Securities and Exchange Commission of Pakistan | | 741 | 377 |
| Accrued expenses and other liabilities | 8 | 22,393 | 4,766 |
| Total liabilities | | 30,285 | 11,883 |
| Net assets | | 1,502,103 | 1,349,890 |
| Unit holders' fund (as per statement attached) | | 1,502,103 | 1,349,890 |
| | | (Number of units) | |
| Number of units in issue | | 13,329,194 | 13,164,371 |
| | | (Rupees) | |
| Net assets value per unit | | 112.6927 | 102.5411 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Asset Allocation Fund
Condensed Interim Income Statement and Statement of Comprehensive Income (Un-Audited)
For the nine months and quarter ended March 31, 2017

| | Note | Nine Months ended March 31, | | Quarter ended March 31, | |
|---|------|--------------------------------|--------------|----------------------------|--------------|
| | | 2017 | 2016 | 2017 | 2016 |
| ----- (Rupees in '000) ----- | | | | | |
| Income | | | | | |
| Mark-up / return on investments | | 12,239 | 3,212 | 2,757 | 3,212 |
| Mark-up on deposits with banks | | 19,752 | 2,550 | 10,100 | 2,550 |
| Dividend income | | 9,272 | 458 | 2,271 | 458 |
| Capital gain on sale of investments - net | | 60,114 | 97 | 10,389 | 97 |
| | | 101,377 | 6,317 | 25,517 | 6,317 |
| Expenses | | | | | |
| Remuneration to the Management Company | | 14,783 | 2,532 | 5,711 | 2,532 |
| Remuneration of Trustee | | 1,795 | 314 | 637 | 314 |
| Annual fee of the Securities and Exchange Commission of Pakistan | | 741 | 111 | 286 | 111 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 9 | 895 | 119 | 279 | 119 |
| Selling and Marketing Expenses | | 485 | - | 485 | - |
| Settlement and bank charges | | 2 | - | 2 | - |
| Auditors' remuneration | | 311 | - | 71 | - |
| Amortization of preliminary expenses and floatation costs | | 162 | 47 | 54 | 47 |
| Other expenses | | 661 | 4 | 131 | 4 |
| | | 19,835 | 3,127 | 7,657 | 3,127 |
| Net income from operating activities | | 81,542 | 3,190 | 17,861 | 3,190 |
| Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net | | 29,547 | 976 | 32,784 | 976 |
| Provision for Sindh Workers' Welfare Fund | | (2,695) | - | (1,012) | - |
| Net income for the period before taxation | | 108,394 | 4,166 | 49,633 | 4,166 |
| Taxation | 11 | - | - | - | - |
| Net income for the period after taxation | | 108,394 | 4,166 | 49,633 | 4,166 |
| Other comprehensive income for the period | | | | | |
| Items that may be reclassified to income statement in subsequent periods | | | | | |
| Net unrealized appreciation on remeasurement of investments classified as available for sale | | 25,985 | 4,657 | (1,450) | 4,657 |
| Total comprehensive income for the period | | 134,379 | 8,823 | 48,183 | 8,823 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Asset Allocation Fund
Condensed Interim Distribution Statement (Un-Audited)
For the nine months ended March 31, 2017

| | (Un-Audited) | |
|--|------------------|-------|
| | March 31, | |
| | 2017 | 2016 |
| | (Rupees in '000) | |
| Undistributed income brought forward - realized | 10,329 | - |
| Net income for the period | 108,394 | 4,166 |
| Element of loss and capital losses included in the prices of units issued less those in units redeemed - amount representing income that form part of unit holders' fund | (1,673) | - |
| Undistributed income carried forward - realized | 117,050 | 4,166 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Asset Allocation Fund
Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)
For the nine months ended March 31, 2017

| | (Un-Audited) March 31, | |
|--|---------------------------|------------------|
| | 2017 | 2016 |
| | (Rupees in '000) | |
| Net assets at beginning of the period | 1,349,890 | - |
| Issue of 9,970,961 units (2016: 11,312,989 Units) | 1,094,017 | 1,133,519 |
| Redemption of 9,806,138 units (2016:164,183 Units) | (1,046,637) | (16,445) |
| | 47,380 | 1,117,074 |
| Element of loss and capital losses included in prices of units issued less those in units redeemed | | |
| - transferred to income statement and statement of comprehensive income | (29,547) | (976) |
| - transferred to distribution statement | 1,673 | - |
| | (27,874) | (976) |
| Net income for the period | 108,394 | 4,166 |
| Net unrealized appreciation on remeasurement of investments classified as available for sale | 25,985 | 4,657 |
| Total comprehensive income for the period | 134,379 | 8,823 |
| Net element of loss and capital losses included in prices of units issued less those in units redeemed - transferred to distribution statement | (1,673) | - |
| Net assets at end of the period | 1,502,103 | 1,124,921 |
| Net asset value per unit at the beginning of the period | 103.5411 | - |
| Net asset value per unit at the end of the period | 112.6927 | 100.9006 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Asset Allocation Fund
Condensed Interim Cash Flow Statement (Un-Audited)
For the nine months ended March 31, 2017

| Note | (Un-Audited) March 31, | |
|--|---------------------------|------------------|
| | 2017 | 2016 |
| | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the period | 108,394 | 4,166 |
| Adjustments for non cash items: | | |
| Amortization of preliminary expenses and floatation costs | 162 | 47 |
| Element of loss and capital losses included in prices of units issued less those in units redeemed - net | (29,547) | (976) |
| | 79,009 | 3,237 |
| (Increase) / decrease in assets | | |
| Investments - net | 271,424 | (916,197) |
| Dividend receivable and accrued mark-up | 2,942 | (6,088) |
| Advances, deposits and other receivables | 6,917 | (1,075) |
| | 281,283 | (923,360) |
| (Decrease) / increase in liabilities | | |
| Payable to the Management Company | 313 | 11,151 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 98 | 184 |
| Payable to the Securities and Exchange Commission of Pakistan | 364 | 111 |
| Accrued expenses and other liabilities | 17,627 | 290 |
| | 18,402 | 11,736 |
| Net cash generated from / (used in) operating activities | 378,694 | (908,387) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Amount received on issue of units | 1,094,017 | 1,133,519 |
| Payment against redemption of units | (1,046,637) | (16,445) |
| Net cash generated from financing activities | 47,380 | 1,117,074 |
| Net increase in cash and cash equivalents | 426,075 | 208,687 |
| Cash and cash equivalents at beginning of the period | 608,618 | - |
| Cash and cash equivalents at end of the period | 1,034,691 | 208,687 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Asset Allocation Fund
Notes to the Condensed Interim Financial Information (Un-Audited)
For the nine months ended March 31, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

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.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The 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.

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.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2' to the Management Company.

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

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of 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 period ended June 30, 2016.

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 March 31, 2017.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, 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 period, ended June 30, 2016, except for the following:

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

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

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

| | | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|-----------------------------|------|-----------------------------------|-------------------------------|
| | Note | (Rupees in '000) | |
| 4. BANK BALANCES | | | |
| Balances with banks in: | | | |
| PLS saving deposit accounts | 4.1 | 1,034,691 | 606,968 |
| Current account | | - | 1,650 |
| | | 1,034,691 | 608,618 |

- 4.1 Mark-up on these accounts ranges between 4.00% - 6.7% per annum (June 30, 2016: 3.91% - 6.31%) per annum).

| | | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|--|------|-----------------------------------|-------------------------------|
| | Note | (Rupees in '000) | |
| 5. INVESTMENTS | | | |
| Available for sale | | | |
| - Listed equity securities | 5.1 | 426,305 | 257,946 |
| - Unlisted equity securities | | - | 642 |
| - Government of Pakistan - Ijarah sukuk | 5.2 | - | 394,164 |
| - Privately placed sukuk certificates | 5.3 | - | 80,000 |
| - Term Finance Certificates - Available for sale | 5.4 | 61,010 | - |
| | | 487,315 | 732,752 |

5.1 Financial assets at fair value through profit or loss - held-for-trading - listed equity securities

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

| Name of the Investee Company | Number of Shares | | | | As at March 31, 2017 | Market value as at March 31, 2017 | 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 |
|---|---------------------|-----------------------------|----------------------|-------------------------|----------------------|-----------------------------------|---|--|---|
| | As at July 01, 2016 | Purchases during the period | Bonus / Rights issue | Sales during the period | | | | | |
| (Rupees in '000) | | | | | | | | | |
| Pharma and Bio Tech | | | | | | | | | |
| GlaxoSmithKline (Pakistan) Limited | 49,400 | 27,200 | - | 76,600 | - | - | - | - | - |
| GlaxoSmithKline Consumer Healthcare Pakistan Limited | 10,350 | - | - | - | 10,350 | 901 | 0.18% | 0.06% | - |
| The Searle Company Limited (Note 5.1.2) | 19,900 | 24,800 | 2,360 | 21,400 | 25,660 | 16,215 | 3.33% | 1.08% | 0.02% |
| | 79,650 | 52,000 | 2,360 | 98,000 | 36,010 | 17,116 | 3.51% | 1.14% | |
| Engineering | | | | | | | | | |
| Mughal Iron and Steel Industries Limited | 268,000 | - | - | 268,000 | - | - | - | - | - |
| International Steel Limited | - | 56,000 | - | - | 56,000 | 7,211 | 1.48% | 0.48% | 0.02% |
| Amrill Steels Limited | 250,500 | 285,000 | - | 535,500 | - | - | - | - | - |
| International Industries Limited | - | 25,000 | - | - | 25,000 | 6,062 | 1.24% | 0.40% | 0.01% |
| Crescent Steel and Allied Products Limited | 123,500 | 94,000 | - | 159,200 | 58,300 | 14,592 | 2.99% | 0.97% | 0.08% |
| | 642,000 | 460,000 | - | 962,700 | 139,300 | 27,875 | 5.72% | 1.86% | |
| Industrial Transport | | | | | | | | | |
| Pakistan National Shipping Corporation Limited | 28,000 | 37,400 | - | 28,000 | 37,400 | 6,558 | 1.35% | 0.44% | 0.03% |
| | 28,000 | 37,400 | - | 28,000 | 37,400 | 6,558 | 1.35% | 0.44% | |
| Household Goods | | | | | | | | | |
| Pak Electron Limited | 135,000 | 181,500 | - | 216,000 | 100,500 | 9,256 | 1.90% | 0.62% | 0.03% |
| | 135,000 | 181,500 | - | 216,000 | 100,500 | 9,256 | 1.90% | 0.62% | |
| Personal Goods | | | | | | | | | |
| Nisbat Mills Limited | - | 306,800 | - | 246,800 | 60,000 | 9,912 | 2.03% | 0.66% | 0.02% |
| | - | 306,800 | - | 246,800 | 60,000 | 9,912 | 2.03% | 0.66% | |
| Construction and Materials | | | | | | | | | |
| D.G.Khan Cement Company Limited | 46,300 | 119,000 | - | 116,300 | 49,000 | 11,388 | 2.34% | 0.76% | 0.01% |
| Lucky Cement Limited | 38,100 | 18,600 | - | 14,850 | 41,850 | 35,045 | 7.19% | 2.33% | 0.01% |
| Pioneer Cement Limited | 93,500 | 162,400 | - | 153,500 | 102,400 | 14,643 | 3.00% | 0.97% | 0.03% |
| Kohat Cement Limited | 25,100 | - | - | 25,100 | - | - | - | - | - |
| Cheerat Cement Company Limited | 95,000 | 103,500 | - | 160,000 | 38,500 | 7,362 | 1.51% | 0.49% | 0.01% |
| Fauji Cement Company Limited | 147,500 | 964,000 | - | 864,500 | 247,000 | 10,542 | 2.16% | 0.70% | 0.02% |
| Maple Leaf Cement Factory Limited | 95,000 | 111,700 | - | 95,000 | 111,700 | 13,858 | 2.84% | 0.92% | 0.01% |
| | 540,500 | 1,479,200 | - | 1,429,250 | 590,450 | 92,838 | 19.05% | 6.18% | |
| Electricity | | | | | | | | | |
| Hub Power Co. Limited | 119,500 | 395,000 | - | 262,700 | 251,800 | 33,001 | 6.77% | 2.20% | 0.02% |
| K-Electric Limited (paid up share of Rs 3.5 each) | 1,740,000 | 1,546,500 | - | 2,010,000 | 1,276,500 | 10,442 | 2.14% | 0.70% | 0.15% |
| Kot Addu Power Limited | - | 353,500 | - | 353,500 | - | - | - | - | - |
| | 1,859,500 | 2,295,000 | - | 2,626,200 | 1,528,300 | 43,443 | 8.91% | 2.89% | |
| Paper and Board | | | | | | | | | |
| Packages Limited | - | 52,100 | - | 31,150 | 20,950 | 18,184 | 3.73% | 1.21% | 0.02% |
| | - | 52,100 | - | 31,150 | 20,950 | 18,184 | 3.73% | 1.21% | |
| Glass and Ceramics | | | | | | | | | |
| Tario Glass Industries Limited | - | 212,000 | - | 212,000 | - | - | - | - | - |
| | - | 212,000 | - | 212,000 | - | - | - | - | - |
| Automobile Assemblers | | | | | | | | | |
| Honda Atlas Cars (Pakistan) Limited | 15,500 | 35,000 | - | 33,600 | 16,900 | 12,707 | 2.61% | 0.85% | 0.01% |
| Pak Suzuki Motor Company Limited | 4,000 | 20,000 | - | 13,200 | 10,800 | 6,696 | 1.37% | 0.45% | 0.01% |
| Thal Limited | - | 12,500 | - | - | 12,500 | 6,625 | 1.36% | 0.44% | 0.02% |
| Milatt Tractors Limited | - | 29,200 | - | 29,200 | - | - | - | - | - |
| The General Tyre and Rubber Company of Pakistan Limited | - | 50,100 | - | 50,100 | - | - | - | - | - |
| | 19,500 | 146,800 | - | 126,100 | 40,200 | 26,028 | 5.34% | 1.73% | |

| Name of the Investee Company | Number of Shares | | | | As at March 31, 2017 | Market value as at March 31, 2017 | 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 |
|---------------------------------------|---------------------|-----------------------------|----------------------|-------------------------|----------------------|-----------------------------------|---|--|---|
| | As at July 01, 2016 | Purchases during the period | Bonus / Rights issue | Sales during the period | | | | | |
| (Rupees in '000) | | | | | | | | | |
| Oil and Gas | | | | | | | | | |
| Pakistan Oilfields Limited | 25,000 | 80,400 | - | 79,200 | 26,200 | 11,660 | 2.39% | 0.78% | 0.01% |
| Pakistan Petroleum Limited | 110,400 | 269,600 | - | 287,800 | 91,200 | 14,128 | 2.90% | 0.94% | 0.00% |
| Mari Petroleum Company Limited | 14,500 | 22,000 | - | 17,200 | 19,300 | 29,345 | 6.02% | 1.95% | 0.02% |
| Oil And Gas Development Co. | - | 264,000 | - | 85,200 | 178,800 | 26,518 | 5.44% | 1.77% | 0.02% |
| Sui North Gas Pipelines Limited | - | 200,000 | - | 65,500 | 134,500 | 19,203 | 3.94% | 1.28% | 0.02% |
| Hascol Petroleum Limited | - | 19,200 | - | - | 19,200 | 5,758 | 1.18% | 0.38% | 0.02% |
| Sui Southern Gas Company Limited | - | 481,000 | - | 481,000 | - | - | - | - | - |
| Attock Petroleum Limited | - | 8,000 | - | 8,000 | - | - | - | - | - |
| | 149,900 | 1,343,200 | - | 1,023,900 | 469,200 | 106,612 | 21.88% | 7.10% | |
| Refinery | | | | | | | | | |
| National Refinery Limited | - | 4,600 | - | - | 4,600 | 3,280 | 0.67% | 0.22% | 0.01% |
| Attock Refinery Limited | - | 12,500 | - | 4,300 | 8,200 | 3,680 | 0.76% | 0.24% | 0.01% |
| | - | 17,100 | - | 4,300 | 12,800 | 6,960 | 1.43% | 0.46% | |
| Food Producers | | | | | | | | | |
| Engro Foods Limited | 40,000 | 90,900 | - | 130,900 | - | - | - | - | - |
| Chemical | | | | | | | | | |
| ICI Pakistan Limited | - | 28,300 | - | 28,300 | - | - | - | - | - |
| Akzo Nobel Pakistan Limited | - | 38,000 | - | 38,000 | - | - | - | - | - |
| | - | 66,300 | - | 66,300 | - | - | - | - | - |
| Fertilizer | | | | | | | | | |
| Engro Corporation Limited | 72,000 | 123,200 | - | 120,700 | 74,500 | 27,417 | 5.63% | 1.83% | 0.01% |
| Engro Fertilizers Limited | - | 330,000 | - | 175,000 | 155,000 | 9,711 | 1.99% | 0.65% | 0.01% |
| Dawood Hercules Corporation Limited | - | 121,500 | - | 20,000 | 101,500 | 13,450 | 2.76% | 0.90% | 0.02% |
| | 72,000 | 574,700 | - | 315,700 | 331,000 | 50,578 | 10.38% | 3.37% | |
| Leather and Tanneries | | | | | | | | | |
| Service Industries Limited | - | 15,500 | - | 8,040 | 7,860 | 10,245 | 2.25% | 0.73% | 0.06% |
| Total | 3,526,050 | 6,961,300 | 2,360 | 7,116,140 | 3,373,570 | 426,305 | 87.48% | 28.38% | |
| Cost of investments at March 31, 2017 | | | | | | <u>384,757</u> | | | |

5.1.1 Investments include shares having market value aggregating to Rs. 72.74 million that have been pledged with National Clearing Company of Pakistan Limited for of the Fund's trades in terms of 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, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having fair market value of Rs. 8,499 at December 31, 2016 (June 30, 2016: Rs. 6,538) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at period end.

5.2 Government of Pakistan - Ijarah sukuk

| Issue Date | Tenure | Face Value | | | As at March 31, 2017 | Market Value as at March 31, 2017 | Market value as a percentage | |
|---------------------------------------|--------|---------------------|-----------------------------|-------------------------|----------------------|-----------------------------------|------------------------------|------------|
| | | As at July 01, 2016 | Purchases during the period | Sales during the period | | | Total Investments | Net Assets |
| ----- (Rupees in '000) ----- | | | | | | | | |
| February 15, 2016 | 3 Year | 279,500 | 279,500 | 559,000 | - | - | - | - |
| March 29, 2016 | 3 Year | 110,000 | - | 110,000 | - | - | - | - |
| | | 389,500 | 279,500 | 669,000 | - | - | - | - |
| Cost of investments at March 31, 2017 | | | | | - | | | |

5.2.1 These Ijarah sukuk carry mark-up at the rate of 6.10% and 5.59% per annum (June 30, 2016: 6.10% and 5.59% per annum) respectively.

5.3 Privately placed sukuk certificates

| Issue Date | Tenure | Number of certificates | | | As at March 31, 2017 | Carrying value as at March 31, 2017 | Carrying value as a percentage | |
|---------------------------------------|----------|------------------------|-----------------------------|---------------------------|----------------------|-------------------------------------|--------------------------------|------------|
| | | As at July 01, 2016 | Purchases during the period | Matured during the period | | | Total Investments | Net Assets |
| ----- (Rupees in '000) ----- | | | | | | | | |
| May 25, 2016 | 6 Months | 16,000 | - | 16,000 | - | - | - | - |
| Cost of investments at March 31, 2017 | | | | | - | | | |

5.4 Term Finance Certificates - Available for sale

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

Term Finance Certificates - Listed

| Name of the Investee Company | Number of Certificates | | | As at March 31, 2017 | Market value / Carrying value* as at March 31, 2017 | Market value as a percentage of | |
|---|------------------------|-----------------------------|-----------------------------------|----------------------|---|---------------------------------|------------|
| | As at July 1, 2016 | Purchases during the period | Sales / Matured during the period | | | Total Investments | Net Assets |
| (Rupees in '000) | | | | | | | |
| Financial Services | | | | | | | |
| Fatima Fertilizer | - | 11,791 | - | 11,791 | 61,010 | 12.52% | 4.06% |
| Cost of investment as at March 31, 2017 | | | | | 59,512 | | |

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

| Note | (Un-Audited) | (Audited) |
|------|------------------|---------------|
| | March 31, 2017 | June 30, 2016 |
| | (Rupees in '000) | |

5.5 Net unrealized appreciation on re-measurement of investments classified as available for sale

| | | | |
|-----------------------------|---------------------|---------------|-----------|
| Market value of investments | 5.1, 5.2, 5.3 & 5.4 | 487,315 | 732,752 |
| Less: Cost of investments | | (444,269) | (715,691) |
| | | 43,046 | 17,061 |

| | | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|--|---|-----------------------------------|-------------------------------|
| | Note | (Rupees in '000) | |
| 6. ADVANCES, DEPOSITS AND OTHER RECEIVABLES | | | |
| Security deposit with National Clearing Company of Pakistan Limited | | 2,500 | 7,500 |
| Security deposit with Central Depository Company of Pakistan Limited | | 100 | 100 |
| Receivable against sale of Units | | 1 | 1,514 |
| Receivable/Payable against Investment In Shares' | | - | 15 |
| Tax receivable on mark-up on bank deposits | | - | 389 |
| | | 2,601 | 9,518 |
| 7. PAYABLE TO THE MANAGEMENT COMPANY | | | |
| Management fee | 7.1 | 1,822 | 1,631 |
| Sindh Sales Tax | 7.2 | 237 | 267 |
| Sales load payable | | 4,184 | 848 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | | 121 | 101 |
| Allocation of expenses related to Marketing Expense | | 471 | - |
| Security deposit with National Clearing Company of Pakistan | | - | 2,500 |
| Security deposit with Central Depository Company of Pakistan Limited | | - | 100 |
| Preliminary expenses and flotation costs | | - | 1,075 |
| | | 6,835 | 6,522 |
| 7.1 | Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 1.5 percent per annum for the current period. | | |
| 7.2 | The Sindh Government had levied General Sales Tax at the rate of 13% (June 30, 2016 : 14%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011. | | |
| 8. ACCRUED EXPENSES AND OTHER LIABILITIES | | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
| | Note | (Rupees in '000) | |
| Auditors' remuneration payable | | 171 | 319 |
| Charity payable | 8.1 | 372 | 42 |
| Federal Excise Duty | 8.2 | 1,063 | 1,063 |
| Withholding tax payable | | 214 | 1,649 |
| Advance against unit to be issued | | 11,654 | 999 |
| Payable against redemption of units | | 4,418 | - |
| Payable against purchase of investments | | 1,274 | - |
| Payable to brokers | | 262 | 648 |
| Provision for Sindh Workers' Welfare Fund | 8.3 | 2,695 | - |
| Other payable | | 270 | 46 |
| | | 22,393 | 4,766 |

8.1 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.

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

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

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of the Management Company since launch of the fund, aggregating to Rs. 1.063 million. Had the provision not being made, the Net Asset Value per unit as at December 31, 2016 would have been higher by Rs. 0.08 (June 30, 2016 : Rs. 0.081)

8.3 PROVISION FOR SINDH WORKERS' WELFARE FUND

The Government of Sindh introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014, which was enacted with effect from May 21, 2015. The Mutual Fund Association of Pakistan (MUFAP), in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, thus SWWF is payable by them. MUFAP has taken up the matter with Sindh Finance Ministry for appropriate resolution of the matter.

However, the Management Company at period end decided that as an abundant caution, provision for SWWF should be recognized from date of establishment of the Fund i.e. January 11, 2016 to March 31, 2017, and therefore recorded an amount of Rs. 2.695 million. The decision of the Management Company to record provision for SWWF was later confirmed by MUFAP in its Extra Ordinary General Meeting held on January 11, 2017.

9. ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES, ACCOUNTING, OPERATION AND VALUATION SERVICES

As per Regulation 60(3)(s) of the amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS, maximum upto 0.1 percent of the average annual net assets or the actual cost whichever is lower. Further, the shariah advisory fee can also be charged to the Fund. 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.

10. ALLOCATION OF EXPENSES RELATED TO SELLING & MARKETING

The Securities and Exchange Commission of Pakistan (SECP) vide its circular No. SCD/PRDD/Circular/361/2016 dated December 30, 2016 has allowed Asset Management Companies (AMCs) to charge selling and marketing expenses to open end equity, asset allocation and index funds subject to a maximum cap of 0.4% per annum of net assets of fund or actual expenses whichever is lower.

11. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realized or unrealized is distributed amongst the unit holders in cash. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gain / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2017 as reduced by capital gains (whether realized and unrealized) to unit holders in the form of cash.

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 March 31, 2017 is 1.90% which includes 0.49% representing government levy, Sindh Worker's Welfare Fund and SECP fee.

13. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties comprise 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, if not disclosed elsewhere in the condensed interim financial information are as follows:

| 13.1 Transactions during the period | (Un-Audited) Nine Months Ended March 31, | |
|---|--|-------|
| | 2017 | 2016 |
| | (Rupees in '000) | |
| HBL Asset Management Limited - Management Company | | |
| Management fee inclusive of sales tax and others | 14,783 | 2,532 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 895 | 119 |
| Habib Bank Limited - Sponsor | | |
| Bank charges paid | 2 | 4 |
| Mark-up earned during the period | 1,056 | 2,359 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration | 1,795 | 314 |

| | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|---|-----------------------------------|-------------------------------|
| | (Rupees in '000) | |
| 13.2 Amounts outstanding as at period end | | |
| HBL Asset Management Limited - Management Company | | |
| Management Fee | 1,822 | 1,631 |
| Sindh Sales Tax | 237 | 267 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 121 | 101 |
| Selling and Marketing Expenses | 471 | |
| Sale load payable | 4,184 | 848 |
| Preliminary expenses and flotation costs | 812 | 1,075 |
| Habib Bank Limited - Sponsor | | |
| Investment held in the Fund : 1,007,846 units (June 2016: 1,007,846 units) | 113,577 | 103,346 |
| Bank balances | 56,787 | 12,923 |
| Mark-up receivable on deposits with banks | 97 | 99 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration payable | 275 | 191 |
| Sindh Sales Tax | 41 | 27 |
| Security deposit | 100 | 100 |
| Executives of Management Company | | |
| Investment held in the Fund : 551 units (June 2016: 101 units) | 62 | 10 |
| Associates | | |
| Payable to HBL Islamic Money Market Fund against conversion of units | - | 999 |

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 are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

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

IFRS 13, 'Fair Value Measurements' 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.

| Note | March 31, 2017 (Un-Audited) | | | | | | | |
|---|-----------------------------|-----------------------|-----------------------------|------------------|----------------|----------------|----------|----------------|
| | Carrying amount | | | | Fair Value | | | |
| | Available-for-sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees in '000) | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Investments | | | | | | | | |
| - Listed equity securities | 426,305 | - | - | 426,305 | 426,305 | - | - | 426,305 |
| - Government of Pakistan - Ijarah sukuk | - | - | - | - | - | - | - | - |
| | 426,305 | - | - | 426,305 | 426,305 | - | - | 426,305 |
| Financial assets not measured at fair value | 14.1 | | | | | | | |
| Bank balances | - | 1,034,693 | - | 1,034,693 | - | - | - | - |
| Investments | | | | | | | | |
| - Unlisted equity securities | - | - | - | - | - | - | - | - |
| Dividend receivable and accrued markup | - | 6,969 | - | 6,969 | - | - | - | - |
| Advances, deposits and other receivables | - | 2,601 | - | 2,601 | - | - | - | - |
| | - | 1,044,263 | - | 1,044,263 | - | - | - | - |
| Financial liabilities not measured at fair value | 14.1 | | | | | | | |
| Payable to the Management Company | - | - | 6,835 | 6,835 | - | - | - | - |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | 316 | 316 | - | - | - | - |
| Payable to the Securities and Exchange Commission of Pakistan | - | - | 741 | 741 | - | - | - | - |
| Accrued expenses and other liabilities | - | - | 18,421 | 18,421 | - | - | - | - |
| Unit holders' fund | - | - | 1,502,104 | 1,502,104 | - | - | - | - |
| | - | - | 1,528,417 | 1,528,417 | - | - | - | - |
| Note | June 30, 2016 (Audited) | | | | | | | |
| | Carrying amount | | | | Fair Value | | | |
| | Available-for-sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | (Rupees in '000) | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | |
| Investments | | | | | | | | |
| - Listed equity securities | 257,946 | - | - | 257,946 | 257,946 | - | - | 257,946 |
| - Government of Pakistan - Ijarah sukuk | 394,164 | - | - | 394,164 | - | 394,164 | - | 394,164 |
| | 652,110 | - | - | 652,110 | 257,946 | 394,164 | - | 652,110 |
| Financial assets not measured at fair value | | | | | | | | |
| Bank balances | - | 608,618 | - | 608,618 | - | - | - | - |
| Investments | | | | | | | | |
| - Unlisted equity securities | 642 | - | - | 642 | - | - | - | - |
| - Privately placed sukuk certificates | 80,000 | - | - | 80,000 | - | - | - | - |
| Accrued mark-up | - | 9,911 | - | 9,911 | - | - | - | - |
| Advances, deposits and other receivables | - | 9,503 | - | 9,503 | - | - | - | - |
| | 80,642 | 628,032 | - | 708,674 | - | - | - | - |

| | Note | June 30, 2016 (Audited) | | | | | | |
|---|------|--------------------------|-----------------------|-----------------------------|-----------|------------|---------|---------|
| | | Carrying amount | | | | Fair Value | | |
| | | Available-for-sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 |
| (Rupees in '000) | | | | | | | | |
| Financial liabilities not measured at fair value | 13.1 | | | | | | | |
| Payable to the Management Company | | - | - | 6,522 | 6,522 | - | - | - |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | 218 | 218 | - | - | - |
| Payable to the Securities and Exchange Commission of Pakistan | | - | - | 377 | 377 | - | - | - |
| Accrued expenses and other liabilities | | - | - | 3,703 | 3,703 | - | - | - |
| Unit holders' fund | | - | - | 1,349,890 | 1,349,890 | - | - | - |
| | | - | - | 1,360,710 | 1,360,710 | - | - | - |

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

15. DATE OF AUTHORIZATION FOR ISSUE

The condensed interim financial information was authorized for issue by the Board of Directors of the Management Company on **April 27, 2017**.

16. GENERAL

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

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

Chief Executive

Director

HBL

Islamic Stock Fund

FUND AND CORPORATE INFORMATION

Management Company HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

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

Risk Management Committee

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

Company Secretary &
Chief Financial Officer

Mr. Noman Qurban

External Auditors

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

Internal Auditors

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

Trustee

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

Bankers

Habib Bank Limited
National Bank of Pakistan
Bank Islami Pakistan Limited
Dubai Islamic Bank Limited

Legal Advisors

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

Website

www.hblasset.com

Head Office

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

Registered Office

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

HBL Islamic Stock Fund
Condensed Interim Statement of Assets and Liabilities
As at March 31, 2017

| | | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|---|------|-----------------------------------|-------------------------------|
| | Note | (Rupees in '000) | |
| Assets | | | |
| Bank balances | 4 | 61,155 | 48,402 |
| Investments | 5 | 896,464 | 770,779 |
| Dividend receivable and accrued mark-up | | 3,478 | 1,781 |
| Advances, deposits, prepayments and other receivables | | 26,733 | 6,431 |
| Total assets | | 987,830 | 827,393 |
| Liabilities | | | |
| Payable to the Management Company | 6 | 2,304 | 1,642 |
| Payable to Trustee | | 186 | 151 |
| Payable to the Securities and Exchange Commission of Pakistan | | 629 | 733 |
| Accrued expenses and other liabilities | 7 | 21,049 | 40,233 |
| Total liabilities | | 24,168 | 42,759 |
| Net assets | | 963,662 | 784,634 |
| Unit holders' fund (as per statement attached) | | 963,662 | 784,634 |
| (Number of units) | | | |
| Number of units in issue | | 5,939,012 | 6,129,438 |
| (Rupees) | | | |
| Net assets value per unit | | 162.2597 | 128.0108 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Stock Fund
Condensed Interim Income Statement and
Statement of Comprehensive Income (Un-Audited)
For the nine months and quarter ended March 31, 2017

| | Nine Months ended | | Quarter ended | |
|---|------------------------------------|-----------------|---------------|-----------------|
| | March 31, | | March 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| Note | ------(Rupees in '000)----- | | | |
| Income | | | | |
| Dividend income | 28,210 | 24,013 | 5,750 | 6,669 |
| Mark-up on deposits with banks | 2,305 | 3,348 | 736 | 1,624 |
| Capital gain on sale of investments - net | 144,265 | 8,076 | 56,218 | (30,551) |
| | 174,780 | 35,437 | 62,704 | (22,258) |
| Impairment loss on investments classified as available for sale | - | (9,619) | - | - |
| Payable to Trustee | | | | |
| Expenses | | | | |
| Remuneration to the Management Company | 15,118 | 15,328 | 5,481 | 4,814 |
| Remuneration of Trustee | 1,513 | 1,316 | 549 | 414 |
| Annual fee to Securities and Exchange Commission of Pakistan | 629 | 550 | 224 | 172 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 8 663 | 260 | 237 | 186 |
| Selling and Marketing expense | 332 | - | 332 | - |
| Securities transaction costs | 245 | 308 | 67 | 274 |
| Auditors' remuneration | 259 | 261 | 86 | 70 |
| Settlement and bank charges | 117 | 113 | 33 | 100 |
| Amortisation of preliminary expenses and floatation costs | - | 171 | - | 56 |
| Other expenses | 849 | 547 | 97 | 82 |
| | 19,725 | 18,854 | 7,106 | 6,168 |
| | 155,055 | 6,964 | 55,598 | (28,426) |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | 5,347 | (267) | (3,204) | (639) |
| Provision of Workers' Welfare Fund / Sindh Workers' Welfare Fund | 7.2 3,233 | - | 3,233 | - |
| Net income for the period before taxation | 163,635 | 6,697 | 55,627 | (29,065) |
| Taxation | 10 - | - | - | - |
| Net income for the period after taxation | 163,635 | 6,697 | 55,627 | (29,065) |
| Other comprehensive income for the period | | | | |
| Items that will be reclassified subsequently to income statement | | | | |
| Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale | 41,342 | (55,462) | (48,484) | 29,059 |
| | 204,977 | (48,765) | 7,143 | (6) |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Stock Fund
Condensed Interim Distribution Statement (Un-Audited)
For the nine months ended March 31, 2017

| | Nine Months ended | |
|---|-------------------|---------------|
| | March 31, | |
| | 2017 | 2016 |
| | (Rupees in '000) | |
| Undistributed income brought forward - realised | 28,260 | 26,494 |
| Net income for the period | 163,635 | 6,697 |
| Element of (loss) / income and capital (losses) / gains included in the price of units issued less those in units redeemed - amount representing income / (loss) that form part of the unit holders' fund | (5,334) | 379 |
| Undistributed income carried forward - realised | 186,561 | 33,570 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Stock Fund
Condensed Interim Statement of Movement in Unit Holders' Fund (Un-Audited)
For the nine months ended March 31, 2017

| | Nine Months ended March 31, | |
|---|--------------------------------|-----------|
| | 2017 | 2016 |
| | (Rupees in '000) | |
| Net assets at beginning of the period | 784,634 | 783,608 |
| Issue of 3,816,106 units (2016: 1,180,165 units) | 573,889 | 145,568 |
| Redemption of 4,006,532 units (2016: 1,090,567 units) | (594,491) | (133,707) |
| | (20,602) | 11,861 |
| Element of income capital gains included in prices of units issued less those in units redeemed - transferred to income statement | | |
| - transferred to income statement and statement of comprehensive income | (5,347) | 267 |
| - transferred to distribution statement | 5,334 | (379) |
| | (13) | (112) |
| Payable to Trustee | | |
| Net income for the period | 163,635 | 6,697 |
| Net unrealised appreciation / (diminution) on remeasurement of investments classified as available for sale | 41,342 | (55,462) |
| Total comprehensive income for the period | 204,977 | (48,765) |
| Net element of (loss) / income and capital (loss) / gain included in price of units issued less those in units redeemed - transferred to the distribution statement | (5,334) | 379 |
| Net assets at end of the period | 963,662 | 746,971 |
| Net Assets value per unit at the beginning of the period | 128.0108 | 128.2681 |
| Net Assets value per unit at the end of the period | 162.2597 | 120.5038 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Stock Fund
Condensed Interim Cash Flow Statement (Un-Audited)
For the nine months ended March 31, 2017

| | Note | Nine Months ended March 31, | |
|--|------|--------------------------------|-----------------|
| | | 2017 | 2016 |
| | | (Rupees in '000) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income for the period | | 163,635 | 6,697 |
| Adjustments | | | |
| Amortisation of preliminary expenses and floatation costs | | - | 171 |
| Element of income and capital gains included in prices of units issued less those in units redeemed - net | | (5,347) | 267 |
| | | 158,288 | 7,135 |
| (Increase) / decrease in assets | | | |
| Payable to Trustee | | | |
| Investments - net | | (84,343) | 1,059 |
| Dividend receivable and accrued mark-up | | (1,697) | (4,243) |
| Advances, deposits, prepayments and other receivables | | (20,302) | (43) |
| | | (106,342) | (3,227) |
| Increase / (decrease) in liabilities | | | |
| Payable to the Management Company | | 662 | (2,387) |
| Payable to Trustee | | 35 | 132 |
| Payable to Securities and Exchange Commission of Pakistan | | (104) | (218) |
| Accrued expenses and other liabilities | | (19,184) | (17,975) |
| | | (18,591) | (20,448) |
| Net cash generated from / (used in) operating activities | | 33,355 | (16,540) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Amount received on issue of units | | 573,889 | 145,568 |
| Payment against redemption of units | | (594,491) | (133,707) |
| Net cash (used in) / generated from financing activities | | (20,602) | 11,861 |
| Net increase / (decrease) in cash and cash equivalents | | 12,753 | (4,679) |
| Cash and cash equivalents at beginning of the period | | 48,402 | 75,742 |
| Cash and cash equivalents at end of the period | 4 | 61,155 | 71,063 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Islamic Stock Fund
Notes to the Condensed Interim Financial Information (Un-Audited)
For the nine months ended March 31, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

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.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (NBFC) Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan.

The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange. The units of the Fund were initially offered for public subscription at par from May 09, 2011 to May 10, 2011.

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.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2' to the Management Company and one year Fund performance ranking at 'MFR 1-Star' and three year Fund performance ranking at 'MFR 1-Star' to the Fund.

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of 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, 2016.

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 March 31, 2017.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES 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, 2016 except for the following:

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

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

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

| | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|-------------------------|-----------------------------------|-------------------------------|
| | (Rupees in '000) | |
| 4. BANK BALANCES | | |
| Savings accounts | <u>61,155</u> | <u>48,402</u> |

- 4.1 The balance in savings accounts carry expected profit which ranges from 3.75% to 5.60% (June 30, 2016: 4% to 6.50%) per annum.

| | Note | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|------------------------------|------|-----------------------------------|-------------------------------|
| | | (Rupees in '000) | |
| 5. INVESTMENTS | | | |
| Available for sale | | | |
| - Listed equity securities | 5.1 | 896,464 | 769,497 |
| - Unlisted equity securities | | - | 1,282 |
| | | <u>896,464</u> | <u>770,779</u> |

- 5.1 Listed equity securities - Available for sale

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

| Name of the Investee Company | Number of shares | | | | As at March 31, 2017 | Market value as at March 31, 2017 | Market value as a percentage of Total Investments | Market value as a percentage of Net Assets | Par value as a percentage of the investee company |
|-----------------------------------|--------------------------|-----------------------------------|----------------------------|-------------------------------|----------------------------|--|--|---|--|
| | As at July 1, 2016 | Purchases during the period | Bonus / Rights issue | Sales during the period | | | | | |
| Rupees in '000' | | | | | | | | | |
| Personal Goods | | | | | | | | | |
| Nishat Mills Limited | 117,500 | 316,200 | - | 347,700 | 86,000 | 14,207 | 1.58% | 1.47% | 0.02% |
| Construction and Material | | | | | | | | | |
| D.G. Khan Cement Company Limited | 265,200 | 141,600 | - | 316,200 | 90,600 | 21,055 | 2.35% | 2.18% | 0.02% |
| Kohat Cement Limited | 102,100 | 33,000 | - | 135,100 | - | - | - | - | - |
| Lucky Cement Limited | 113,000 | 62,400 | - | 75,200 | 100,200 | 83,906 | 9.36% | 8.71% | 0.03% |
| Maple Leaf Cement Factory Limited | 217,000 | 65,000 | - | 122,000 | 160,000 | 19,850 | 2.21% | 2.06% | 0.03% |
| Pioneer Cement Limited | 147,000 | 163,300 | - | 142,000 | 168,300 | 24,067 | 2.68% | 2.50% | 0.07% |
| Cherat Cement Company Limited | 122,500 | 53,500 | - | 68,000 | 108,000 | 20,651 | 2.30% | 2.14% | 0.06% |
| Bestway Cement Ltd | - | 33,100 | - | 33,100 | - | - | - | - | - |
| Fauji Cement Co. Ltd | - | 644,000 | - | 192,500 | 451,500 | 19,270 | 2.15% | 2.00% | 0.14% |
| | <u>966,800</u> | <u>1,195,900</u> | <u>-</u> | <u>1,084,100</u> | <u>1,078,600</u> | <u>188,799</u> | <u>21.06%</u> | <u>19.59%</u> | |

| Name of the Investee Company | Number of shares | | | | As at March 31, 2017 | Market value as at March 31, 2017 | 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 |
|--|--------------------|-----------------------------|----------------------|-------------------------|----------------------|-----------------------------------|---|--|---|
| | As at July 1, 2016 | Purchases during the period | Bonus / Rights issue | Sales during the period | | | | | |
| Rupees in '000' | | | | | | | | | |
| Leather and tanneries | | | | | | | | | |
| Service Industries Limited | - | 22,200 | - | 15,050 | 7,150 | 10,490 | 1.17% | 1.09% | 0.06% |
| Glass and ceramics | | | | | | | | | |
| Tariq Glass Limited | - | 171,000 | - | 171,000 | - | - | - | - | - |
| Electricity | | | | | | | | | |
| K-Electric Limited (paid up share of Rs. 3.5 each) | 2,900,000 | 1,986,000 | - | 2,900,000 | 1,986,000 | 16,245 | 1.81% | 1.69% | 0.01% |
| The Hub Power Company Limited | 639,400 | 341,900 | - | 453,400 | 527,900 | 69,187 | 7.72% | 7.18% | 0.05% |
| Kot Addu Power Company Limited | 221,500 | 299,500 | - | 521,000 | - | - | - | - | - |
| | 3,760,900 | 2,627,400 | - | 3,874,400 | 2,513,900 | 85,432 | 9.53% | 8.87% | - |
| Oil and Gas | | | | | | | | | |
| Mari Petroleum Company Limited | 21,200 | 10,650 | - | 10,000 | 21,850 | 33,222 | 3.71% | 3.45% | 0.02% |
| Oil & Gas Development Co | - | 543,000 | - | 68,000 | 475,000 | 70,447 | 7.86% | 7.31% | 0.20% |
| Pakistan Oilfields Limited | 100,200 | 53,700 | - | 88,000 | 65,900 | 29,329 | 3.27% | 3.04% | 0.03% |
| Pakistan Petroleum Limited | 372,100 | 313,400 | - | 465,300 | 220,200 | 34,111 | 3.81% | 3.54% | 0.01% |
| Attock Petroleum Limited | 37,750 | 22,100 | - | 59,850 | - | - | - | - | - |
| | 531,250 | 942,850 | - | 691,150 | 782,950 | 167,109 | 18.64% | 17.35% | - |
| Fertilizers | | | | | | | | | |
| Fauji Fertilizer Bin Qasim Limited | 287,000 | - | - | 287,000 | - | - | - | - | - |
| Dawood Hercules Corporation | - | 399,300 | - | 253,600 | 145,700 | 19,306 | 2.15% | 2.00% | 0.02% |
| Engro Corporation Limited | 215,600 | 139,600 | - | 169,300 | 185,900 | 68,415 | 7.63% | 7.10% | 0.04% |
| Engro Fertilizer Limited | - | 655,000 | - | 262,000 | 393,000 | 24,625 | 2.75% | 2.56% | 0.03% |
| | 502,600 | 1,193,900 | - | 971,900 | 724,600 | 112,346 | 12.53% | 11.66% | - |
| Chemicals | | | | | | | | | |
| Akzo Nobel Pakistan | - | 16,000 | - | - | 16,000 | 3,763 | 0.42% | 0.39% | 0.00% |
| | - | 16,000 | - | - | 16,000 | 3,763 | 0.42% | 0.39% | - |
| Food and personal care products | | | | | | | | | |
| Engro Foods Limited | - | 187,900 | - | 187,900 | - | - | - | - | - |
| Paper and board | | | | | | | | | |
| Packages Limited | 49,800 | 17,900 | - | 22,850 | 44,850 | 38,929 | 4.34% | 4.04% | 0.05% |
| | 49,800 | 17,900 | - | 22,850 | 44,850 | 38,929 | 4.34% | 4.04% | - |
| Cable and electrical goods | | | | | | | | | |
| Pak Elektron Limited | 275,500 | 185,000 | - | 239,000 | 221,500 | 20,400 | 2.28% | 2.12% | 0.04% |
| Pharma and Bio Tech | | | | | | | | | |
| Searle Company Limited (S.1.2) | 54,890 | 35,400 | 5,658 | 48,700 | 47,248 | 29,512 | 3.29% | 3.06% | 0.04% |
| GlaxoSmithKline Consumer | 20,670 | - | - | - | 20,670 | 1,799 | 0.20% | 0.19% | 0.01% |
| Abbott Lab (Pakistan) Ltd. | - | 9,500 | - | 5,900 | 3,600 | 3,382 | 0.38% | 0.35% | 0.00% |
| GlaxoSmithKline Pakistan Limited | 68,900 | 21,400 | - | 50,400 | 39,900 | 9,002 | 1.00% | 0.93% | 0.01% |
| | 144,460 | 66,300 | 5,658 | 105,000 | 111,418 | 43,695 | 4.87% | 4.53% | - |
| Automobile Assembler | | | | | | | | | |
| Pak Suzuki Motor Company Limited | 41,200 | 30,200 | - | 41,200 | 30,200 | 18,723 | 2.09% | 1.94% | 0.04% |
| Atlas Honda Ltd | - | 21,100 | - | 21,100 | - | - | - | - | 0.00% |
| Thal Limited | - | 35,300 | - | - | 35,300 | 18,709 | 2.09% | 1.94% | 0.08% |
| Honda Atlas Cars (Pakistan) Limited | - | 51,850 | - | 19,800 | 32,050 | 24,099 | 2.69% | 2.50% | 0.02% |
| Millat Tractors Limited | - | 40,250 | - | 40,250 | - | - | - | - | - |
| | 41,200 | 178,700 | - | 122,350 | 97,550 | 61,531 | 6.86% | 6.39% | - |

| Name of the Investee Company | Number of shares | | | | As at March 31, 2017 | Market value as at March 31, 2017 | 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 |
|--|--------------------|-----------------------------|----------------------|-------------------------|----------------------|-----------------------------------|---|--|---|
| | As at July 1, 2016 | Purchases during the period | Bonus / Rights issue | Sales during the period | | | | | |
| Rupees in '000' | | | | | | | | | |
| Automobile parts and Accessories | | | | | | | | | |
| General Tyre and Rubber Company Limited | 100,900 | 67,800 | - | 168,700 | - | - | - | - | - |
| Oil and Gas Marketing Companies | | | | | | | | | |
| Hascol Petroleum Limited | - | 80,300 | - | 3,800 | 76,500 | 22,942 | 2.56% | 2.38% | 0.06% |
| Sui Southern Gas Co. Ltd. | - | 305,500 | - | 305,500 | - | - | - | - | - |
| Sui Northern Gas Pipelines Limited | - | 514,500 | - | 308,500 | 206,000 | 29,411 | 3.28% | 3.05% | 0.03% |
| | - | 594,800 | - | 617,800 | 282,500 | 52,353 | 5.84% | 5.43% | |
| Sugar and Allied Industries | | | | | | | | | |
| Faran Sugar Mills Limited | - | 59,700 | - | - | 59,700 | 8,335 | 0.93% | 0.86% | 0.24% |
| Refinery | | | | | | | | | |
| National Refinery Ltd | - | 6,600 | - | - | 6,600 | 4,706 | 0.52% | 0.49% | 0.03% |
| Attock Refinery Limited | - | 38,900 | - | 12,100 | 26,800 | 12,028 | 1.34% | 1.25% | 0.03% |
| | - | 38,900 | - | 12,100 | 26,800 | 16,734 | 1.87% | 1.74% | |
| Transport | | | | | | | | | |
| P. N. S. C. | - | 35,000 | - | - | 35,000 | 6,138 | 0.68% | 0.64% | 0.00% |
| Commercial Banks | | | | | | | | | |
| Meezan Bank Ltd | - | 158,500 | - | - | 158,500 | 11,333 | 1.26% | 1.18% | 0.00% |
| Engineering | | | | | | | | | |
| Amreli Steels Limited | 515,500 | 47,500 | - | 536,000 | 27,000 | 2,565 | 0.29% | 0.27% | 0.01% |
| International Industries Ltd | - | 62,500 | - | - | 62,500 | 15,156 | 1.69% | 1.57% | 0.08% |
| International Steels Ltd | - | 90,500 | - | - | 90,500 | 11,669 | 1.30% | 1.21% | 0.07% |
| Crescent Steel and Allied Products Limited | 314,500 | 83,900 | - | 296,600 | 101,800 | 25,480 | 2.84% | 2.64% | 0.13% |
| Mughal Iron and Steel Limited | 455,000 | - | - | 455,000 | - | - | - | - | - |
| | 1,285,000 | 284,400 | - | 1,287,600 | 281,800 | 54,870 | 6.12% | 5.69% | |
| | 7,775,910 | 8,166,850 | 5,658 | 9,918,600 | 6,335,318 | 896,464 | 100.00% | 93.03% | |
| Cost of investments at March 31, 2017 | | | | | | 794,990 | | | |

- 5.1.1 Investments include shares having market value aggregating to Rs. 86.70 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.

| 5.2 Net unrealised appreciation on remeasurement of investments classified as available for sale | Note | (Un-Audited) | (Audited) |
|--|------|----------------|---------------|
| | | March 31, 2017 | June 30, 2016 |
| Market value / carrying value of investments | 5.1 | 896,464 | 770,779 |
| Less : Cost of investments less impairment | 5.1 | 794,375 | 710,032 |
| | | 102,089 | 60,747 |

| | Note | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|---|------|-----------------------------------|-------------------------------|
| (Rupees in '000) | | | |
| 5.2.1 Movement in impairment against investments | | | |
| Opening balance | | 10,525 | - |
| Add: Charge for the period / year | | - | 16,494 |
| Less: Reversals made during the period / year | | (9,910) | (5,969) |
| Net charge | | (9,910) | 10,525 |
| Closing balance | | 615 | 10,525 |

6. PAYABLE TO MANAGEMENT COMPANY

| | | | |
|--|-----|--------------|--------------|
| Management fee | 6.1 | 1,644 | 1,288 |
| Sindh Sales Tax | 6.2 | 214 | 210 |
| Sales load payable | | 32 | 80 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 8 | 82 | 64 |
| Allocation of expenses related to selling and marketing payable | | 332 | - |
| | | 2,304 | 1,642 |

6.1 Under the revised Non-Banking Finance Companies and Notified Entities Regulations 2008, notified on November 25, 2015, the Management Company of the Fund is entitled to a remuneration of an amount not exceeding two percent of average annual net assets. The Management Company has charged its remuneration at the rate of two percent per annum.

6.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the period, SST at the rate of 13 percent effective from July 1, 2016 (June 30, 2016: 14 percent) was charged on the remuneration of Management Company and sales load.

| | Note | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|---|------|-----------------------------------|-------------------------------|
| (Rupees in '000) | | | |
| 7. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Auditors' remuneration payable | | 236 | 278 |
| Charity payable | | 2,781 | 2,373 |
| Federal Excise Duty | 7.1 | 6,793 | 6,793 |
| Zakat payable | | 26 | - |
| Withholding tax payable | | - | 149 |
| Payable to HBL income fund againsts conversion of units | | - | 1,927 |
| Advance againsts unit to be issued | | 3,550 | - |
| Shariah Advisory Fee payable | | 125 | - |
| Other payables | | 49 | 129 |
| Payable to brokers | | 699 | 525 |
| Payable against purchase of shares | | 1,749 | 19,785 |
| Provision for Federal Workers' Welfare Fund | 7.2 | - | 8,274 |
| Provision for Sindh Workers' Welfare Fund | 7.2 | 5,041 | - |
| | | 21,049 | 40,233 |

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

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

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in Supreme Court of Pakistan, the management company, as a matter of abundant caution, has made a provision on FED on remuneration of Pension Fund Manager with effect from June 13, 2013 aggregating to Rs. 6.79 million. Had the provision not being made, the Net Asset Value per unit as at March 31, 2017 would have been higher by Rs. 1.14 (June 30, 2016: Rs. 1.10) .

7.2 WORKERS' WELFARE FUND (WWF) AND SINDH WORKERS' WELFARE FUND (SWWF)

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

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

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

- As an abundant caution, the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014 till March 31, 2017 and,
- Provision computed for SWWF should be adjusted against provision of WWF, as the SCP declared WWF unlawful. It was also decided that if any further provision is required, then it should be recognized in books of the Fund. If provision of WWF is in excess of provision required for SWWF, the remaining provision of WWF should be carried forward unless further clarification is received from the MUFAP.

Subsequent to the period end December 31, 2016, in the wake of the above developments i.e. decision of the SCP and communications took place with regard to SWWF, the MUFAP also, on behalf of Asset Management Companies (AMCs) and Collective Investment Schemes (CISs), obtained legal opinion on December 05, 2016 and called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members the following, effective from January 12, 2017:

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

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange Commission (SECP) through its letter dated January 12, 2017, which was also endorsed by the SECP through its letter dated February 1, 2017.

Considering the recommendation of the MUFAP, the Management Company, reversed the excess provision of WWF of Rs. 4.28 million on January 12, 2017.

As a matter of abundant caution, the Management Company has decided to retain the provision for SWWF amounting to Rs 5.04 million in these condensed interim financial statements.

8. ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES, ACCOUNTING, OPERATION AND VALUATION SERVICES

"Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated November 25, 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulations, 2008. In the revised regulations a new clause 60(s) has been introduced allowing the management company to charge ""fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 0.1% of average annual net assets of the Scheme or actual whichever is less"" from the mutual funds managed by it.

The expenses represent the allocation of expenses relating to registrar services, accounting, operation and valuation services at 0.1% of average net annual assets of the Fund with effect from november 25, 2015.

9. SELLING AND MARKETING EXPENSE

The Securities and Exchange Commission of Pakistan (SECP) vide its circular No. SCD/PRDD/Circular/361/2016 dated December 30, 2016 has allowed Asset Management Companies (AMCs) to charge selling and marketing expenses to open end equity, asset allocation and index funds subject to a maximum cap of 0.4% per annum of net assets of fund or actual expenses whichever is lower.

10. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realized or unrealized is distributed amongst the unit holders in cash. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2017 as reduced by capital gains (whether realized or unrealized) to its unit holders in the form of cash.

11. 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 March 31, 2017 is 2.41%, which includes 0.60% representing government levy, Worker's Welfare Fund and SECP fee.

12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

| | (Un-Audited) | |
|--|--------------------------|-------------|
| | Nine Months ended | |
| | March 31, | |
| | 2017 | 2016 |
| | (Rupees in '000) | |
| 12.1 Transactions during the period | | |
| HBL Asset Management Limited - Management Company | | |
| Management fee inclusive of sales tax and others | 15,118 | 15,328 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 663 | 260 |
| Selling and marketing expenses | 332 | - |
| Habib Bank Limited - Sponsor | | |
| Bank charges paid | 20 | 9 |
| Mark-up earned during the year | 574 | 502 |
| Mark-up received during the year | 519 | 611 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration | 1,513 | 1,316 |
| Central Depository services charges | 105 | 99 |
| Executive of the Management Company and their relatives | | |
| Executives and their relatives | | |
| Redemption 7,278 units (March 31, 2016 : 2,462 units) | 1,150 | 300 |

| | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|---|-----------------------------------|-------------------------------|
| | (Rupees in '000) | |
| 12.2 Amounts outstanding as at period end | | |
| HBL Asset Management Limited - Management Company | | |
| Management fee | 1,644 | 1,288 |
| Sindh Sales Tax | 214 | 210 |
| Sales load payable | 32 | 80 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 82 | 64 |
| Selling and marketing expenses payable | 332 | - |
| Habib Bank Limited - Sponsor | | |
| Investment held in the Fund by sponsor: 5,089,354 units (June 30, 2016: 5,089,354 units) | 825,797 | 651,492 |
| Bank balances with sponsor | 29,657 | 3,053 |
| Mark-up receivable on deposits with banks | 75 | 20 |
| HBL Money Market Fund - Associate | | |
| Payable against conversion of units | - | - |
| Receivable against conversion of units | - | 400 |
| HBL Income Fund - Associate | | |
| Payable against conversion of units | - | 1,927 |
| HBL Islamic Money Market Fund | | |
| Receivable against conversion of units | - | 3,364 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration payable | 167 | 129 |
| Sindh Sales Tax | 19 | 22 |
| Security deposit | 100 | 100 |
| Executives of the Management Company | | |
| Investment held in the Fund : 8,770 units (June 30, 2016: 16,067 units) | 1,423 | 2,057 |

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 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.

| | (Un-Audited) March 31, 2017 | (Audited) June 30, 2016 |
|---|-----------------------------------|-------------------------------|
| | (Rupees in '000) | |
| 13.1 Amounts outstanding as at period end | | |
| HBL Asset Management Limited - Management Company | | |
| Management fee | 1,644 | 1,288 |
| Sindh Sales Tax | 214 | 210 |
| Sales load payable | 32 | 80 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 82 | 64 |
| Selling and marketing expenses payable | 332 | - |
| Habib Bank Limited - Sponsor | | |
| Investment held in the Fund by sponsor: 5,089,354 units (June 30, 2016: 5,089,354 units) | 825,797 | 651,492 |
| Bank balances with sponsor | 29,657 | 3,053 |
| Mark-up receivable on deposits with banks | 75 | 20 |
| HBL Money Market Fund - Associate | | |
| Payable against conversion of units | - | - |
| Receivable against conversion of units | - | 400 |
| HBL Income Fund - Associate | | |
| Payable against conversion of units | - | 1,927 |
| HBL Islamic Money Market Fund | | |
| Receivable against conversion of units | - | 3,364 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration payable | 167 | 129 |
| Sindh Sales Tax | 19 | 22 |
| Security deposit | 100 | 100 |
| Executives of the Management Company | | |
| Investment held in the Fund : 8,770 units (June 30, 2016: 16,067 units) | 1,423 | 2,057 |

| | | March 31, 2017 | | | | | | | |
|---|---|--------------------|-----------------------|-----------------------------|---------|------------|---------|---------|---------|
| | | Carrying amount | | | | Fair Value | | | |
| Note | | Available-for-sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | | (Rupees in '000) | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | |
| | Investments | | | | | | | | |
| | - Listed equity securities | 896,464 | - | - | 896,464 | 896,464 | - | - | 896,464 |
| Financial assets not measured at fair value | | | | | | | | | |
| 12.1 | Investments | | | | | | | | |
| | Bank balances | - | 61,155 | - | 61,155 | - | - | - | - |
| | Dividend receivable and accrued mark-up | - | 3,478 | - | 3,478 | - | - | - | - |
| | Advances, deposits and other receivables | - | 26,733 | - | 26,733 | - | - | - | - |
| | | - | 91,366 | - | 91,366 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | | |
| | Payable to the Management Company | - | - | 2,304 | 2,304 | - | - | - | - |
| | Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | 186 | 186 | - | - | - | - |
| | Accrued expenses and other liabilities | - | - | 11,475 | 11,475 | - | - | - | - |
| | Units holders' fund | - | - | 963,662 | 963,662 | - | - | - | - |
| | Payable to the Securities and Exchange Commission of Pakistan | - | - | 629 | 629 | - | - | - | - |
| | | - | - | 977,627 | 977,627 | - | - | - | - |
| | | (Rupees in '000) | | | | | | | |
| | | June 30, 2016 | | | | Fair Value | | | |
| | | Available-for-sale | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | | (Rupees in '000) | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | |
| | Investments | | | | | | | | |
| | - Listed equity securities | 769,497 | - | - | 769,497 | 769,497 | - | - | 769,497 |
| | | 769,497 | - | - | 769,497 | 769,497 | - | - | 769,497 |
| Financial assets not measured at fair value | | | | | | | | | |
| | Investments | | | | | | | | |
| | - Unlisted equity securities | 1,282 | - | - | 1,282 | - | - | - | - |
| | Bank balances | - | 48,402 | - | 48,402 | - | - | - | - |
| | Dividend receivable and accrued mark-up | - | 1,781 | - | 1,781 | - | - | - | - |
| | Advances, deposits and other receivables | - | 6,364 | - | 6,364 | - | - | - | - |
| | | 1,282 | 56,547 | - | 57,829 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | | |
| | Payable to the Management Company | - | - | 1,642 | 1,642 | - | - | - | - |
| | Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | 151 | 151 | - | - | - | - |
| | Accrued expenses and other liabilities | - | - | 25,166 | 25,166 | - | - | - | - |
| | Payable to the Securities and Exchange Commission of Pakistan | - | - | 733 | 25,166 | - | - | - | - |
| | Units holders' fund | - | - | 784,634 | 784,634 | - | - | - | - |
| | | - | - | 812,326 | 836,759 | - | - | - | - |

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 reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

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 **27 April 2017**.

15. GENERAL

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

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

Chief Executive

Director

HBL ISLAMIC INCOME FUND
(FORMERLY: PICIC ISLAMIC INCOME FUND)

FUND AND CORPORATE INFORMATION

Management Company HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

| | | |
|-------------|-------------------------|----------------------------|
| Chairperson | Mr. Tawfiq Habib Chinoy | (Non-Executive Director) |
| Members | Mr. Farid Ahmed Khan | (Executive Director & CEO) |

Risk Management Committee

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

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

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

Internal Auditors

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

Trustee

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

Bankers

Al Baraka Bank Limited
Bank Islamic Pakistan Limited
Burj Bank Limited
Dubai Islamic Limited
HBL Bank Limited
Soneri Bank Limited
UBL Bank Limited

Legal Advisors

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

Website

www.hblasset.com

Head Office

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

Registered Office

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

HBL ISLAMIC INCOME FUND (FORMERLY: PICIC ISLAMIC INCOME FUND)
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT MARCH 31, 2017

| | | March 31, 2016 (Un-Audited) | June 30, 2016 (Audited) |
|--|-------------|--|--|
| | Note | (Rupees in '000) | |
| Assets | | | |
| Bank balances | 4 | 251,684 | 197,507 |
| Investments | 5 | 141,032 | 38,344 |
| Loan and Receivable | | 43,000 | - |
| Profit receivable | | 3,950 | 2,694 |
| Advance against initial public offering | | - | - |
| Preliminary expenses and floatation costs | | 1,760 | 2,373 |
| Deposits and prepayments | | 151 | 281 |
| Total assets | | 441,577 | 241,199 |
| Liabilities | | | |
| Payable to Management Company | 6 | 511 | 255 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 69 | 47 |
| Payable to the Securities and Exchange Commission of Pakistan | | 196 | 260 |
| Dividend payable | | - | 2,040 |
| Accrued expenses and other liabilities | 7 | 2,604 | 11,630 |
| Total liabilities | | 3,380 | 14,232 |
| Net assets | | 438,197 | 226,967 |
| Unit holders' fund (as per statement attached) | | 438,197 | 226,967 |
| | | (Number of units) | |
| Number of units in issue | | 4,193,400 | 2,252,990 |
| | | (Rupees) | |
| Net assets value per unit | | 104.4968 | 100.7402 |

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

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

Chief Executive

Director

HBL ISLAMIC INCOME FUND (FORMERLY: PICIC ISLAMIC INCOME FUND)
CONDENSED INTERIM INCOME STATEMENT AND
OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017

| | Nine Months ended | | Quarter ended | |
|---|------------------------------|---------|---------------|-------|
| | March 31, | | March 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| Note | ----- (Rupees in '000) ----- | | | |
| Income | | | | |
| Capital gain on sale of investments - net | 477 | 4 | 477 | - |
| Income from investment | 3,679 | 3,411 | 2,461 | 659 |
| Profit on bank deposits | 11,860 | 13,277 | 3,820 | 4,359 |
| | 16,016 | 16,692 | 6,758 | 5,018 |
| Unrealised appreciation on re-measurement of investments at 'fair value through profit or loss - held for trading' - net | 1,517 | 556 | 1,089 | 513 |
| | 17,533 | 17,248 | 7,847 | 5,531 |
| Expenses | | | | |
| Remuneration of Management Company | 1,977 | 2,407 | 834 | 679 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 503 | 511 | 200 | 146 |
| Annual fee to the Securities and Exchange Commission of Pakistan | 196 | 198 | 78 | 57 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 271 | 98 | 104 | 83 |
| Amortisation of preliminary expenses and floatation costs | 613 | 615 | 201 | 203 |
| Securities transaction costs | 45 | 1 | 35 | - |
| Auditors' remuneration | 173 | 165 | 47 | 48 |
| Fees and subscription | 176 | 157 | 58 | 52 |
| Printing and Stationery | 179 | 287 | 74 | 76 |
| Settlement and bank charges | 33 | 29 | 15 | 11 |
| Other expenses | 102 | 44 | 32 | 21 |
| | 4,268 | 4,512 | 1,678 | 1,376 |
| Net income from operating activities | 13,265 | 12,736 | 6,169 | 4,155 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | 2,766 | (2,464) | 489 | (626) |
| (Provision for) / Reversal of Workers' Welfare Fund / Sindh Workers' Welfare Fund | (278) | - | (133) | - |
| Net income for the period before taxation | 15,753 | 10,272 | 6,525 | 3,529 |
| Taxation | - | - | - | - |
| Net income for the period after taxation | 15,753 | 10,272 | 6,525 | 3,529 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | 15,753 | 10,272 | 6,525 | 3,529 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC INCOME FUND (FORMERLY: PICIC ISLAMIC INCOME FUND)
CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2017

| | Nine Months ended March 31, | |
|--|--------------------------------|----------------------|
| | 2017 | 2016 |
| | (Rupees in '000) | |
| Undistributed Income brought forward comprising of: | | |
| Realised income / (loss) | 1,146 | (505) |
| Unrealised income | 522 | 1,887 |
| | <u>1,668</u> | <u>1,382</u> |
| Net income for the period | 15,753 | 10,272 |
| Element of income / (loss) and capital gains / (losses) included in the price of units issued less those in units redeemed - transferred to Distribution Statement - net | 1,436 | (301) |
| Undistributed Income carried forward | <u><u>18,857</u></u> | <u><u>11,353</u></u> |
| Undistributed Income carried forward comprising of: | | |
| Realised income | 17,340 | 10,797 |
| Unrealised income | 1,517 | 556 |
| | <u>18,857</u> | <u>11,353</u> |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC INCOME FUND (FORMERLY: PICIC ISLAMIC INCOME FUND)
CONDENSED INTERIM STATEMENT OF MOVEMENT IN
UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2017

| | Nine Months ended | |
|---|-------------------|-----------|
| | March 31, | |
| | 2017 | 2016 |
| | (Rupees in '000) | |
| Net assets at beginning of the period | 226,967 | 359,343 |
| Issue of 4,458,800 units (2016: 4,490,697 units) | 456,997 | 457,294 |
| Redemption of 2,518,390 units (2016: 5,270,457 units) | (258,754) | (538,036) |
| | 198,243 | (80,742) |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed | | |
| - transferred to the Income Statement and Other Comprehensive Income | (2,766) | 2,464 |
| - transferred to the Distribution Statement | (1,436) | 301 |
| | (4,202) | 2,765 |
| Total comprehensive income for the period | 15,753 | 10,272 |
| Element of loss / (income) and losses / capital (gains) included in prices of units issued less those in units redeemed - transferred to the Distribution Statement | 1,436 | (301) |
| Net assets at end of the period | 438,197 | 291,337 |
| Net assets value per unit at the beginning of the period | 100.7402 | 100.3861 |
| Net assets value per unit at the end of the period | 104.4968 | 104.0549 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC INCOME FUND (FORMERLY: PICIC ISLAMIC INCOME FUND)
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2017

| | Half year ended | |
|---|------------------|-----------------|
| | March 31, | |
| | 2017 | 2016 |
| | (Rupees in '000) | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net income for the period | 15,753 | 10,272 |
| Adjustments | | |
| Income from investment | (3,679) | (3,411) |
| Profit on bank deposits | (11,860) | (13,277) |
| Amortisation of preliminary expenses and floatation cost | 613 | 615 |
| (Provision for) / Reversal of Workers' Welfare Fund / Sindh | 278 | - |
| Unrealised appreciation on re-measurement of investments at fair value through profit or loss - held for trading' - net | (1,517) | (556) |
| Element of (income) / loss included in prices of units issued less those in units redeemed - net | (2,766) | 2,464 |
| | (3,178) | (3,893) |
| (Increase) / decrease in assets | | |
| Investments - net | (101,171) | 82,122 |
| Loan and Receivable | (43,000) | - |
| Deposits and prepayments | 130 | 139 |
| | (144,041) | 82,261 |
| Increase / (decrease) in liabilities | | |
| Payable to Management Company | 256 | (56) |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 22 | (11) |
| Payable to the Securities and Exchange Commission of Pakistan | (64) | (202) |
| Accrued expenses and other liabilities | (9,304) | (190) |
| | (9,090) | (459) |
| Cash (used in) / generated from operations | (156,309) | 77,909 |
| Income received from sukuk | 2,431 | 4,870 |
| Profit received on bank deposits | 11,852 | 13,783 |
| | 14,283 | 18,653 |
| Net cash (used in) / generated from operating activities | (142,026) | 96,562 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Amount received on issue of units | 456,997 | 457,294 |
| Payment against redemption of units | (258,754) | (538,036) |
| Dividend paid | (2,040) | (5,581) |
| Net cash generated from / (used in) financing activities | 196,203 | (86,323) |
| Net increase in cash and cash equivalents | 54,177 | 10,239 |
| Cash and cash equivalents at beginning of the period | 197,507 | 240,500 |
| Cash and cash equivalents at end of the period | 251,684 | 250,739 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC INCOME FUND (FORMERLY: PICIC ISLAMIC INCOME FUND)
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

The HBL Islamic Income Fund (formerly: PICIC 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 and the trust deed was executed on February 20, 2014.

During the period, the Securities and Exchange Commission of Pakistan (SECP) approved merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited, a wholly owned subsidiary of Habib Bank Limited. Consequently, HBL Asset Management Limited became Management Company of the Fund effective from September 1, 2016.

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

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 (CISs) 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 Management Company is a wholly owned subsidiary of NIB Bank Limited (the Bank). The Bank is pursuing a transaction for divestment of its equity stake in the Management Company.

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 Limited as trustee of the Fund.

JCR-VIS Credit Rating Company has assigned an asset management rating of 'AM2' to the Management Company and a stability rating of 'A+(f)' to 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 requirements of the International Accounting Standard 34 - Interim Financial Reporting (IAS - 34) and provision of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of the IFRS the requirements of NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of 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, 2016.

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 March 31, 2017.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING ESTIMATES, 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, 2016.

- 3.2 The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3 The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2016.
- 3.4 Certain amendments to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 01, 2016. None of these amendments are expected to have a significant effect on this condensed interim financial information.
- 3.5 The Fund's financial risk management objectives and policies are consistent with that disclosed in this condensed interim financial information for the period ended March 31, 2017.

| | Note | March 31, 2017 (Un-Audited) (Rupees in '000) | June 30, 2016 (Audited) |
|-------------------------|------|---|-------------------------------|
| 4. BANK BALANCES | | | |
| In savings accounts | 4.1 | <u>251,684</u> | <u>197,507</u> |

- 4.1 Mark-up rates on these accounts range between 5.80% - 6.10% per annum (June 30, 2016: 1.00% - 6.25% per annum).

| | Note | March 31, 2017 (Un-Audited) (Rupees in '000) | June 30, 2016 (Audited) |
|--|------|---|-------------------------------|
| 5. INVESTMENTS | | | |
| Fair value through profit or loss - held-for-trading | | | |
| - Corporate sukuk certificates | 5.1 | <u>141,032</u> | <u>38,344</u> |
| 5.1 Corporate sukuk certificates - held-for-trading | | | |

| Note | Number of Certificates | | | | Market Value | | |
|-------------------------|--------------------------|-----------------------------------|--|----------------------------------|-------------------------|--------------------------------------|--------------------------------|
| | As at July 1, 2016 | Purchases during the period | Sales / Matured during the period | As at December 31, 2016 | As at March 31, 2017 | As percentage of total investment | As percentage of net assets |
| | | | | | | | |
| Engro Fertilizer Sukuk | 8,000 | - | 8,000 | - | - | - | - |
| Meezan Bank Sukuk | 5.1.1 | 30 | - | 30 | 31,410 | 22.27 | 7.17 |
| Fatima Fertilizer Sukuk | 5.1.2 | 12,943 | 2,000 | 10,943 | 56,622 | 40.15 | 12.92 |
| Ghani Gases Sukuk | 5.1.3 | 530 | - | 530 | 53,000 | 37.58 | 12.10 |
| | | | | | | | |
| | | <u>8,000</u> | <u>13,503</u> | <u>10,000</u> | <u>141,032</u> | <u>100.00</u> | <u>32.18</u> |
| | | | | | | | |
| | | | | | <u>139,515</u> | | |

Carrying Value as at March 31, 2017

- 5.1.1 This represents 30 certificates of Meezan Bank Limited sukuk having face value of Rs. 1,000,000/- each. These sukuk carry semi annual coupon at 6 months KIBOR plus 0.5%, having a tenor of 10 years and will mature on September 22, 2026.
- 5.1.2 This represents 10,943 certificates of Fatima Fertilizer Limited sukuk having face value of Rs. 5,000/- each. These sukuk carry semi annual coupon at 6 months KIBOR plus 1.10%, having a tenor of 5 years and will mature on November 28, 2021.
- 5.1.3 This represents 530 certificates of Ghani Gases Limited sukuk having face value of Rs. 100,000/- each. These sukuk carry semi annual coupon at 6 months KIBOR plus 1.00%, having a tenor of 7 years and will mature on February 23, 2023.

| | Note | March 31, 2017 (Un-Audited) | June 30, 2016 (Audited) |
|---|------|-----------------------------------|-------------------------------|
| 6. PAYABLE TO MANAGEMENT COMPANY | | | |
| Management fee | 6.1 | 281 | 155 |
| Sindh Sales Tax | 6.2 | 37 | 22 |
| Sales load payable | | 159 | 54 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 8 | 34 | 24 |
| | | 511 | 255 |

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. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.

6.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2016: 14 %) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

| | Note | March 31, 2017 (Un-Audited) | June 30, 2016 (Audited) |
|--|------|-----------------------------------|-------------------------------|
| 7. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Payable on redemption of units | | - | 7,576 |
| Federal excise duty | 7.1 | 1,344 | 1,344 |
| Provision for Workers' Welfare Fund | 7.2 | - | 333 |
| Provision for Sindh Workers' Welfare Fund | 7.2 | 611 | - |
| Payable to brokers | | 36 | - |
| Withholding tax payable | | 256 | 2,068 |
| Auditors' remuneration | | 143 | 115 |
| Printing charges | | 201 | 175 |
| Others | | 13 | 19 |
| | | 2,604 | 11,630 |

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

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

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in Supreme Court of Pakistan, Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 1.344 million.

Had the provision not being made, the NAV per unit as at March 31, 2017 would have been higher by Rs. 0.32 (June 30, 2016: Rs. 0.60) per unit.

7.2 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND

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

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

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

- As an abundant caution, the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and

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

Subsequent to the period ended December 31, 2016, in the wake of the above developments i.e. decision of the SCP and communications took place with regard to SWWF, the MUFAP also, on behalf of Asset Management Companies (AMCs) and Collective Investment Schemes (CISs), obtained legal opinion on December 05, 2016 and called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members the following, effective from January 12, 2017:

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

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

The Management Company considered the recommendations of the MUFAP and assessed that there is no impact which should have been recognized in this interim financial information.

As a matter of abundant caution, the Management Company has decided to retain the provision for SWWF amounting to Rs 0.611 million in these condensed interim financial statements.

8. ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES, ACCOUNTING, OPERATION AND VALUATION SERVICES

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

9. TAXATION

The income of the Fund is exempt from tax under 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 among its unit holders in cash. The Fund has not recorded a tax liability in respect of income relating to the current period as the Management Company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90 percent of net accounting income other than capital gains / losses to unit holders. 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.

10. 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.

As mentioned in note 1, PICIC Asset Management Company Limited merged with and into HBL Asset Management Limited, therefore PICIC Asset Management Company Limited remained related party till August 31, 2016.

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

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

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

| 10.1 Transactions during the period | March 31, | |
|---|------------------|-------|
| | 2017 | 2016 |
| | (Rupees in '000) | |
| HBL Asset Management Limited - Management Company ** | | |
| Remuneration of Management Company | 1,475 | - |
| Sindh Sales Tax on remuneration of Management Company | 191 | - |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 83 | 98 |
| Sales load paid | 284 | - |
| Redemption of 248,136 units (2016: Nil units) | 25,400 | - |
| PICIC Asset Management Limited - Management Company | | |
| Remuneration of Management Company | 275 | 1,820 |
| Sindh Sales Tax on remuneration of Management Company | 36 | 255 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 42 | 18 |
| Sales load paid | 273 | 777 |
| Habib Bank Limited - Sponsor ** | | |
| Bank charges paid | 2 | - |
| Profit on bank deposits earned | 30 | - |
| Executives of the Management Company | | |
| Issue of 11,890 units (2016: 37,094 units) | 1,200 | 3,850 |
| Redemption of 5,609 units (2016: 16,258 units) | 575 | 1,286 |
| Connected persons holding 10% or more units | | |
| Hamdard Laboratories (WAQF) Pakistan ** | | |
| Issue of 1,345,205 units (2016: Nil units) | 137,548 | - |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Trustee remuneration | 503 | 511 |
| Central Depository Service charges | 3 | 4 |

| | March 31, 2017 (Un-Audited) | June 30, 2016 (Audited) |
|---|-----------------------------------|-------------------------------|
| | (Rupees in '000) | |
| 10.2 Balances outstanding as at period / year end | | |
| HBL Asset Management Limited - Management Company ** | | |
| Remuneration of the Management Company | 281 | - |
| Sindh Sales Tax on remuneration of the Management Company | 37 | - |
| Sales load payable | 159 | - |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 34 | - |
| PICIC Asset Management Limited - Management Company * | | |
| Investment held in the Fund : Nil units (June 30, 2016: 248,136 units) | - | 24,997 |
| Remuneration of the Management Company | - | 155 |
| Sindh Sales Tax on remuneration of the Management Company | - | 22 |
| Sales load payable | - | 54 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | - | 371 |
| Habib Bank Limited - Sponsor | | |
| Bank balances | 26 | 139 |
| Executives of the Management Company | | |
| Investment held in the Fund : 52,026 units (June 30, 2016: 45,745 units) | 5,437 | 4,658 |
| Connected persons holding 10% or more units | | |
| Hamdard Laboratories (WAQF) Pakistan | | |
| Investment held in the Fund: 1,691,976 units (2016: 346,771 units) | 176,806 | 34,934 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration payable | 69 | 47 |
| Security deposit | 100 | 100 |

* Current year transactions / balances of these parties have not been disclosed as they did not remain related parties during the period.

**Comparative transactions / balances of these parties have not been disclosed as these parties were not related parties in last period.

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.

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

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

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

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

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

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

| | | March 31, 2017 | | | | | | | |
|---|------|--|-----------------------|-----------------------------|----------------|------------|----------------|----------|----------------|
| | | Carrying amount | | | | Fair Value | | | |
| | Note | Fair value through profit or loss - held-for-trading | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| (Rupees in '000) | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | |
| Investments | | | | | | | | | |
| - Corporate sukuk certificates | | 141,032 | - | - | 141,032 | - | 141,032 | - | 141,032 |
| | | <u>141,032</u> | <u>-</u> | <u>-</u> | <u>141,032</u> | <u>-</u> | <u>141,032</u> | <u>-</u> | <u>141,032</u> |
| Financial assets not measured at fair value | | | | | | | | | |
| | 11.1 | - | 251,684 | - | 251,684 | - | - | - | - |
| Bank balances | | - | - | - | - | - | - | - | - |
| Advance against initial public offering | | - | 3,562 | - | 3,562 | - | - | - | - |
| Profit receivable | | - | 100 | - | 100 | - | - | - | - |
| Deposits | | - | <u>255,346</u> | <u>-</u> | <u>255,346</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities not measured at fair value | | | | | | | | | |
| | 11.1 | - | - | 511 | 511 | - | - | - | - |
| Payable to Management Company | | - | - | 69 | 69 | - | - | - | - |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | 393 | 393 | - | - | - | - |
| Accrued expenses and other liabilities | | - | - | <u>973</u> | <u>973</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| June 30, 2016 | | | | | | | | | |
| | | Carrying amount | | | | Fair Value | | | |
| | Note | Fair value through profit or loss - held-for-trading | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| (Rupees in '000) | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | |
| Investments | | | | | | | | | |
| - Corporate sukuk certificates | | 38,344 | - | - | 38,344 | - | 38,344 | - | 38,344 |
| | | <u>38,344</u> | <u>-</u> | <u>-</u> | <u>38,344</u> | <u>-</u> | <u>38,344</u> | <u>-</u> | <u>38,344</u> |
| Financial assets not measured at fair value | | | | | | | | | |
| | 11.1 | - | 197,507 | - | 197,507 | - | - | - | - |
| Bank balances | | - | 2,694 | - | 2,694 | - | - | - | - |
| Profit receivable | | - | 100 | - | 100 | - | - | - | - |
| Deposits | | - | <u>200,301</u> | <u>-</u> | <u>200,301</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Financial liabilities not measured at fair value | | | | | | | | | |
| | 11.1 | - | - | 255 | 255 | - | - | - | - |
| Payable to Management Company | | - | - | 47 | 47 | - | - | - | - |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | - | - | 2,040 | 2,040 | - | - | - | - |
| Dividend Payable | | - | - | 300 | 300 | - | - | - | - |
| Accrued expenses and other liabilities | | - | - | <u>2,642</u> | <u>2,642</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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 reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

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 (SECP), the total expense ratio of the Fund for the half year ended March 31, 2017 is 1.29% (YTD) which includes 0.23% representing government levy, Sindh Worker's Welfare Fund and SECP fee.

13. DATE OF AUTHORISATION FOR ISSUE

The condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on **April 27, 2017**.

14. GENERAL

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

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

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

Chief Executive

Director

HBL ISLAMIC EQUITY FUND
(FORMERLY: PICIC ISLAMIC STOCK FUND)

FUND AND CORPORATE INFORMATION

Management Company HBL Asset Management Limited.

Board of Directors

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

Audit Committee

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

Human Resource Committee

| | | |
|-------------|-------------------------|----------------------------|
| Chairperson | Mr. Tawfiq Habib Chinoy | (Non-Executive Director) |
| Members | Mr. Farid Ahmed Khan | (Executive Director & CEO) |

Risk Management Committee

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

Company Secretary & Chief Financial Officer

Mr. Noman Qurban

External Auditors

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

Internal Auditors

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

Trustee

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

Bankers

AlBaraka Bank Limited
Bank Islamic Pakistan Limited
Burj Bank Limited
NIB Bank Limited

Legal Advisors

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

Website

www.hblasset.com

Head Office

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

Registered Office

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

HBL ISLAMIC EQUITY FUND (FORMERLY: PICIC ISLAMIC STOCK FUND)
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT MARCH 31, 2017

| | March 31, | June 30, | |
|--|-------------------------|--------------------------|------------------|
| | 2017 | 2016 | |
| | (Un-audited) | (Audited) | |
| Note | (Rupees in '000) | | |
| Assets | | | |
| Bank balances | 4 | 48,644 | 111,376 |
| Investments | 5 | 392,074 | 263,994 |
| Dividend and profit receivable | | 1,569 | 549 |
| Deposits and prepayments | | 2,642 | 2,632 |
| Receivable from equity settlement | | 5,408 | - |
| Preliminary and floatation costs | | 437 | 589 |
| Total assets | | 450,773 | 379,140 |
| Liabilities | | | |
| Payable to Management Company | 6 | 1,083 | 777 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 86 | 72 |
| Payable to the Securities and Exchange Commission of Pakistan | | 325 | 377 |
| Payable against purchase of investments | | - | 13,060 |
| Accrued expenses and other liabilities | 7 | 10,591 | 14,300 |
| Unclaimed dividend | | - | 1,630 |
| Total liabilities | | 12,085 | 30,216 |
| Net assets | | 438,688 | 348,924 |
| Unit holders' fund (as per statement attached) | | 438,688 | 348,924 |
| | | (Number of units) | |
| Number of units in issue | | 3,252,459 | 3,277,092 |
| | | (Rupees) | |
| Net assets value per unit | | 134.8788 | 106.4738 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC EQUITY FUND (FORMERLY: PICIC ISLAMIC STOCK FUND)
CONDENSED INTERIM INCOME STATEMENT AND
OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017

| | Nine Months ended | | Quarter ended | |
|---|-----------------------------|---------|----------------|---------|
| | March 31, | | March 31, | |
| | 2017 | 2016 | 2017 | 2016 |
| Note | ------(Rupees in '000)----- | | | |
| Income | | | | |
| Capital gain / (loss) on sale of investments - net | 71,021 | 15,579 | 30,031 | 8,672 |
| Dividend income | 12,864 | 12,864 | 2,411 | 4,720 |
| Profit on bank deposits | 2,001 | 3,160 | 470 | 532 |
| | 85,886 | 31,603 | 32,912 | 13,924 |
| Unrealised appreciation / (diminution) on re-measurement of investments at "fair value through profit or loss - held-for-trading" - net | 34,457 | (7,668) | (22,338) | (2,592) |
| | 120,343 | 23,935 | 10,574 | 11,332 |
| Expenses | | | | |
| Remuneration of Management Company | 7,717 | 11,830 | 2,508 | 4,009 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | 772 | 702 | 251 | 230 |
| Annual fee to the Securities and Exchange Commission of Pakistan | 325 | 283 | 105 | 96 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 341 | - | 111 | - |
| Allocation of expenses related to Selling & Marketing, Securities transaction costs | 153 | - | 153 | - |
| Amortization of preliminary and floatation costs | 2,808 | 1,269 | 654 | 527 |
| Auditors' remuneration | 152 | 153 | 50 | 51 |
| Settlement and bank charges | 174 | 165 | 47 | 48 |
| Other expenses | 336 | 6 | 108 | - |
| | 343 | 590 | 117 | 242 |
| | 13,121 | 14,998 | 4,104 | 5,203 |
| Net income / (loss) from operating activities | 107,222 | 8,937 | 6,470 | 6,129 |
| Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net | (12,550) | 11,213 | (12,183) | 657 |
| (Provision) / Reversal for of Workers' Welfare Fund / Sindh Workers' Welfare Fund | (2,286) | - | 282 | - |
| Net income / (loss) for the period before taxation | 92,386 | 20,150 | (5,431) | 6,786 |
| Taxation | - | - | - | - |
| Net income / (loss) for the period after taxation | 92,386 | 20,150 | (5,431) | 6,786 |
| Other comprehensive income for the period | - | - | - | - |
| Total comprehensive income for the period | 92,386 | 20,150 | (5,431) | 6,786 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

**HBL ISLAMIC EQUITY FUND (FORMERLY: PICIC ISLAMIC STOCK FUND)
CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2017**

| | <u>Nine Months ended</u> | |
|---|--------------------------|---------------|
| | <u>March 31,</u> | |
| | <u>2017</u> | <u>2016</u> |
| | <u>(Rupees in '000)</u> | |
| Undistributed income brought forward comprising of: | | |
| Realised income | 18,253 | 5,078 |
| Unrealised income | 2,962 | 27,326 |
| | <u>21,215</u> | <u>32,404</u> |
| Net income for the period | 92,386 | 20,150 |
| Element of income and capital gains included in the price of units issued less those in units redeemed - transferred to Distribution Statement | (159) | 22,845 |
| Undistributed income carried forward | <u>113,442</u> | <u>75,399</u> |
| Undistributed income carried forward comprising of: | | |
| Realised income | 78,985 | 83,067 |
| Unrealised income | 34,457 | (7,668) |
| | <u>113,442</u> | <u>75,399</u> |

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

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

Chief Executive

Director

**HBL ISLAMIC EQUITY FUND (FORMERLY: PICIC ISLAMIC STOCK FUND)
CONDENSED INTERIM STATEMENT OF MOVEMENT IN
UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2017**

| | Nine Months ended March 31, | |
|---|--------------------------------|-----------|
| | 2017 | 2016 |
| | (Rupees in '000) | |
| Net assets at beginning of the period | 348,924 | 229,128 |
| Issue of units 3,469,117 (2016: 2,074,920 units) | 438,652 | 336,495 |
| Redemption of units 3,493,750 (2016: 1,231,863 units) | (453,825) | (163,741) |
| | (15,172) | 172,754 |
| Element of income and capital gains included in prices of units issued less those in units redeemed | | |
| - transferred to the income statement and other comprehensive income | 12,550 | (11,213) |
| - transferred to the Distribution Statement | (159) | (22,845) |
| | 12,391 | (34,058) |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to the Distribution Statement | 159 | 22,845 |
| Net income for the period | 92,386 | 20,150 |
| Net assets at end of the period | 438,688 | 410,819 |
| Net assets value per unit at the beginning of the period | 106.4738 | 116.4714 |
| Net assets value per unit at the end of the period | 134.8788 | 122.4786 |

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

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

Chief Executive

Director

**HBL ISLAMIC EQUITY FUND (FORMERLY: PICIC ISLAMIC STOCK FUND)
CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2017**

| | Nine Months ended March 31, | |
|--|--------------------------------|------------------|
| | 2017 | 2016 |
| Note | (Rupees in '000) | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net income for the period | 92,386 | 20,150 |
| Adjustments | | |
| Dividend income | (12,864) | (12,864) |
| Profit from bank deposits | (2,001) | (3,160) |
| Amortisation of preliminary and flotation costs | 152 | 153 |
| Unrealised diminution / (appreciation) on remeasurement of investments at fair value through profit or loss - held-for-trading - net | (34,457) | 7,668 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | 12,550 | (11,213) |
| Provision for Sindh Workers' Welfare Fund | 2,286 | - |
| | 58,052 | 734 |
| (Increase) / decrease in assets | | |
| Investments - net | (93,623) | (143,297) |
| Dividend and other receivable | - | - |
| Receivable against sale of investments | (5,408) | 6,844 |
| Deposits and prepayments | (10) | (78) |
| | (99,041) | (136,531) |
| Increase / (decrease) in liabilities | | |
| Payable to Management Company | 306 | 295 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 14 | 19 |
| Payable to the Securities and Exchange Commission of Pakistan | (52) | 94 |
| Payable against purchase of investment | (13,060) | - |
| Accrued expenses and other liabilities | (5,994) | 714 |
| | (18,786) | 1,122 |
| Net cash used in operating activities | (59,775) | (134,675) |
| Dividend received | 11,760 | 10,136 |
| Profit received on bank deposit | 2,085 | 3,140 |
| CASH FLOW FROM FINANCING ACTIVITIES | | |
| Amount received on issue of units | 438,652 | 336,495 |
| Payment against redemption of units | (453,825) | (163,741) |
| Dividend paid | (1,630) | (15,135) |
| Net cash generated from financing activities | (16,802) | 157,619 |
| Net (decrease) / increase in cash and cash equivalents | (62,732) | 36,220 |
| Cash and cash equivalents at beginning of the period | 111,376 | 14,152 |
| Cash and cash equivalents at end of the period | 48,644 | 50,372 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL ISLAMIC EQUITY FUND (FORMERLY: PICIC ISLAMIC STOCK FUND)
Notes to the Condensed Interim Financial Information (Un-Audited)
FOR THE NINE MONTHS ENDED MARCH 31, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

The HBL Islamic Equity Fund (Formerly PICIC Islamic Stock 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/PISF/965/2014 dated April 23, 2014 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 (CISs) 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."

During the period, the Securities and Exchange Commission of Pakistan approved merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited, a wholly owned subsidiary of Habib Bank Limited. Consequently, HBL Asset Management Limited became Management Company of the Fund effective from September 1, 2016.

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

The objective of PICIC Islamic Stock 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 rating of 'AM2' to the Management Company.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of 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, 2016.

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 March 31, 2017.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ACCOUNTING 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, 2016.
- 3.2** The preparation of this condensed interim financial information in conformity with approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.
- 3.3** The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty are the same as those applied to the annual audited financial statements as at and for the year ended June 30, 2016.
- 3.4** Certain amendments to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 01, 2016. None of these amendments are expected to have a significant effect on this condensed interim financial information.
- 3.5** The Fund's financial risk management objectives and policies are consistent with that disclosed in this condensed interim financial information for the period ended December 31, 2016.

| | | March 31, 2017 (Un-Audited) (Rupees in '000) | June 30, 2016 Audited |
|---|-------------|---|-----------------------------|
| | Note | | |
| 4 BANK BALANCES | | | |
| Balances with Banks in: | | | |
| Current accounts | | 4,471 | 2,270 |
| PLS deposit accounts under mark-up arrangements | 4.1 | 44,174 | 109,106 |
| | | 48,644 | 111,376 |

- 4.1** Mark-up rates on these accounts range between 5.60% to 6.10% p.a (June 30, 2016: 4.00% - 6.50% p.a).

| | | March 31, 2017 (Un-Audited) (Rupees in '000) | June 30, 2016 Audited |
|---|-------------|---|-----------------------------|
| | Note | | |
| 5 INVESTMENTS | | | |
| Financial assets 'at fair value through profit or loss' held for trading | | | |
| - Listed equity securities | 5.1 | 392,074 | 263,120 |
| - Unlisted equity securities | 5.2 | - | 874 |
| | | 392,074 | 263,994 |

5.1 Financial assets 'at fair value through profit or loss' - held for trading - listed equity securities

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 | | | Par value as a percentage of issued capital of the investee company | |
|--|--------------------|-----------------------------|----------------------|-------------------------|----------------------|----------------------|--------------------------------------|---|-------------------------------|
| | As at July 1, 2016 | Purchases during the period | Bonus / Rights issue | Sales during the period | As at March 31, 2017 | As at March 31, 2017 | As a percentage of total Investments | | As a percentage of net Assets |
| TEXTILE COMPOSITE | | | | | | | | | |
| Nishat Mills Limited | 10,000 | 333,600 | - | 298,600 | 45,000 | 7,434 | 1.90% | 1.69% | 0.03% |
| CEMENT | | | | | | | | | |
| Bestway Cement Limited | - | 3,500 | - | 3,500 | - | - | - | - | - |
| Cherat Cement Company Limited | 99,500 | 65,000 | - | 164,500 | - | - | - | - | - |
| D.G Khan Cement Company Limited | - | 164,000 | - | 108,000 | 56,000 | 13,014 | 3.32% | 2.97% | 0.03% |
| Dewan Cement Limited | - | 360,000 | - | 360,000 | - | - | - | - | - |
| Fauji Cement Company Limited | 125,000 | 553,000 | - | 294,500 | 383,500 | 16,368 | 4.17% | 3.73% | 0.02% |
| Fecto Cement Limited | - | 36,500 | - | 36,500 | - | - | - | - | - |
| Lucky Cement Limited | 22,000 | 68,650 | - | 42,350 | 48,300 | 40,446 | 10.32% | 9.22% | 0.02% |
| Maple Leaf Cement Factory Limited | - | 182,500 | - | 89,500 | 93,000 | 11,538 | 2.94% | 2.63% | 0.02% |
| Pioneer Cement Limited | 127,500 | 68,200 | - | 133,200 | 62,500 | 8,938 | 2.28% | 2.03% | 0.02% |
| Power Cement Limited | - | 200,000 | - | 200,000 | - | - | - | - | - |
| | | | | | | 90,304 | 23.03% | 20.57% | |
| POWER GENERATION & DISTRIBUTION | | | | | | | | | |
| The Hub Power Company Limited | - | 352,500 | - | 67,500 | 285,000 | 37,352 | 9.53% | 8.51% | 0.03% |
| K-Electric Limited | 578,000 | 3,731,000 | - | 2,740,500 | 1,568,500 | 12,830 | 3.27% | - | - |
| Kot Addu Power Company Limited | 300,000 | 36,500 | - | 336,500 | - | - | - | 0.00% | 0.02% |
| | | | | | | 50,182 | 12.80% | 11.44% | |
| ENGINEERING | | | | | | | | | |
| Amreli Steels Limited | 324,500 | 49,500 | - | 351,500 | 22,500 | 2,136 | 0.54% | 0.49% | - |
| Crescent Steel and Allied Products Limited | 17,500 | 133,500 | - | 151,000 | - | - | - | - | - |
| International Steels Limited | - | 44,000 | - | - | 44,000 | 5,673 | 1.45% | 1.29% | - |
| Mughal Iron and Steel Inds Limited | 228,500 | 50,000 | - | 278,500 | - | - | - | - | - |
| | | | | | | 7,809 | 1.99% | 1.78% | |
| AUTOMOBILE ASSEMBLER | | | | | | | | | |
| Honda Atlas Cars (Pakistan) Ltd | - | 6,000 | - | - | 6,000 | 4,511 | 1.15% | 1.03% | 0.03% |
| Millat Tractors Limited | - | 10,000 | - | 10,000 | - | - | - | 0.00% | 0.02% |
| Pak Suzuki Motor Company Limited | 20,800 | 41,500 | - | 47,800 | 14,500 | 8,990 | 2.29% | 2.05% | 0.03% |
| | | | | | | 13,501 | 3.44% | 3.08% | |
| CABLE & ELECTRICAL GOODS | | | | | | | | | |
| Pak Elektron Limited | 148,500 | 387,000 | - | 423,000 | 112,500 | 10,361 | 2.64% | 2.36% | 0.02% |
| TRANSPORT | | | | | | | | | |
| Pakistan International Bulk Terminal Limited | - | 255,000 | - | 255,000 | - | - | - | 0.00% | 0.00% |
| PHARMACEUTICALS | | | | | | | | | |
| Abbott Laboratories (Pak) Limited | 13,000 | - | - | 3,000 | 10,000 | 9,395 | 2.40% | 2.14% | 0.01% |
| GlaxoSmithKline Pakistan Limited | 47,000 | 50,500 | - | 67,500 | 30,000 | 6,769 | 1.73% | 1.54% | 0.01% |
| The Searle Company Limited | 7,000 | 53,000 | 2,650 | 33,500 | 29,150 | 18,420 | 4.70% | 4.20% | 0.01% |
| | | | | | | 34,584 | 7.09% | 7.88% | |
| PAPER & BOARD | | | | | | | | | |
| Century Paper and Board Mills Limited | - | 125,000 | - | 125,000 | - | - | - | - | - |
| Packages Limited | - | 21,500 | - | 2,500 | 19,000 | 16,492 | 4.21% | 3.76% | 0.01% |
| | | | | | | 16,492 | 4.21% | 3.76% | |
| GLASS & CERAMICS | | | | | | | | | |
| Ghani Global Glass Limited | - | 200,000 | - | 200,000 | - | - | - | - | - |
| Tariq Glass Industries Limited | - | 59,500 | - | 59,500 | - | - | - | - | - |
| | | | | | | - | - | - | - |
| MISCELLANEOUS | | | | | | | | | |
| Synthetic Products Enterprises Limited | - | 100,500 | - | 100,500 | - | - | - | - | - |

| Name of the Investee Company | Number of shares | | | | Market value | | | Par value as a percentage of issued capital of the investee company | |
|--|--------------------|-----------------------------|----------------------|-------------------------|----------------------|-----------------------|--------------------------------------|---|-------------------------------|
| | As at July 1, 2016 | Purchases during the period | Bonus / Rights issue | Sales during the period | As at March 31, 2017 | As at March 31, 2017 | As a percentage of total Investments | | As a percentage of net Assets |
| OIL & GAS EXPLORATION COMPANIES | | | | | | | | | |
| Mari Petroleum Company Limited | 120 | 10,850 | - | 40 | 10,930 | 16,619 | 4.24% | 3.79% | 0.01% |
| Oil and Gas Development Company Limited | 30,100 | 245,500 | - | 128,000 | 147,600 | 21,891 | 5.58% | 4.99% | 0.00% |
| Pakistan Oilfields Limited | 13,000 | 104,500 | - | 75,400 | 42,100 | 18,737 | 4.78% | 4.27% | 0.02% |
| Pakistan Petroleum Limited | 1,500 | 142,000 | - | 34,500 | 109,000 | 16,885 | 4.32% | 3.85% | 0.01% |
| | | | | | | <u>74,132</u> | <u>18.93%</u> | <u>16.89%</u> | |
| OIL & GAS MARKETING COMPANIES | | | | | | | | | |
| Attock Petroleum Limited | 46,050 | - | - | 46,050 | - | - | - | 0.00% | 0.02% |
| Hascol Petroleum Limited | - | 29,600 | - | 29,600 | - | - | - | - | - |
| Hi-Tech Lubricants Limited | - | 129,000 | - | 84,000 | 45,000 | 4,979 | 1.27% | 1.13% | - |
| Pakistan State Oil Company Limited | 54,000 | 44,500 | - | 83,500 | 15,000 | 6,353 | 1.62% | 1.45% | 0.01% |
| Sui Northern Gas Pipeline Limited | - | 245,000 | - | 157,500 | 87,500 | 12,492 | 3.19% | 2.85% | 0.02% |
| | | | | | | <u>23,824</u> | <u>6.08%</u> | <u>5.43%</u> | |
| REFINERY | | | | | | | | | |
| Attock Refinery Limited | - | 29,000 | - | 29,000 | - | - | - | - | - |
| Byco Petroleum Pakistan Limited | - | 180,000 | - | 180,000 | - | - | - | - | - |
| National Refinery Limited | - | 8,000 | - | 8,000 | - | - | - | 0.00% | 0.01% |
| COMMERCIAL BANKS | | | | | | | | | |
| Meezan Bank Limited | 171,000 | 80,000 | - | 171,000 | 80,000 | 5,720 | 1.46% | 1.30% | 0.01% |
| FERTILIZER | | | | | | | | | |
| Dawood Hercules Corporation Limited | - | 184,300 | - | 78,900 | 105,400 | 13,967 | 3.56% | 3.18% | 0.03% |
| Engro Corporation Limited | 30,500 | 134,800 | - | 82,500 | 82,800 | 30,472 | 7.77% | 6.95% | 0.02% |
| Engro Fertilizers Limited | 214,000 | 205,000 | - | 419,000 | - | - | 0.00% | 0.00% | 0.01% |
| Fatima Fertilizer Company Limited | 25,000 | 22,500 | - | 47,500 | - | - | - | - | - |
| Fauji Fertilizer Co Limited | 44,000 | 284,500 | - | 328,500 | - | - | - | - | - |
| | | | | | | <u>44,439</u> | <u>11.33%</u> | <u>10.13%</u> | |
| CHEMICAL | | | | | | | | | |
| Alko Nobel Pakistan Limited | - | 24,000 | - | - | 24,000 | - | 0.00% | 0.00% | 0.05% |
| ICI Pakistan Limited | - | 12,500 | - | - | 12,500 | - | - | - | - |
| Lotte Chemical Pakistan Limited | 150,000 | 1,300,000 | - | - | 1,450,000 | - | - | 0.00% | 0.05% |
| | | | | | | <u>-</u> | <u>0.00%</u> | <u>0.00%</u> | |
| AUTOMOBILE PARTS & ACCESSORIES | | | | | | | | | |
| General Tyre and Rubber Co of Pakistan Limited | - | 36,000 | - | 36,000 | - | - | - | - | - |
| Thal Limited | - | 27,500 | - | 18,500 | 9,000 | 4,770 | 1.22% | 1.09% | 0.01% |
| | | | | | | <u>4,770</u> | <u>1.22%</u> | <u>1.09%</u> | |
| TECHNOLOGY & COMMUNICATION | | | | | | | | | |
| Avanceon Limited | - | 287,000 | - | 287,000 | - | - | - | - | - |
| Pakistan Telecommunication Co Limited | - | 39,000 | - | 39,000 | - | - | - | - | - |
| Systems Limited (S.1.2) | 440,000 | 31,000 | - | 369,000 | 102,000 | 8,522 | 2.17% | 1.94% | 0.14% |
| | | | | | | <u>8,522</u> | <u>2.17%</u> | <u>1.94%</u> | |
| Total March 31, 2017 | | | | | | <u>392,074</u> | <u>100.00%</u> | <u>89.73%</u> | |
| Carrying value as at March 31, 2017 | | | | | | <u>357,616</u> | | | |

5.1.1 Investments include shares having market value aggregating to Rs. 46.721 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 This includes gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5 percent is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan, has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.46 million at December 31, 2016 (June 30, 2016: Rs. 0.298 million) and not yet deposited on CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at period end.

5.2.1 This represents shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited, a subsidiary of GlaxoSmithKline Plc, which were received due to demerger of GlaxoSmithKline Pakistan Limited on April 01, 2016. These are stated at Rs.62.- per share as trading in shares has not yet commenced. During the period these share has been listed in Pakistan Stock Exchange on March 22, 2017.

| | Note | March 31, 2017 (Un-Audited) | June 30, 2016 (Audited) |
|---|------|-----------------------------------|-------------------------------|
| 6 PAYABLE TO MANAGEMENT COMPANY | | | |
| Management fee | 6.1 | 864 | 628 |
| Sindh Sales Tax | 6.2 | 28 | 88 |
| Sales load payable | | - | 30 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 8 | 38 | 31 |
| Allocation of expenses related to Selling and Marketing, | 9 | 153 | |
| | | 1,083 | 777 |

6.1 As per the offering document of the fund, the Management Company of the Fund is entitled to a remuneration of an amount of 2.00% of average annual net assets. The Management Company has charged its remuneration at the rate of 2.00% per annum (June 30, 2016: 2.00% per annum) of the average net assets for the current period subject to the guidelines as may be issued by the Commission from time to time. The fee is payable monthly in arrears. Management fee is also subject to Sindh Sales Tax on Services at applicable rates.

6.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 % (June 30 2016: 14%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

| | Note | March 31, 2017 (Un-Audited) (Rupees in '000) | June 30, 2016 (Audited) |
|---|------|---|-------------------------------|
| 7 ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Provision for Federal Excise Duty | 7.1 | 3,268 | 3,268 |
| Payable for redemption of units | | - | 3,536 |
| Provision for Workers' Welfare Fund | 7.2 | - | 1,000 |
| Provision for Sindh Workers' Welfare Fund | 7.2 | 3,286 | - |
| Auditors' remuneration | | 143 | 115 |
| Payable to brokers | | 389 | 386 |
| Withholding tax payable | | 79 | 3,716 |
| Others | | 3,427 | 2,279 |
| | | 10,592 | 14,300 |

7.1 PROVISION FOR FEDERAL EXCISE DUTY

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

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

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, 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 made, NAV per unit of the Fund as at March 31, 2017 would have been higher by Rs. 1.00 per unit (June 30, 2016: 1.00 per unit).

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

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

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

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

- As an abundant caution, the Sindh Workers' Welfare Fund (SWWF) should be recognized from July 01, 2014, and

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

Subsequent to the period ended December 31, 2016, in the wake of the above developments i.e. decision of the SCP and communications took place with regard to SWWF, the MUFAP also, on behalf of Asset Management Companies (AMCs) and Collective Investment Schemes (CIS), obtained legal opinion on December 05, 2016 and called its Extraordinary General Meeting (EOGM) on January 11, 2017, wherein the MUFAP recommended to its members the following, effective from January 12, 2017:

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

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

The Management Company considered the recommendations of the MUFAP and assessed that there is no impact which should have been recognized in this interim financial information.

As a matter of abundant caution, the Management Company has decided to retain the provision for SWWF amounting to Rs 3.28 million in these condensed interim financial statements. .

8 ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES, ACCOUNTING, OPERATION AND VALUATION SERVICES

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

9 ALLOCATION OF EXPENSES RELATED TO SELLING AND MARKETING EXPENSES

The Securities and Exchange Commission of Pakistan (SECP) vide its circular No. SCD/PRDD/Circular/361/2016 dated December 30, 2016 has allowed Asset Management Companies (AMCs) to charge selling and marketing expenses to open end equity, asset allocation and index funds subject to a maximum cap of 0.4% per annum of net assets of fund or actual expenses whichever is lower.

10. TAXATION

The income of the Fund is exempt from tax under 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 among its unit holders in cash. The Fund has not recorded a tax liability in respect of income relating to the current period as the Management Company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90 percent of net accounting income other than capital gains/loss to unit holders. 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.

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.

As mentioned in note 1, PICIC Asset Management Company Limited merged with and into HBL Asset Management Limited, therefore PICIC Asset Management Company Limited remained related party till August 31, 2016.

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

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

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

| | Nine months ended March 31, | |
|---|--------------------------------|--------|
| | 2017 | 2016 |
| | (Rupees in '000) | |
| 11.1 Transactions during the period | | |
| HBL Asset Management Limited - Management Company * | | |
| Redemption of 738,542 units (2016: Nil units) | 100,000 | - |
| Remuneration of the Management Company | 5,428 | - |
| Sindh Sales Tax on remuneration of the Management Company | 706 | - |
| Sales load paid | 942 | 379 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 264 | - |
| Executives of the Management Company | | |
| Issue of 4,130 (2016: 13,103) units | 460 | 1,533 |
| Redemption of 1,466 (2016: 15,138) units | 200 | 1,841 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Trustee remuneration | 772 | 702 |
| Central Depository Service charges | 88 | 32 |
| PICIC Asset Management Company Limited | | |
| Issue of Nil (2016: 813,669) units | - | 99,641 |
| Redemption of Nil (2016: 457,231) units | - | 55,000 |
| Remuneration of the Management Company | 1,401 | 8,946 |
| Sindh Sales Tax on remuneration of the Management Company | 182 | 1,252 |
| Sales load paid | 61 | 1,013 |
| Federal Excise Duty (FED) on remuneration of the Management Company | - | - |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 77 | 44 |

| | Nine months ended March 31, | |
|---|--------------------------------|------------------|
| | 2017 | 2016 |
| | (Rupees in '000) | |
| Connected person due to holding of more than 10% | | |
| NIB Bank Limited | | |
| Issuance of units 2,390,874 units (2016: Nil units) | 300,000 | - |
| Redemption of 1,654,154 units (2016: Nil units) | 220,329 | - |
| 11.2 Transactions involving shares of connected persons: | | |
| Packages Limited - common directorship | | |
| Purchase of 21,500 shares (2015: Nil shares) | 16,423 | - |
| Sale of 2,500 shares (2015: Nil shares) | 2,130 | - |
| | March 31, 2017 | June 30, 2016 |
| | (Rupees in '000) | |
| | (Un-Audited) | Audited |
| 11.3 Balances outstanding as at period / year end | | |
| HBL Asset Management Limited - Management Company ** | | |
| Investment in Fund 1,369,905 units (June 30, 2016: NIL units) | 184,771 | |
| Remuneration of the Management Company | 864 | - |
| Sindh Sales Tax on remuneration of the Management Company | 28 | - |
| Sales load payable | - | - |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | 38 | - |
| NIB Bank Limited | | |
| Investment held in the Fund 763,230 units (June 30, 2016 Nil units) | 99,367 | - |
| Balance in current account | 4,471 | 2,270 |
| Executives of the Management Company | | |
| Investment held in the Fund : 13,868 units (2016: 11,203 units) | 1,870 | 2,320 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration payable | 86 | 453 |
| Security deposit | 100 | 100 |
| PICIC Asset Management Company Limited * | | |
| Investment in Fund Nil units (June 30, 2016: 2,108,446 units) | - | 224,494 |
| Remuneration of the Management Company | - | 628 |
| Sindh Sales Tax on remuneration of the Management Company | - | 88 |
| Sales load payable | - | 30 |
| Allocation of expenses related to registrar services, accounting, operation and valuation services | - | 31 |
| | March 31, 2017 | June 30, 2016 |
| | (Rupees in '000) | |
| Shares held in associated undertakings | | |
| Packages Limited * | | |
| Shares held: 19,000 ordinary shares | 16,492 | - |

* Current year transactions / balances of these parties have not been disclosed as they did not remain related parties during the period.

** Comparative transactions / balances of these parties have not been disclosed as these parties were not related parties in last period

12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

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

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

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

| | | March 31, 2017 | | | | | | | |
|---|---|--|-----------------------|-----------------------------|----------------|----------------|----------|----------|----------------|
| | | Carrying amount | | | Fair Value | | | | |
| Note | | Fair value through profit or loss - held-for-trading | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| (Rupees in '000) | | | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | |
| Financial assets measured at fair value | | | | | | | | | |
| 12.1 | Investments | | | | | | | | |
| | - Listed equity securities | 392,074 | - | - | 392,074 | 392,074 | - | - | 392,074 |
| | | 392,074 | - | - | 392,074 | 392,074 | - | - | 392,074 |
| Financial assets not measured at fair value | | | | | | | | | |
| 12.1 | Bank balances | - | 48,644 | - | 48,644 | - | - | - | - |
| | Investments | | | | | | | | |
| | - Un-Listed equity securities | - | - | - | - | - | - | - | - |
| | Dividend and profit receivable | - | 1,569 | - | 1,569 | - | - | - | - |
| | Deposits and prepayments | - | 2,642 | - | 2,642 | - | - | - | - |
| | | - | 52,855 | - | 52,855 | - | - | - | - |
| Financial liabilities not measured at fair value | | | | | | | | | |
| 12.1 | Payable to Management Company | - | - | 1,083 | 1,083 | - | - | - | - |
| | Payable to Central Depository Company of Pakistan Limited - Trustee | - | - | 86 | 86 | - | - | - | - |
| | Payable against purchase of investments | - | - | 3,959 | 3,959 | - | - | - | - |
| | Accrued expenses and other liabilities | - | - | - | - | - | - | - | - |
| | | - | - | 5,128 | 5,128 | - | - | - | - |

| | | June 30, 2017 | | | | | | | |
|--|--|--|-----------------------|-----------------------------|------------|---------|---------|---------|---------|
| | | Carrying amount | | | Fair Value | | | | |
| | | Fair value through profit or loss - held-for-tradine | Loans and receivables | Other financial liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | | (Rupees in '000) | | | | | | | |
| On-balance sheet financial instruments | | | | | | | | | |
| Financial assets measured at fair value 12.1 | | | | | | | | | |
| Investments | | | | | | | | | |
| - Listed equity securities | | | | | | | | | |
| | | 263,120 | - | - | 263,120 | 263,120 | - | - | 263,120 |
| | | 263,120 | - | - | 263,120 | 263,120 | - | - | 263,120 |
| Financial assets not measured at fair value 12.1 | | | | | | | | | |
| Bank balances | | | | | | | | | |
| | | - | 111,376 | - | 111,376 | - | - | - | - |
| Investments | | | | | | | | | |
| -Unlisted Equity Securities | | | | | | | | | |
| | | 874 | - | - | 874 | - | - | - | - |
| Dividend and profit receivable | | | | | | | | | |
| | | - | 549 | - | 549 | - | - | - | - |
| | | 874 | 111,925 | - | 112,799 | - | - | - | - |
| Financial liabilities not measured at fair value 12.1 | | | | | | | | | |
| Payable to Management Company | | | | | | | | | |
| | | - | - | 777 | 777 | - | - | - | - |
| Payable to Trustee | | | | | | | | | |
| | | - | - | 72 | 72 | - | - | - | - |
| Accrued expenses and other liabilities | | | | | | | | | |
| | | - | - | 2,780 | 2,780 | - | - | - | - |
| | | - | - | 3,629 | 3,629 | - | - | - | - |

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 reprice periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

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 March 31, 2017 is 3.39% which includes 0.93% representing government levy, Sindh Worker's Welfare Fund and SECP fee.

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 April 27, 2017.

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)**

Chief Executive

Director

www.jamapunji.pk



**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

- 🗉 Licensed Entities Verification
- 🕸 Scam meter*
- 🎮 Jamapunji games*
- 📊 Tax credit calculator*
- 🏢 Company Verification
- 📄 Insurance & Investment Checklist
- ❓ FAQs Answered
- 📈 Stock trading simulator (based on live feed from KSE)
- 📖 Knowledge center
- 📊 Risk profiler*
- 📊 Financial calculator
- 📱 Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 Jamapunji application for mobile device
- 🖨 Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

jamapunji.pk @jamapunji_pk

*Mobile apps are also available for download for android and ios devices

(021) 111-425-262 | www.hblasset.com

HBL Asset Management Limited



Head Office

24-C, Khayaban-e-Hafiz
Phase VI, D.H.A, Karachi
UAN: (021) 111-425-262
Fax: (92-21) 35240630

Lahore Office

102-103, Upper Mall,
Lahore
Tel: 042-36281610
Fax: 042-36281686

Islamabad Office

HBL Corporate Center,
HBL Building, Jinnah Avenue,
Islamabad
Tel: 051-2821183
Fax: 051-2822206