

HBL

ASSET MANAGEMENT LTD.  
ایس ایٹ مینجمنٹ لمیٹڈ

AM1 (Stable Outlook) by VIS

# Annual Report 2022-23

MOVING TOWARDS  
**EXCELLENCE**



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# OUR VISION

Enabling people to  
advance with  
confidence and  
success.

# OUR MISSION

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

## PROGRESSIVENESS

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

## MERITOCRACY

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

## EXCELLENCE

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

## OUR CORPORATE VALUES

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

## CUSTOMER FOCUS

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

## INTEGRITY

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

**Management Company****HBL Asset Management Limited****Board of Directors** (Composition as of August 25, 2023)

<b>Chairman</b>	Mr. Shahid Ghaffar	(Independent Director)
<b>Directors</b>	Mr. Mir Adil Rashid	(Chief Executive Officer)
	Ms. Ava Ardeshir Cowasjee	(Independent Director)
	Mr. Khalid Malik	(Independent Director)
	Mr. Rayomond H. Kotwal	(Non-Executive Director)
	Mr. Tariq Masaud	(Non-Executive Director)
	Mr. Abrar Ahmed Mir	(Non-Executive Director)
	Mr. Abid Sattar	(Independent Director)

**Audit Committee**

Chairman	Mr. Khalid Malik	(Independent Director)
Members	Ms. Ava Ardeshir Cowasjee	(Independent Director)
	Mr. Rayomond H. Kotwal	(Non-Executive Director)

**Human Resource & Remuneration Committee**

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

**Risk Management Committee**

Chairman	Mr. Shahid Ghaffar	(Independent Director)
Members	Mr. Tariq Masaud	(Non-Executive Director)
	Mr. Abid Sattar	(Independent Director)

**Technology Committee**

Chairman	Mr. Abrar Ahmed Mir	(Non-Executive Director)
Members	Mr. Abid Sattar	(Independent Director)
	Ms. Ava Ardeshir Cowasjee	(Independent Director)

**Company Secretary & Chief Financial Officer**

Mr. Noman Qurban

**AMC Rating**

AM1 (Stable Outlook)

**Legal Advisor**Bawany & Partners,  
Lane 13, D.H.A Phase 6, Bukhari Commercial Area,  
Defense Housing Authority, Karachi.**Website**[www.hblasset.com](http://www.hblasset.com)**Head Office & Registered Office**

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

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY**

The Board of Directors of HBL Asset Management Limited is pleased to present its report together with Financial Statements of HBL Islamic Money Market Fund, HBL Islamic Income Fund, HBL Islamic Stock Fund, HBL Islamic Equity Fund, HBL Islamic Asset Allocation Fund, HBL Islamic Financial Planning Fund, HBL Islamic Dedicated Equity Fund and HBL LiveStock Fund (the Funds) for the year ended June 30, 2023.

### **ECONOMIC REVIEW**

Pakistan navigated a demanding fiscal year in FY23, marked by a significant slowdown in economic growth to a mere 0.3%. This stark decline from the previous year's 6.1% growth and the nation's historical GDP growth rate of 5% was largely attributed to a confluence of factors, including extensive flooding, inflationary pressures, and a challenging global economic landscape.

In FY23, key sectors exhibited signs of strain. The agriculture sector's growth slowed to 1.55%, compared to 4.27% in the previous year, while the services sector posted a modest 0.9% growth, down from 6.6% in FY22. The manufacturing sector faced a notable setback, contracting by 3.9%, a sharp contrast to the 10.9% growth seen the year before. This slowdown was driven by decreased aggregate demand, higher interest rates, and import restrictions, as reflected in the Large Scale Manufacturing (LSM) data, which plummeted by 10% in FY23.

Responding to mounting external account and inflationary concerns, the State Bank of Pakistan (SBP) took significant policy actions, raising the policy rate cumulatively by 825bps to 22%. Simultaneously, administrative measures were implemented to curb imports and address the current account deficit (CAD). Imports fell by 27% YoY to USD 52bn in FY23, and while exports & remittances also dipped, the substantial reduction in imports helped narrow the CAD to USD 2.4bn from the previous year's USD 17.5bn.

Pakistan's foreign exchange reserves and currency value faced substantial pressure throughout FY23. SBP's reserves declined to USD 4.5bn in June 2023, compared to USD 9.8bn in the same period the previous year. The Pakistani Rupee (PKR) depreciated by 28% against the USD, with the exchange rate closing at PKR 286 against USD in June 2023, up from PKR 204.85 in June 2022.

Inflation surged during FY23, with the Consumer Price Index (CPI) reaching 29%, compared to 12% in the previous year. The primary drivers of this spike were food and fuel inflation, with food inflation surging to 39% due to extensive flooding and transportation costs driven by currency devaluation and rising fuel prices, causing an overall increase in CPI and food inflation. The transport segment witnessed a staggering 50% increase.

Pakistan's fiscal deficit for FY23 stood at 7.7% of GDP or PKR 6.5 trn, slightly lower than the previous year's 7.9% of GDP or PKR 5.3 trn. Tax revenues rose by 16% to PKR 7.8trn, driven by increased direct taxes, while non-tax revenues increased by 38% to PKR 1.8trn, primarily due to higher petroleum levies. Total expenditures increased by 25% to PKR 16.5trn, mainly due to higher markup payments, reaching PKR 5.8 trn (almost double the previous year).

### **STOCK MARKET REVIEW**

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as KMI-30 index posted muted gains of 3% in FY23. Positive contributions came from Fertilizer (115 points) and Cements (62 points) whereas negative contributions were from Oil & Gas Marketing (43 points) and Chemicals (42 points). The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at of June-2023. The delay in IMF program along with rising inflation and interest rates also resulted in pressure on equity market where investors switched to fixed income market.

During the year, total traded volume of KMI-30 index was up 6% to 55mn shares whereas total traded value was down 14% to PKR 3.1bn during FY23. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## **MONEY MARKET REVIEW**

Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23.

During the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49%. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

## **FUTURE OUTLOOK**

The completion of IMF action plans will be pivotal for Pakistan's economic prospects. Inflation is expected to remain elevated in FY24 due to expected adjustments in electricity and gas tariffs, rising commodity prices, and currency devaluation. SBP is likely to maintain its tight monetary policy, with the potential for interest rate reversal in 2HFY24 as inflation is expected to drop below 20% due to base effects.

Progress on reform agendas, particularly in the energy sector, taxation, and loss-making public sector entities, will be crucial for curbing the government's expanding fiscal deficit.

Despite economic challenges, ample liquidity is available in the market as evident from increase in industry's assets under management (AUMs) exceeding PKR 1.6 trillion in FY23, marking a 33% YoY increase. In a high-interest-rate environment, investments are expected to lean towards fixed-income funds, but with equities trading at historically low valuations and expectations of an interest rate reversal in 2HFY24, investments in equities are anticipated to gain momentum. Over the medium to long term, equities are expected to outperform other asset classes.

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

### **HBL Islamic Money Market Fund**

The total income and net income of the Fund was Rs. 6.41billion and Rs. 6.08billion respectively during the year ended June 30, 2023. The Net Asset Value (NAV) of the Fund was Rs. 101.3883 per unit as on June 30, 2023 as compared to Rs. 101.2171 per unit as on June 30, 2022, after incorporating dividend of Rs. 15.9328 per unit, thereby giving an annualized return of 17.24%. During the year the benchmark return (3 Month bank deposit rates) was 6.23%. The size of Fund was Rs. 44.53 billion as on June 30, 2023 as compared to Rs. 15.54 billion at the start of the year.

JCR-VIS Credit Rating Company Limited has reaffirmed the Fund stability rating of AA+(f) to the Fund.

### **HBL Islamic Income Fund**

The total income and net income of the Fund was Rs. 1.40billion and Rs. 1.31billion respectively during the year ended June 30, 2023. The Net Asset Value (NAV) of the Fund was Rs. 103.2208 per unit as on June 30, 2023 as compared to Rs. 102.7607 per unit as on June 30, 2022, after incorporating dividend of Rs. 17.50 per unit, thereby giving an annualized return of 17.55%. During the same year the benchmark return (6 Month bank deposit rates) was 6.06%. The size of Fund was Rs. 7.74 billion as on June 30, 2023 as compared to Rs. 4.67 billion at the start of the year.



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

#### **HBL Islamic Stock Fund**

The total and net loss of the Fund was Rs. 5.41 million and Rs. 17.06 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) of the Fund was Rs. 77.9684 per unit as on June 30, 2023 as compared to Rs. 88.4322 per unit as on June 30, 2022, thereby giving a negative return of 11.83% during the year, against the benchmark return (KMI 30 Index) of 2.88%. The size of Fund was Rs. 0.16 billion as on June 30, 2023 as compared to Rs. 0.41 billion at the start of the year.

#### **HBL Islamic Equity Fund**

The total and net loss of the Fund was Rs. 3.41 million and Rs. 9.53 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) of the Fund was Rs. 65.8671 per unit as on June 30, 2023 as compared to Rs. 69.9797 per unit as on June 30, 2022, thereby giving a negative return of 5.88% during the year, against the benchmark return (KMI 30 Index) of 2.88%. The size of Fund was Rs. 0.11 billion as on June 30, 2023 as compared to Rs. 0.15 billion at the start of the year.

#### **HBL Islamic Asset Allocation Fund**

Under HBL Islamic Asset Allocation Fund (HBL-IAAF), the HBL Islamic Asset Allocation Fund – Plan I (HBL IAAF-Plan-I) has been constituted on July 13, 2020 and HBL Islamic Asset Allocation Fund – Plan-II was launched on August 05, 2022.

The total and net income of the Fund including HBL IAAF Plans was Rs. 413.08 million and Rs. 394.71 million respectively during the period and year ended June 30, 2023. The Net Asset Value (NAV) of the HBL-IAAF decreased from Rs. 108.5372 per unit as on June 30, 2022 to Rs. 101.6871 per unit as on June 30, 2023, thereby giving a negative return of 6.31% during the period against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of 2.03%. The Net Asset Value (NAV) of the HBL-IAAF Plan-I was Rs. 101.3349 per unit as on June 30, 2023 as compared to Rs. 100.5354 per unit as on June 30, 2022 (after incorporating dividend of Rs. 15.70 per unit), thereby giving a return of 16.54% during the period against the benchmark return of 4.16%. The Net Asset Value (NAV) of the HBL-IAAF Plan-II was Rs. 100.9289 (after incorporating dividend of Rs. 18.65 per unit), as on June 30, 2023 thereby giving a return of 19.75% while the benchmark return during the period was 3.88%. The collective size of Fund was Rs. 2.25 billion as on June 30, 2023 as compared to Rs. 2.62 billion at the start of the year.

#### **HBL Islamic Financial Planning Fund**

HBL Islamic Financial Planning Fund comprises of two sub funds (plans) namely Active allocation plan and Conservative allocation plan.

The Fund as a whole earned a total and net income of Rs. 13.32 million and Rs. 12.14 million respectively during the year under review. The fund size of the fund stood at Rs. 0.10 billion. Performance review for plan is given below:

##### **Active Allocation Plan**

During the year under review, the Active allocation plan earned a total and net income of Rs. 13.20 million and Rs. 12.03 million respectively. The net assets of the Active allocation plan stood at Rs. 102 million representing Net Asset Value (NAV) of Rs. 87.5441 per unit as at June 30, 2023 as compared to Rs. 87.1696 as at June 30, 2022 (after incorporating dividend of Rs. 12.35 per unit). The plan earned a return of 14.65% for the year under review against the benchmark return of negative 6.68%. The plan is invested to the extent of 90% in fixed income funds.



### **Conservative Allocation Plan**

During the year under review, the Conservative allocation plan earned a total income and net income of Rs. 0.12 million and Rs. 0.11 million respectively. The net assets of the Conservative allocation plan stood at Rs. 0.75 million representing Net Asset Value (NAV) of Rs. 93.8604 per unit as at June 30, 2023 as compared to Rs. 90.9171 as at June 30, 2022 (after incorporating dividend of Rs. 12.50 per unit). The plan earned a return of 17.43% for the year under review against the benchmark return of 5.79%. The plan is invested to the extent of 61% in fixed income funds.

### **HBL Islamic Dedicated Equity Fund**

During the period under review, the Islamic Dedicated Equity Fund remained inactive for the tenure and its fund size stands nil as all units were redeemed by Fund of Fund Plans managed by the Company as disclosed in note 1.8 to the financial statements of the Fund.

### **HBL LiveStock Fund**

The Fund commenced its operations on April 17, 2023.

During the period under review, the Fund earned a total and net income of Rs. 27.32 million and Rs. 3.62 million respectively. The net assets of the Fund stood at Rs. 93.62 million representing Net Asset Value (NAV) of Rs. 1,040.1980 per unit as on June 30, 2023. The Fund earned a return of 4.02% for the period under review.

### **MANAGEMENT COMPANY RATING**

The VIS Credit Rating Company Limited (VIS) has upgraded the management quality rating of HBL Asset Management Limited from 'AM2++' (AM Two Plus Plus) to 'AM-1' (AM-One) and the outlook on the assigned rating has been assessed at 'Stable'.

### **AUDITORS**

The details of the retiring auditors and appointments for the year June 30, 2024 are provided in the following table.

Name of Fund	Retiring Auditors for the year ended June 30, 2023	Auditors for the year June 30, 2024	Re-appointed / New Appointment
HBL Islamic Equity Fund	BDO Ebrahim & Co., Chartered Accountants	Yousuf Adil & Co., Chartered Accountants	New Appointment
HBL Livestock Fund	BDO Ebrahim & Co., Chartered Accountants	BDO Ebrahim & Co., Chartered Accountants	Re-appointed
HBL Islamic Money Market Fund	KPMG Taseer Hadi & Co., Chartered Accountants	KPMG Taseer Hadi & Co., Chartered Accountants	Re-appointed
HBL Islamic Asset Allocation Fund	KPMG Taseer Hadi & Co., Chartered Accountants	KPMG Taseer Hadi & Co., Chartered Accountants	Re-appointed
HBL Islamic Financial Planning Fund	KPMG Taseer Hadi & Co., Chartered Accountants	KPMG Taseer Hadi & Co., Chartered Accountants	Re-appointed
HBL Islamic Stock Fund	A.F.Fergusons & Co., Chartered Accountants	A.F.Fergusons & Co., Chartered Accountants	Re-appointed
HBL Islamic Income Fund	Yousuf Adil & Co., Chartered Accountants	BDO Ebrahim & Co., Chartered Accountants	New Appointment
HBL Islamic Dedicated Equity Fund	Yousuf Adil & Co., Chartered Accountants	KPMG Taseer Hadi & Co., Chartered Accountants	New Appointment

#### PATTERN OF UNIT HOLDING

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

#### ACKNOWLEDGEMENT

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

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

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

**Chief Executive Officer**

## مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

ایچ بی ایل ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کو 30 جون 2023 کو ختم ہونے والے سال کے لئے (فنڈز) ایچ بی ایل اسلامک منی مارکیٹ فنڈ، ایچ بی ایل اسلامک انکم فنڈ، ایچ بی ایل اسلامک اسٹاک فنڈ، ایچ بی ایل اسلامک ایکویٹی فنڈ، ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ، ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ، ایچ بی ایل اسلامک ڈیڈ ویٹھڈ ایکویٹی فنڈ اور ایچ بی ایل لائیو اسٹاک فنڈ کے مالیاتی گوشواروں کے ساتھ اپنی رپورٹ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

### اقتصادی جائزہ:

مالی سال 2023 میں پاکستان کی معاشی شرح نمو میں نمایاں سست روی آئی اور یہ محض 0.3 فیصد رہ گئی۔ پچھلے سال کی 6.1 فیصد شرح نمو اور ملک کی 5 فیصد کی تاریخی جی ڈی پی شرح نمو کے مقابلے میں یہ واضح کمی بڑی حد تک مختلف اسباب کی وجہ سے تھی، جن میں بڑے پیمانے پر سیلاب، افراط زر کا دباؤ اور ایک چیلنجنگ عالمی معاشی منظر نامہ شامل ہے۔

مالی سال 23 میں اہم شعبوں میں تناؤ کے آثار نظر آئے۔ زرعی شعبے کی شرح نمو گزشتہ سال کے 4.27 فیصد کے مقابلے میں کم ہو کر 1.55 فیصد رہ گئی۔ جبکہ خدمات کے شعبے میں 0.9 فیصد کی معمولی نمو ریکارڈ کی گئی جو مالی سال 22 میں 6.6 فیصد تھی۔ مینوفیکچرنگ کے شعبے کو ایک بڑے دھچکے کا سامنا کرنا پڑا، جس میں 3.9 فیصد کمی واقع ہوئی، جو ایک سال پہلے فیصد کی نمو کے بالکل برعکس ہے۔ یہ سست روی مجموعی طلب میں کمی، بلند شرح سود کی وجہ سے تھی اور درآمدات پر پابندیاں، جیسا کہ لارج اسکیل مینوفیکچرنگ (ایل ایس ایم) کے اعداد و شمار میں ظاہر ہوتا ہے، جو مالی سال 23 میں 10 فیصد تک گر گئی۔

بڑھتے ہوئے بیرونی اکاؤنٹ اور افراط زر کے خدشات کی صورت میں اسٹیٹ بینک آف پاکستان (ایس بی پی) نے اہم پالیسی اقدامات کیے اور پالیسی ریٹ کو مجموعی طور پر 825 بی پی ایس بڑھا کر 22 فیصد کر دیا۔ اس کے ساتھ ساتھ درآمدات کو روکنے اور کرنٹ اکاؤنٹ خسارے (سی اے ڈی) کو پورا کرنے کے لیے انتظامی اقدامات بھی کیے گئے۔ مالی سال 23 میں درآمدات ساہا سال 27 فیصد کم ہو کر 52 بلین ڈالر رہ گئیں اور برآمدات اور ترسیلات زر میں بھی کمی واقع ہوئی تاہم درآمدات میں نمایاں کمی کی وجہ سے سی اے ڈی کو گزشتہ سال کے 17.5 ارب ڈالر سے کم کر کے 2.4 بلین ڈالر کرنے میں مدد ملی۔

مالی سال 23 کے دوران پاکستان کے زرمبادلہ کے ذخائر اور کرنسی کی قدر کو کافی دباؤ کا سامنا کرنا پڑا۔ اسٹیٹ بینک کے ذخائر جون 2023ء میں کم ہو کر 4.5 بلین ڈالر رہ گئے جو گزشتہ سال کے اسی عرصے میں 9.8 ارب ڈالر تھے۔ امریکی ڈالر کے مقابلے میں پاکستانی روپے کی قدر میں 28 فیصد کمی ہوئی اور شرح تبادلہ جون 2023 میں امریکی ڈالر کے مقابلے میں 286 روپے پر بند ہوئی جو جون 2022 میں 204.85 روپے تھی۔

مالی سال 23 کے دوران افراط زر میں اضافہ ہوا اور کنزیومر پرائس انڈیکس (سی پی آئی) 29 فیصد تک پہنچ گیا جو گزشتہ سال 12 فیصد تھا۔ اس اضافے کی بنیادی وجہ خوراک اور ایندھن کی افراط زر تھی، بڑے پیمانے پر سیلاب کی وجہ سے غذائی افراط زر 39 فیصد تک بڑھ گیا اور کرنسی کی قدر میں کمی اور ایندھن کی بڑھتی ہوئی قیمتوں کی وجہ سے ٹرانسپورٹیشن کے اخراجات بڑھ گئے جس کی وجہ سے سی پی آئی اور غذائی افراط زر میں مجموعی طور پر اضافہ ہوا۔ ٹرانسپورٹ کے شعبے میں 50 فیصد کا حیرت انگیز اضافہ دیکھا گیا۔

مالی سال 2023 میں پاکستان کا مالیاتی خسارہ جی ڈی پی کا 7.7 فیصد یا 6.5 ٹریلیں روپے رہا جو گزشتہ سال کے جی ڈی پی کے 7.9 فیصد یا 5.3 ٹریلیں روپے کے مقابلے میں قدرے کم ہے۔ براہ راست ٹیکسوں میں اضافے کی وجہ سے ٹیکس ریونیو 16 فیصد اضافے کے ساتھ 7.8 ٹریلیں روپے تک پہنچ گیا جبکہ نان ٹیکس ریونیو 38 فیصد اضافے کے ساتھ 1.8 ٹریلیں روپے تک پہنچ گیا، جس کی بنیادی وجہ پیٹرولیم لیویز میں اضافہ ہے۔ مجموعی اخراجات 25 فیصد اضافے کے ساتھ 16.5 ٹریلیں روپے تک پہنچ گئے، جس کی بنیادی وجہ زیادہ مارک اپ ادائیگیاں ہیں، جو 5.8 ٹریلیں روپے (گزشتہ سال کے مقابلے میں تقریباً دوگنا) تک پہنچ گئیں۔

### اسٹاک مارکیٹ کا جائزہ:

معاشی غیر یقینی صورتحال نے مالی سال 2023 کے دوران اسٹاک مارکیٹ کی حالت اور کارکردگی کو بھی متاثر کیا جبکہ کے ایم آئی-30 انڈیکس کی مالی سال 23 میں 3 فیصد کی سست ترقی رکارڈ ہوئی۔ فریڈلائزر کی جانب سے مثبت شراکت (115 پوائنٹس) اور سیمینٹس کی جانب سے (62 پوائنٹس) سامنے آئیں جبکہ آئل اینڈ گیس مارکیٹنگ سے (43 پوائنٹس) اور کیمیکلز سے (42 پوائنٹس) کی منفی شراکت سامنے آئی۔ آئی ایم ایف پروگرام میں تاخیر کی وجہ سے اسٹاک ایکسچینج میں ہلکی سرگرمی کی کمی تھی جہاں 9 واں جائزہ (22 ستمبر کاشیڈول) مکمل نہیں ہوا تھا۔ واضح رہے کہ آئی ایم ایف کے ساتھ 3 سالہ ایکسٹینڈیڈ فنڈ فیسلٹی (ای ایف ایف) جون 2023 میں ختم ہونا تھا۔ اس تاخیر کی وجہ سے معاشی غیر یقینی صورتحال پیدا ہوئی خاص طور پر بیرونی اکاؤنٹس کے محاذ پر جہاں غیر ملکی زرمبادلہ کے ذخائر میں کمی نے ڈیفالٹ کے خدشات کو جنم دیا تھا۔ بعد ازاں سال کے دوران پاکستان نے بجلی کے نرخوں اور سیلز ٹیکس میں اضافہ کیا اور فنانس بل میں ترامیم کیں جس کے نتیجے میں جون 2023 تک 9 ماہ کے لیے 3 بلین ڈالر کے نئے اسٹینڈ بائی معاہدے (ایس بی) پر دستخط کیے گئے۔ آئی ایم ایف پروگرام میں تاخیر کے ساتھ ساتھ بڑھتی ہوئی افراط زر اور شرح سود کے نتیجے میں ایکویٹی مارکیٹ پر بھی دباؤ پڑا جہاں سرمایہ کاروں نے فکسڈ انکم مارکیٹ کا رخ کیا۔

سال کے دوران کے ایم آئی 30 انڈیکس کا مجموعی تجارتی حجم 6 فیصد اضافے کے ساتھ 55 ملین حصص رہا جبکہ مالی سال 23 کے دوران مجموعی تجارتی مالیت 14 فیصد کم ہو کر 3.1 بلین روپے رہی۔ مالی سال 2023 کے دوران غیر ملکی 1.6 بلین ڈالر کے خالص خریدار رہے جبکہ گزشتہ سال کے دوران 297 ملین ڈالر کی فروخت ہوئی تھی۔ مقامی لوگوں میں میوچل فنڈز اور انشورنس کمپنیاں بالترتیب 145 ملین ڈالر اور 124 ملین ڈالر کے خالص فروخت کنندہ تھے۔

### منی مارکیٹ کا جائزہ:

مالی سال 23 کے دوران افراط زر مئی-23 میں 38 فیصد کی بلند ترین سطح پر پہنچ گیا جو کئی دہائیوں کی بلند ترین سطح ہے اور مالی سال 23 میں اوسط 29 فیصد تھا، جس کی وجہ سے اسٹیٹ بینک کو پالیسی ریٹ کو سخت کرنا پڑا۔ اس کے نتیجے میں اسٹیٹ بینک نے مجموعی طور پر پالیسی ریٹ میں 825 بی پی ایس کا اضافہ کر کے 22 فیصد کر دیا۔ اسٹیٹ بینک نے مالی سال 23 کے دوران جارحانہ مانیٹری سختی کے اہم عوامل کے طور پر افراط زر کے بڑھتے ہوئے دباؤ، بیرونی اکاؤنٹس کے خدشات اور بڑھتی ہوئی عالمی شرح سود کو اجاگر کیا ہے۔

22 جون 2023 کو ہونے والی آخری سکوک نیلامی کے دوران حکومت نے فکسڈ ریٹیل ریٹ (ایف آر آر) سکوک سے 60 ارب روپے

کے ہدف کے مقابلے میں 76 بلین روپے جمع کیے تھے۔ ایک سالہ سکوک پر منافع 21.29 فیصد رہا جبکہ 3 سالہ سکوک پر منافع 18.49 فیصد رہا۔ ویری ایبل ریٹ سکوک (وی آر آر) نیلامی میں حکومت نے 130 بلین روپے کے ہدف کے مقابلے میں 81 بلین روپے جمع کیے۔ ایک سال کے وی آر آر کے لئے کٹ آف 22.87 فیصد رہی۔

### مستقبل کا نقطہ نظر:

آئی ایم ایف کے ایکشن پلان کی تکمیل پاکستان کے معاشی امکانات کے لئے اہم ہوگی۔ بجلی اور گیس کے نرخوں میں متوقع ایڈجسٹمنٹ، اجناس کی قیمتوں میں اضافے اور کرنسی کی قدر میں کمی کی وجہ سے مالی سال 24 میں افراط زر میں اضافے کا امکان ہے۔ اسٹیٹ بینک کی جانب سے اپنی سخت مانیٹری پالیسی کو برقرار رکھنے کا امکان ہے جس سے 24HFY24 میں شرح سود میں تبدیلی کا امکان ہے کیونکہ بنیادی اثرات کی وجہ سے افراط زر 20 فیصد سے کم ہونے کا امکان ہے۔

اصلاحاتی ایجنڈے بالخصوص توانائی کے شعبے، ٹیکسیشن اور خسارے میں چلنے والے سرکاری ادارے حکومت کے بڑھتے ہوئے مالی خسارے پر قابو پانے کے لیے اہم ہوں گے۔ معاشی چیلنجز کے باوجود مارکیٹ میں ایمبل لیکویڈیٹی دستیاب ہے جس کا ثبوت مالی سال 23 میں انڈسٹری کے انڈر مینجمنٹ (ایو ایس) اثاثوں میں 1.6 ٹریلین روپے سے زائد کا اضافہ ہے جو ساہا سال میں 33 فیصد اضافے کی نشاندہی کرتا ہے۔ اعلیٰ شرح سود کے ماحول میں، سرمایہ کاری کا جھکاؤ فلکسڈ انکم فنڈز کی طرف ہونے کی توقع ہے، لیکن ایکویٹیٹا ریٹرنیٹی طور پر کم ویلیویشن پر ٹریڈ کر رہے ہیں اور 24HFY24 میں شرح سود میں تبدیلی کی توقعات، ایکویٹیٹا میں سرمایہ کاری میں تیزی آنے کی توقع ہے۔ درمیانی سے طویل مدت میں توقع ہے کہ ایکویٹیٹا دیگر اثاثہ جات کے درجوں سے بہتر کارکردگی کا مظاہرہ کریں گے۔

رہے جبکہ گزشتہ سال کے دوران 297 ملین ڈالر کی فروخت ہوئی تھی۔ مقامی لوگوں میں میوچل فنڈز اور انشورنس کمپنیاں بالترتیب 145 ملین ڈالر اور 124 ملین ڈالر کے خالص فروخت کنندہ تھے۔

### معیاری مارکیٹ کا جائزہ:

مالی سال 23 کے دوران افراط زر معیاری 23 میں 38 فیصد کی بلند ترین سطح پر پہنچ گیا جو کئی دہائیوں کی بلند ترین سطح ہے اور مالی سال 23 میں اوسطاً 29 فیصد تھا، جس کی وجہ سے اسٹیٹ بینک کو پالیسی ریٹ کو سخت کرنا پڑا۔ اس کے نتیجے میں اسٹیٹ بینک نے مجموعی طور پر پالیسی ریٹ میں 825 بی پی ایس کا اضافہ کر کے 22 فیصد کر دیا۔ اسٹیٹ بینک نے مالی سال 23 کے دوران جارحانہ مانیٹری سختی کے اہم عوامل کے طور پر افراط زر کے بڑھتے ہوئے دباؤ، بیرونی اکاؤنٹس کے خدشات اور بڑھتی ہوئی عالمی شرح سود کو اجاگر کیا ہے۔

22 جون 2023 کو ہونے والی آخری سکوک نیلامی کے دوران حکومت نے فلکسڈ ریٹ (ایف آر آر) سکوک سے 60 ارب روپے کے ہدف کے مقابلے میں 76 بلین روپے جمع کیے تھے۔ ایک سالہ سکوک پر منافع 21.29 فیصد رہا جبکہ 3 سالہ سکوک پر منافع 18.49 فیصد رہا۔ ویری ایبل ریٹ سکوک (وی آر آر) نیلامی میں حکومت نے 130 بلین روپے کے ہدف کے مقابلے میں 81 بلین روپے جمع کیے۔ ایک سال کے وی آر آر کے لئے کٹ آف 22.87 فیصد رہی۔

## مستقبل کا نقطہ نظر:

آئی ایم ایف کے ایکشن پلان کی تکمیل پاکستان کے معاشی امکانات کے لئے اہم ہوگی۔ بجلی اور گیس کے زرخوں میں متوقع ایڈجسٹمنٹ، اجناس کی قیمتوں میں اضافے اور کرنسی کی قدر میں کمی کی وجہ سے مالی سال 24 میں افراط زر میں اضافے کا امکان ہے۔ اسٹیٹ بینک کی جانب سے اپنی سخت مانیٹری پالیسی کو برقرار رکھنے کا امکان ہے جس سے 24HFY2 میں شرح سود میں تبدیلی کا امکان ہے کیونکہ بنیادی اثرات کی وجہ سے افراط زر 20 فیصد سے کم ہونے کا امکان ہے۔ اصلاحاتی ایجنڈے بالخصوص توانائی کے شعبے، ٹیکسیشن اور خسارے میں چلنے والے سرکاری ادارے حکومت کے بڑھتے ہوئے مالی خسارے پر قابو پانے کے لیے اہم ہوں گے۔ معاشی چیلنجز کے باوجود مارکیٹ میں ایبل لیکویڈیٹی دستیاب ہے جس کا ثبوت مالی سال 23 میں انڈسٹری کے انڈر مینجمنٹ (اے یو ایمز) اثاثوں میں 1.6 ٹریلین روپے سے زائد کا اضافہ ہے جو ساہا سال میں 33 فیصد اضافے کی نشاندہی کرتا ہے۔ اعلیٰ شرح سود کے ماحول میں، سرمایہ کاری کا جھکاؤ فکسڈ انکم فنڈز کی طرف ہونے کی توقع ہے، لیکن ایکویٹیز تاریخی طور پر کم ویلویشن پر ٹریڈ کر رہے ہیں اور 24HFY2 میں شرح سود میں تبدیلی کی توقعات، ایکویٹیز میں سرمایہ کاری میں تیزی آنے کی توقع ہے۔ درمیانی سے طویل مدت میں توقع ہے کہ ایکویٹیز دیگر اثاثہ جات کے درجوں سے بہتر کارکردگی کا مظاہرہ کریں گے۔

## فنڈز کی کارکردگی اور ادائیگیاں:

### ایچ بی ایل اسلامک منی مارکیٹنگ فنڈ:

30 جون 2023ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 6.41 بلین روپے اور 6.08 بلین روپے رہی۔ 30 جون 2023ء کو فنڈ کی خالص اثاثہ جات کی قیمت (این اے وی) 101.3883 روپے فی یونٹ رہی جو 30 جون 2022 کو 101.2171 روپے فی یونٹ تھی۔ 15.9328 روپے فی یونٹ کے منافع کو شامل کرنے کے بعد، اس طرح 17.24 فیصد کا سالانہ منافع ملتا ہے۔ سال کے دوران بیچ مارک ریٹرن (3 ماہ کی بینک ڈپازٹ کی شرح) 6.23 فیصد تھی۔ 30 جون 2023ء تک فنڈ کا حجم 44.53 بلین روپے تھا جو سال کے آغاز میں 15.54 بلین روپے تھا۔

JCR-VS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ میں (f) + AA کی فنڈ اسٹیٹ کام کی درجہ بندی کی توثیق کی ہے۔

### ایچ بی ایل اسلامک انکم فنڈ:

30 جون 2023ء کو ختم ہونے والے سال کے دوران فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 1.40 بلین روپے اور 1.31 بلین روپے رہی۔ 30 جون 2023ء کو فنڈ کی خالص اثاثہ جات کی قیمت (این اے وی) 103.2208 روپے فی یونٹ رہی جو 30 جون 2022 کو 102.7607 روپے فی یونٹ تھی، 17.50 روپے فی یونٹ کے منافع کو شامل کرنے کے بعد، اس طرح 17.55 فیصد کا سالانہ منافع ملتا ہے۔ اسی سال کے دوران بیچ مارک ریٹرن 6 ماہ کی بینک ڈپازٹ کی شرح 6.06 فیصد تھی۔ 30 جون 2023ء تک فنڈ کا حجم 7.74 بلین روپے رہا جو سال کے آغاز میں 4.67 بلین روپے تھا۔



JCR-VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ میں (f) A+ کی فنڈ اسٹیبلٹی ریٹنگ کی توثیق کی ہے۔

### ایچ بی ایل اسلامک اسٹاک فنڈ:

30 جون 2023ء کو ختم ہونے والے سال کے دوران فنڈ کا مجموعی اور خالص نقصان بالترتیب 5.41 ملین روپے اور 17.06 ملین روپے رہا۔ 30 جون 2023ء کو فنڈ کی خالص اثاثہ جات کی قیمت (این اے وی) 77.9684 روپے فی یونٹ رہی جو 30 جون 2022 کو 88.4322 روپے فی یونٹ تھی۔ اس طرح سال کے دوران 2.88 فیصد کے بیچ مارک ریٹرن (30 KMI انڈیکس) کے مقابلے میں 11.83 فیصد کا منفی منافع ملا۔ 30 جون 2023ء تک فنڈ کا حجم 0.16 بلین روپے رہا جو سال کے آغاز میں 0.41 ارب روپے تھا۔

### ایچ بی ایل اسلامک ایکویٹی فنڈ:

30 جون 2023ء کو ختم ہونے والے سال کے دوران فنڈ کا مجموعی اور خالص نقصان بالترتیب 3.41 ملین روپے اور 9.53 ملین روپے رہا۔ 30 جون 2023ء کو فنڈ کی خالص اثاثہ جات کی قیمت (این اے وی) 65.8671 روپے فی یونٹ رہی جو 30 جون 2022 کو 69.9797 روپے فی یونٹ تھی۔ اس طرح سال کے دوران 2.88 فیصد بیچ مارک ریٹرن (کے ایم آئی 30 انڈیکس) کے مقابلے میں 5.88 فیصد کا منفی منافع ملا۔ فنڈ کا حجم سال کے آغاز میں 0.15 بلین روپے کے مقابلے میں 30 جون 2023ء تک 0.11 بلین رہا۔

### ایچ بی ایل اسلامک ایسیٹ ایلو کیشن فنڈ:

ایچ بی ایل اسلامک ایسیٹ ایلو کیشن فنڈ (ایچ بی ایل اے ایف) کے تحت ایچ بی ایل اسلامک ایسیٹ ایلو کیشن فنڈ پلان ون (ایچ بی ایل آئی اے ایف - پلان ون) 13 جولائی 2020 کو تشکیل دیا گیا اور ایچ بی ایل اسلامک ایسیٹ ایلو کیشن فنڈ - پلان ٹو کا آغاز 05 اگست 2022 کو کیا گیا تھا۔

30 جون 2023ء کو ختم ہونے والے سال کے دوران ایچ بی ایل آئی اے ایف پلانز سمیت فنڈ کی کل اور خالص آمدنی بالترتیب 413.08 ملین روپے اور 394.71 ملین روپے رہی۔ ایچ بی ایل - آئی اے ایف کی خالص اثاثہ جات کی قیمت (این اے وی) 30 جون 2022 کو 108.5372 روپے فی یونٹ سے کم ہو کر 30 جون 2023 کو 101.6871 روپے فی یونٹ ہو گئی۔ اس طرح اس مدت کے دوران بیچ مارک ریٹرن (کے ایم آئی 30 انڈیکس) کا اوسط یومیہ منافع اور اے ریٹڈ یا اس سے اوپر کے بینکوں کی 6 ماہ کی ڈپازٹ ریٹ (2.03 فیصد کے مقابلے میں 6.31 فیصد کا منفی منافع ملا۔ ایچ بی ایل - آئی اے ایف پلان ون کی خالص اثاثہ جات کی قیمت 30 جون 2022 کو 100.5354 روپے فی یونٹ (15.70 روپے فی یونٹ کے منافع کو شامل کرنے کے بعد) کے مقابلے میں 30 جون 2023 کو 101.3349 روپے فی یونٹ تھی۔ اس طرح اس مدت کے دوران 4.16 فیصد کے بیچ مارک ریٹرن کے مقابلے میں 16.54 فیصد کا منافع ملا۔ 30 جون 2023ء کو ایچ بی ایل - آئی اے ایف پلان ٹو کی خالص اثاثہ جات کی قیمت (این اے وی) 100.9289 روپے (18.65 روپے فی یونٹ کے منافع کو شامل کرنے کے بعد) تھی۔ 30 جون 2023ء تک فنڈ کا مجموعی حجم 2.25 بلین روپے تھا جو سال کے آغاز میں 2.62 بلین روپے تھا۔

## ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ:

ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ دو ذیلی فنڈز (پلانز) پر مشتمل ہے جن میں ایکٹو ایلو کیشن پلان اور کنزرویٹو ایلو کیشن پلان شامل ہیں۔ مجموعی طور پر فنڈ نے سال کے دوران بالترتیب 13.32 ملین روپے اور 12.14 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ فنڈ کا حجم 0.10 بلین روپے تھا۔ منصوبے کے لئے کارکردگی کا جائزہ ذیل میں دیا گیا ہے:

### ایکٹو ایلو کیشن پلان:

موجودہ سال کے دوران زیر غور ایکٹو ایلو کیشن پلان نے بالترتیب 13.20 ملین روپے اور 12.03 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ ایکٹو ایلو کیشن پلان کے خالص اثاثے 102 ملین روپے رہے جو 30 جون 2023ء تک 87.5441 روپے فی یونٹ کی خالص اثاثہ جات کی قیمت (این اے وی) کو ظاہر کرتے ہیں جبکہ 30 جون 2022ء کو یہ 87.1696 روپے تھے (12.35 روپے فی یونٹ کے منافع کو شامل کرنے کے بعد)۔ اس منصوبے نے زیر غور سال کے لئے بیچ مارک ریٹرن منفی 6.68 فیصد کے مقابلے میں 14.65 فیصد کا منافع کمایا۔ اس منصوبے میں فکسڈ انکم فنڈز میں 90 فیصد کی حد تک سرمایہ کاری کی گئی ہے۔

### کنزرویٹو ایلو کیشن پلان:

زیر غور سال کے دوران کنزرویٹو ایلو کیشن پلان نے بالترتیب 0.12 ملین روپے اور 0.11 ملین روپے کی مجموعی آمدنی حاصل کی۔ کنزرویٹو ایلو کیشن پلان کے خالص اثاثے 0.75 ملین روپے رہے جو 30 جون 2022ء کو 90.9171 روپے فی یونٹ (12.50 روپے فی یونٹ کے منافع کو شامل کرنے کے بعد) کے مقابلے میں 93.8604 روپے فی یونٹ کی خالص اثاثہ جات کی قیمت (این اے وی) کو ظاہر کرتے ہیں۔ اس منصوبے نے 5.79 فیصد کے بیچ مارک ریٹرن کے مقابلے میں زیر غور سال کے لئے 17.43 فیصد منافع حاصل کیا۔ اس منصوبے میں فکسڈ انکم فنڈز میں 61 فیصد کی حد تک سرمایہ کاری کی گئی ہے۔

## ایچ بی ایل اسلامک ڈیڈ کیٹیڈ ایکویٹی فنڈ:

زیر نظر مدت کے دوران، اسلامک ڈیڈ کیٹیڈ ایکویٹی فنڈ مدت کے لئے غیر فعال رہا اور اس کے فنڈز کا حجم صفر ہے کیونکہ تمام یونٹس کو کمپنی کے زیر انتظام فنڈ آف فنڈ پلانز کے ذریعہ ریڈیم کیا گیا تھا جیسا کہ فنڈ کے فنانشل اسٹیٹمنٹ کے نوٹ 1.8 میں ظاہر کیا گیا ہے۔

### ایچ بی ایل لائیو اسٹاک فنڈ:

فنڈ نے 17 اپریل 2023ء کو اپنے کام کا آغاز کیا۔ زیر غور مدت کے دوران فنڈ نے بالترتیب 27.32 ملین روپے اور 3.62 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ 30 جون 2023ء کو فنڈ کے خالص اثاثے 93.62 ملین روپے تھے جو 1,040.1980 روپے فی یونٹ کی خالص اثاثہ جات کی قیمت (این اے وی) کو ظاہر کرتے ہیں۔ فنڈ نے زیر غور مدت کے لئے 4.02 فیصد کا منافع کمایا۔

### مینجمنٹ کمپنی ریٹنگ:

وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (وی آئی ایس) نے ایچ بی ایل ایسیٹ مینجمنٹ لمیٹڈ کی مینجمنٹ کوالٹی ریٹنگ کو

AM2++ (اے ایم ٹو پلس پلس) سے AM-I (اے ایم - ون) میں اپ گریڈ کیا ہے۔ اور تفویض کردہ درجہ بندی پر نقطہ نظر کا اندازہ مستحکم طور پر کیا گیا ہے۔

## آڈیٹرز:

ریٹائر ہونے والے آڈیٹرز اور سال 30 جون 2024 کے لئے تقریروں کی تفصیلات مندرجہ ذیل جدول میں فراہم کی گئی ہیں۔

فونڈ کا نام	30 جون 2023 کو ختم ہونے والے سال میں ریٹائر ہونے والے آڈیٹرز	سال 30 جون 2024 کے دوبارہ تقرری/نئی تقرری آڈیٹرز
ایچ بی ایل اسلامک ایکویٹی فنڈ	بی ڈی ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ	یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ
ایچ بی ایل لائیو اسٹاک فنڈ	بی ڈی ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ	بی ڈی ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ
ایچ بی ایل اسلامک منی مارکیٹ فنڈ	پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹ	پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹ
ایچ بی ایل اسلامک ایسیٹ ایلو کیشن فنڈ	پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹ	پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹ
ایچ بی ایل اسلامک فنانشل پلاننگ فنڈ	پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹ	پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹ
ایچ بی ایل اسلامک اسٹاک فنڈ	اے ایف فرگوسنز اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ	اے ایف فرگوسنز اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ
ایچ بی ایل اسلامک انکم فنڈ	یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ	بی ڈی ابراہیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹ
ایچ بی ایل اسلامک ڈیڈویکٹیڈ ایکویٹی فنڈ	یوسف عادل اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹ	پی ایم جی تاثیر ہادی اینڈ کو، چارٹرڈ اکاؤنٹنٹ

## یونٹ ہولڈنگ کا نمونہ:

یونٹ ہولڈنگ کے پیٹرن کے بارے میں تفصیلات فنڈز سے متعلق فنانشل اسٹیٹمنٹ میں فراہم کی جاتی ہیں۔ سائیز کے لحاظ سے یونٹ ہولڈنگ کی تقسیم متعلقہ فنڈز کی سالانہ فنڈ منیجر رپورٹ کے متعلقہ سیکشن میں فراہم کی گئی ہے۔

## اعتراف:

بورڈ اس موقع پر اپنے قابل قدر یونٹ ہولڈرز کے اعتماد اور سرپرستی کے لیے شکریہ ادا کرتا ہے۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، سینٹرل ڈپازٹری کمپنی آف پاکستان اور ڈیجیٹل کسٹوڈین کمپنی لمیٹڈ کی بطور سٹیز، پاکستان اسٹاک ایکسچینج لمیٹڈ اور اسٹیٹ بینک آف پاکستان کی طرف سے فراہم کردہ مدد اور رہنمائی کو سراہتا ہے۔ بورڈ اپنے عملے کی سخت محنت اور لگن کی تعریف بھی ریکارڈ پر کھنا چاہتا ہے۔

از طرف بورڈ آف ایچ بی ایل ایسیٹ مینجمنٹ لمیٹڈ  
چیف ایگزیکٹو آفیسر



# HBL Islamic Money Market Fund

## FUND INFORMATION

NAME OF FUND	HBL ISLAMIC MONEY MARKET FUND
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	KPMG Taseer Hadi & Co., Chartered Accountants
NAME OF SHARIAH ADVISORS	Al - Hilal Shariah Advisors (Pvt.) Limited
NAME OF BANKERS	Habib Bank Limited Askari Bank Limited Habib Metropolitan Bank Limited Bank Al Habib Limited Allied Bank Limited Faysal Bank Limited Bank Alfalah Limited Meezan Bank Limited National Bank Limited United Bank Limited
FUND RATING	AA+(f) (JCR-VIS)



**FUND MANAGER'S REPORT – HBL ISLAMIC MONEY MARKET FUND**

**Type and Category of Fund**

Open end Islamic Money Market Fund

**Investment Objective and Accomplishment of Objective**

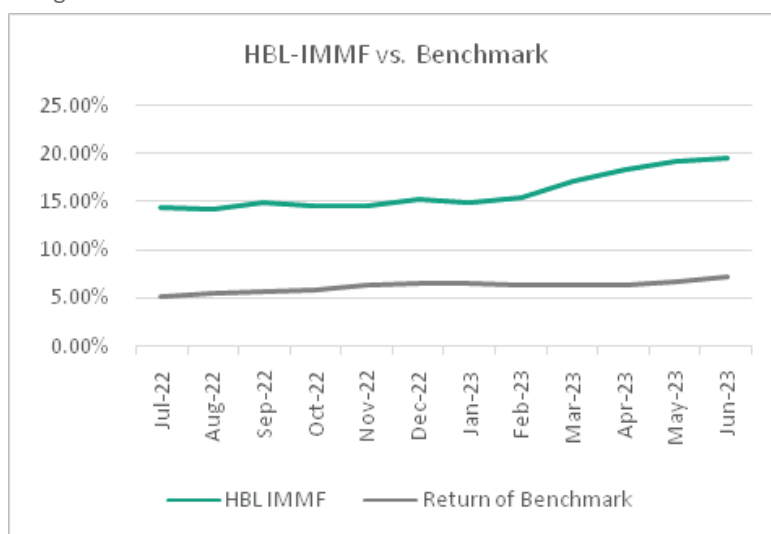
The investment objective of the Fund is to seek high liquidity, competitive return and maximum possible preservation of Capital for investors by investing in low risk Shariah Compliant securities. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is average 3 Months average deposit rates of 3 AA rated Islamic Banks or Islamic Windows of Conventional Bank as selected by MUFAP.

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

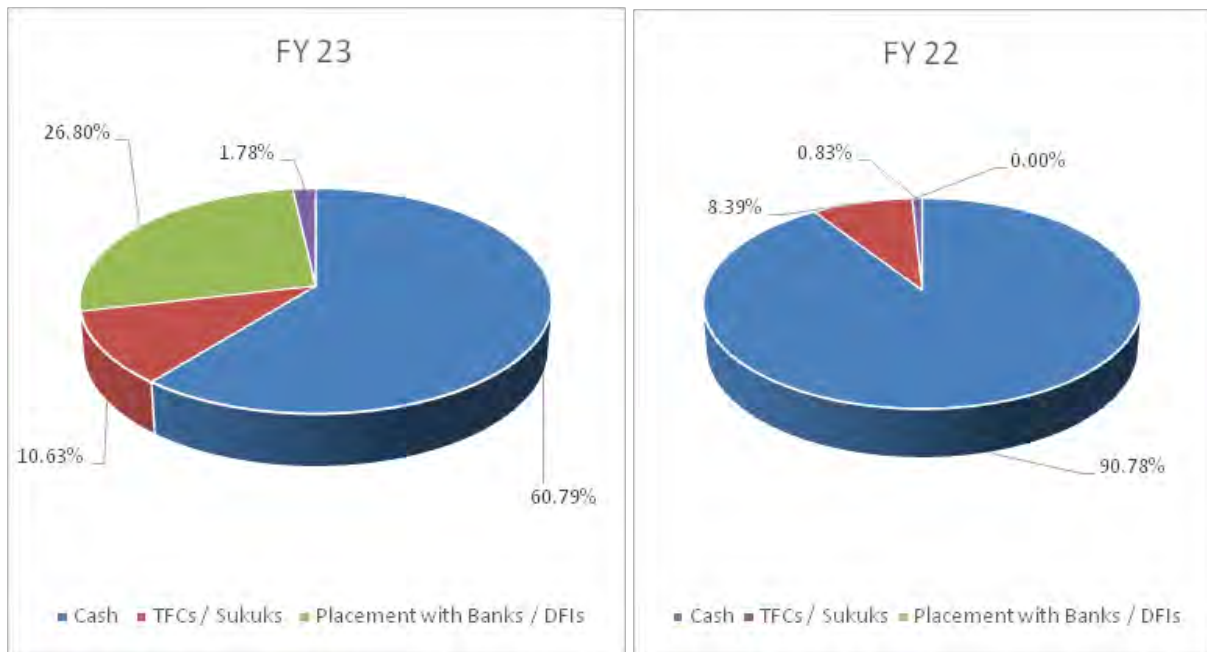
Month	HBL-IMMF	Benchmark
Jun-23	19.49%	7.16%
May-23	19.18%	6.75%
Apr-23	18.36%	6.41%
Mar-23	17.06%	6.38%
Feb-23	15.38%	6.38%
Jan-23	14.96%	6.55%
Dec-22	15.26%	6.44%
Nov-22	14.55%	6.29%
Oct-22	14.53%	5.93%
Sep-22	14.92%	5.77%
Aug-22	14.20%	5.51%
Jul-22	14.35%	5.22%



**Strategies and Policies employed during the Period**

The Fund continued to remain majorly invested in bank deposit due to absence of investment opportunities in Islamic universe. During the year investment in short term Islamic commercial papers and short term Sukuk assisted the fund manager to support the bottom line of the fund. However, this mode of investment is limited to a few issuers because Money Market Schemes have duration and rating limitations. At the end of period, asset allocation comprised of 90.78% investment in DPA accounts and remaining 8.39% in Islamic Commercial Papers and short term Sukuk. Going forward, we will explore further options to invest the funds in shorter duration placement opportunities to augment the returns.

## Asset Allocation



### Fund Performance

The total income and net income of the Fund was Rs. 6.41 billion and Rs. 6.08 billion respectively during the year ended June 30, 2023. The Net Asset Value (NAV) of the Fund was Rs. 101.3883 per unit as on June 30, 2023 as compared to Rs. 101.2171 per unit as on June 30, 2022, after incorporating dividend of Rs. 15.9328 per unit, thereby giving an annualized return of 17.24%. During the year the benchmark return (3 Month bank deposit rates) was 6.23%. The size of Fund was Rs. 44.53 billion as on June 30, 2023 as compared to Rs. 15.54 billion at the start of the year.

### Money Market Review

Post-COVID, the SBP shifted its focus from catalyzing economic recovery toward sustaining it. Accordingly, Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

### Distribution

The Fund has distributed cash dividend up-to Rs. 15.9328 per unit for the year ended June 30, 2023.

### Significant Changes in the State of Affairs

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

## Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	2,210	42,597
101 – 500	261	57,059
501 – 1,000	89	62,263
1,001 – 10,000	590	2,830,175
10,001 – 100,000	896	33,074,106
100,001 – 500,000	212	43,072,276
500,001 – 1,000,000	33	22,891,333
1,000,001 – 5,000,000	39	88,341,856
5,000,001 and above	14	248,857,941
<b>Total</b>	<b>4,344</b>	<b>439,229,606</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

**PERFORMANCE TABLE –  
HBL ISLAMIC MONEY MARKET FUND**  
As at June 30, 2023

	2023	2022	2021	2020	2019	2018
Net assets at the period end(Rs'000)	44,532,740	15,540,463	6,640,304	8,423,242	1,050,315	957,109
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	101.3883	101.2171	101.1940	101.1744	100.9968	104.9735
Offer	102.5340	102.3609	102.3375	102.3177	102.1381	104.9735
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	102.3177	102.3177	102.9680	103.2023	110.0993	104.9735
Lowest offer price per unit	102.3177	102.3177	101.1744	102.1381	100.8796	100.6620
Highest redemption price per unit	101.1744	101.1744	101.8175	102.0491	108.8691	104.9735
Lowest redemption price per unit	101.1744	101.1744	101.1744	100.9968	100.8796	100.6620
<b>RETURN ( % )</b>						
Total return	17.24%	9.99%	6.47%	11.38%	8.11%	4.32%
Income distribution	15.93%	9.62%	6.33%	10.77%	8.00%	4.15%
Capital growth	1.31%	0.37%	0.14%	0.61%	0.11%	0.17%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	15.9328	9.6178	6.3321	10.7689	8.00	4.15
Date of Income Distribution	Different Dates	Different Dates	Different Dates	Different Dates	28-Jun-19	4-Jul-18
Total dividend distribution for the year/ period	15.93	9.62	6.33	10.77	8.00	
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	17.24%	9.99%	6.47%	11.38%	8.11%	4.32%
Average annual return 2 year	13.56%	8.22%	8.90%	9.73%	6.20%	4.26%
Average annual return 3 year	11.14%	9.26%	8.63%	7.90%	5.53%	4.27%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	60.79%	86.09%	77.27%	87.62%	87.68%	90.67%
Commercial paper	0.00%	6.63%	12.48%	3.75%	11.16%	
Placement with Banks and DFIs	26.80%	0.00%	0.00%	0.00%	0.00%	8.82%
TFCs / Sukuks	10.63%	5.91%	8.99%	7.99%	-	
Others	1.78%	1.37%	1.26%	0.64%	1.16%	0.51%

**Note:**

The Launch date of the Fund is May 10, 2011

**Disclaimer:**

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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S.M.C.H.S., Main Shahr-e-Faisal  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
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Email: info@cdcpak.com



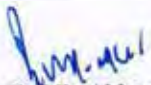
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC MONEY MARKET FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Money Market Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2023





ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٹڈ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Money Market Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2023. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 25, 2023

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

UAN (021) 111-425-262  
Fax (021) 35168455  
www.hblasst.com



September 25, 2023

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Money Market Fund (HBL-IMMF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

والله أعلم بالصواب، وصلى الله على نبيينا محمد وعلى آله وصحبه وبارك وسلم

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



Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive





KPMG Taseer Hadi & Co.

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

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

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

Board of Directors are responsible for overseeing the Fund's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





KPMG Taseer Hadi & Co.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

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



KPMG Taseer Hadi & Co.

The engagement partner on the audit resulting in this independent auditors' report is Zeeshan Rashid.

Date: 27 September 2023

Karachi

UDIN: AR202310188t9K267eE1

A handwritten signature in black ink, appearing to read 'Zeeshan Rashid', written over a horizontal line.

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



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 37131900, Fax +92 (21) 35685095

### **Independent Reasonable Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles**

We were engaged by the Board of Directors of HBL Asset Management Limited, Management Company of **HBL Islamic Money Market Fund** (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Management Company for the year ended June 30, 2023, in the form of an independent reasonable assurance opinion about whether the annexed statement presents fairly the status of the Fund's compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

#### **Applicable Criteria**

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

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended June 30, 2023.

#### **Responsibilities of the Management Company**

The Management Company is responsible for preparation of the annexed statement that is free from material misstatement and for the information contained therein.

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

#### **Our Independence and Quality Control**

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

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG Taseer Hadi & Co., Chartered Accountants & Financial Advisors  
Member firm of the KPMG network of independent member firms affiliated with the  
KPMG network of member firms affiliated with the KPMG network of member firms, a global organization.





KPMG Taseer Hadi & Co.

### **Our Responsibilities**

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

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

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


### **Opinion**

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

In our opinion, the annexed statement, for the year ended June 30, 2023, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

Date: 27 September 2023

Karachi

  
KPMG Taseer Hadi & Co.  
Chartered Accountants

		2023	2022
	Note	----- (Rupees in '000) -----	
<b>Assets</b>			
Bank balances	4	40,290,208	14,146,600
Investments	5	4,797,000	1,306,000
Accrued profit	6	603,336	127,107
Advances, deposits and prepayment	7	22,019	877
<b>Total Assets</b>		<b>45,712,563</b>	<b>15,580,584</b>
<b>Liabilities</b>			
Payable to the Management Company	8	38,775	5,534
Payable to the Trustee	9	2,140	786
Payable to the Securities and Exchange Commission of Pakistan	10	7,495	1,913
Accrued expenses and other liabilities	11	1,131,413	31,888
<b>Total Liabilities</b>		<b>1,179,823</b>	<b>40,121</b>
<b>Net Assets</b>		<b>44,532,740</b>	<b>15,540,463</b>
<b>Unit Holders' fund (as per statement attached)</b>		<b>44,532,740</b>	<b>15,540,463</b>
<b>Contingencies and commitments</b>	12	----- (Number of units) -----	
<b>Number of units in issue</b>	13	<b>439,229,606</b>	<b>153,535,911</b>
<b>Net assets value per unit</b>		<b>101.3883</b>	<b>101.2171</b>

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

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

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

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

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

# HBL Islamic Money Market Fund

## Income Statement

For the year ended June 30, 2023

	2023	2022
Note	----- (Rupees in '000) -----	
<b>Income</b>		
Profit on deposits with banks calculated using the effective yield method	2,462,398	692,832
Return on investments calculated using the effective yield method	3,949,319	273,011
Net realised gain on sale of investments	1,194	83
	<b>6,412,911</b>	<b>965,926</b>
<b>Expenses</b>		
Remuneration of the Management Company	210,671	24,283
Remuneration of the Trustee	23,290	6,140
Annual fee to the Securities and Exchange Commission of Pakistan	7,495	1,913
Allocation of expenses related to registrar services, accounting, operation and valuation services	39,802	1,390
Selling and marketing expense	39,802	1,390
Auditors' remuneration	524	419
Settlement and bank charges	6,040	1,120
Fee and subscription	625	725
Printing and stationery	57	61
	<b>328,306</b>	<b>37,441</b>
<b>Net income from operating activities</b>	<b>6,084,605</b>	<b>928,485</b>
Provision for Sindh Workers' Welfare Fund	-	19,002
<b>Net income for the year before taxation</b>	<b>6,084,605</b>	<b>947,487</b>
Taxation	-	-
<b>Net income for the year after taxation</b>	<b>6,084,605</b>	<b>947,487</b>
<b>Allocation of net income for the year:</b>		
Net income for the year after taxation	6,084,605	947,487
Income already paid on redemption of units	-	-
	<b>6,084,605</b>	<b>947,487</b>
<b>Accounting income available for distribution:</b>		
- Relating to capital gains	-	-
- Excluding capital gains	6,084,605	947,487
	<b>6,084,605</b>	<b>947,487</b>
<b>Earnings per unit</b>	<b>18</b>	

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

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

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

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

\_\_\_\_\_  
Director

	2023	2022
	----- (Rupees in '000) -----	
<b>Net income for the year after taxation</b>	<b>6,084,605</b>	947,487
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b><u>6,084,605</u></b>	<u>947,487</u>

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

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

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

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

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

**HBL Islamic Money Market Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2023

Note	For the year ended June 30,					
	2023			2022		
	Capital value	Undistributed Income	Total	Capital value	Undistributed Income	Total
	(Rupees in '000)					
Net assets at beginning of the year	15,513,483	26,980	15,540,463	6,618,598	21,707	6,640,305
Issuance of 1,629,230,422 units (2022: 304,673,046 units)						
- Capital value (at net asset value per unit at the beginning of the period)	164,905,979	-	164,905,979	30,831,084	-	30,831,084
- Element of (loss) / income	(69,569)	-	(69,569)	(5,970)	-	(5,970)
Total proceeds on issuance of units	164,836,410	-	164,836,410	30,825,114	-	30,825,114
Redemption of 1,343,536,727 units (2022: 216,756,667 units)						
- Capital value (at net asset value per unit at the beginning of the period)	(135,988,891)	-	(135,988,891)	(21,934,474)	-	(21,934,474)
- Element of Income/(Loss)	57,369	-	57,369	4,245	-	4,245
Total payments on redemption of units	(135,931,522)	-	(135,931,522)	(21,930,229)	-	(21,930,229)
Total comprehensive income for the year	-	6,084,605	6,084,605	-	947,487	947,487
Distributions during the year*	-	(5,997,216)	(5,997,216)	-	(942,214)	(942,214)
Total distribution	-	(5,997,216)	(5,997,216)	-	(942,214)	(942,214)
Net assets at end of the year	44,418,371	114,369	44,532,740	15,513,483	26,980	15,540,463
Undistributed income brought forward						
- Realised income		26,980			21,707	
- Unrealised income		-			-	
		26,980			21,707	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		6,084,605			947,487	
		6,084,605			947,487	
Distributions during the year*		(5,997,216)			(942,214)	
Undistributed income carried forward		114,369			26,980	
Undistributed income carried forward						
- Relating to realised gain		114,369			26,980	
- Relating to unrealised gain		-			-	
		114,369			26,980	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		101.2171			101.1940	
Net assets value per unit at end of the year		101.3883			101.2171	

\* HBL Islamic Money Market Fund distribute dividend on daily basis on close of each business day.

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

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

Chief Financial Officer

Chief Executive Officer

Director

# HBL Islamic Money Market Fund

## Cash Flow Statement

For the year ended June 30, 2023

	2023	2022
	----- (Rupees in '000) -----	
<b>Cash flows from operating activities</b>		
Net income for the year before taxation	6,084,605	947,487
<b>Adjustments for:</b>		
Profit on deposits with banks calculated using the effective yield method	(2,462,398)	(692,832)
Return on investments calculated using the effective yield method	(3,949,319)	(273,011)
Realised gain on investments	(1,194)	(83)
	<u>(328,306)</u>	<u>(18,439)</u>
<i>(Increase) / decrease in assets</i>		
Advances, deposits and prepayment	(21,142)	3
Investments	(3,489,806)	126,658
	<u>(3,510,948)</u>	<u>126,661</u>
<i>Increase in liabilities</i>		
Payable to the Management Company	33,241	3,765
Payable to the Trustee	1,354	386
Payable to the Securities and Exchange Commission of Pakistan	5,582	461
Accrued expenses and other liabilities	1,099,525	6,238
	<u>1,139,702</u>	<u>10,850</u>
Profit received on investment and deposits with banks	5,935,488	921,707
<b>Net cash generated from operating activities</b>	<u>3,235,936</u>	<u>1,040,779</u>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of units	164,836,410	30,825,114
Payments on redemption of units	(135,931,522)	(21,930,229)
Cash distribution	(5,997,216)	(942,214)
<b>Net cash generated from financing activities</b>	<u>22,907,672</u>	<u>7,952,671</u>
<b>Net increase in cash and cash equivalents</b>	<u>26,143,608</u>	<u>8,993,450</u>
Cash and cash equivalents at beginning of the year	<u>14,146,600</u>	<u>5,153,150</u>
<b>Cash and cash equivalents at end of the year</b>	<u>40,290,208</u>	<u>14,146,600</u>

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

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

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

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

\_\_\_\_\_  
Director



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

- 1.1 HBL Islamic Money Market Fund (the Fund) was established under a Trust Deed, dated November 23, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on December 10, 2010.
- 1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3 The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange. The units of the Fund were initially offered for public subscription at 'par from May 9, 2011 to May 10, 2011.
- 1.4 The fund has been categorised as a Shariah Compliant Money Market fund as per the criteria laid down by SECP for categorisation of open-end Collective Investment Scheme (CISs).
- 1.5 The objective of the Fund is to seek high liquidity and competitive Shariah Compliant return for investors by investing in low risk securities of shorter duration and maturity.
- 1.6 VIS Credit Rating Company Limited (VIS) has upgraded the Management Quality Rating to AM-I (2022: AM2++) on December 30, 2022 and the outlook on the rating has been assigned as 'Stable' and the fund stability rating of AA+(f) (2022: AA+(f)) on December 29, 2022). The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes.
- 1.7 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as a trustee of the Fund.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

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

**2.2 Standards and amendments effective during the year**

There are number of new standards and amendments that are effective from July 01, 2022 however these do not

have a significant effect on the Fund's financial statements.

### **2.3 Standards, interpretations and amendments to accounting and reporting standards, that are not yet effective**

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

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after January 1, 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the cla
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a fund must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the fund must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, funds will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. These amendments also specify the transition re
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key am
  - Requiring funds to disclose their material accounting policies rather than their significant accounting policies;
  - Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a funds's financial statements

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in

accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, funds will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.
- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) introduce two new disclosure objectives for a fund to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the fund's liabilities and cash flows, and the fund's exposure to liquidity risk. Under the amendments, funds also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a fund might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. The amendments are effective for periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.
- International Tax Reform – Pillar Two Model Rules (amendments to IAS 12 ) introduce following new disclosure requirements:
  - Once tax law is enacted but before top-up tax is effective: disclose information that is known or can be reasonably estimated and that helps users of its financial statements to understand its exposure to Pillar Two income taxes at the reporting date. If information is not known or cannot be reasonably estimated at the reporting date, then a company discloses a statement to that effect and information about its progress in assessing the Pillar Two exposure.
  - After top-up tax is effective: disclose current tax expense related to top-up tax.

The above amendments and improvements have no impact on the financial statements of the Fund.

#### **2.4**

#### **Critical accounting estimates and judgements**

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

- (a) classification of financial assets (Note 3.6)
- (b) impairment of financial assets (Note 3.6)
- (c) provisions (Note 3.13)

#### **2.5**

#### **Basis of Measurement**

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

#### **2.6**

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

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

### **3.**

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **3.1**

#### **Cash and cash equivalent**

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

#### **3.2**

#### **Regular way contracts**

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

#### **3.3**

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

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

#### **3.4**

#### **Derecognition**

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

### 3.5

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

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

### 3.6 **Financial assets**

#### **i. Classification**

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

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

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

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

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

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

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

#### **Business model assessment**

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
  - the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

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

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

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

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

#### **ii. Subsequent measurement**

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

The fair value of financial assets are determined as follows:

#### **a) Debt securities (other than Government securities)**

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



**b) Government securities**

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

**iii. Reclassifications**

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

**iv. Impairment of financial assets**

Financial assets at amortised cost

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

**3.7 Financial liabilities**

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

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

**3.8 Unitholders' fund**

Unitholders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

**3.9 Issuance and redemption of units**

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

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

**3.10 Revenue recognition**

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

### **3.11 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders' every year.

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

### **3.12 Expenses**

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP and selling and marketing expense) are recognised in the Income Statement on an accrual basis.

### **3.13 Provisions**

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

### **3.14 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net assets value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

### **3.15 Net assets value per unit**

The net assets value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

### 3.16 Zakat Payable

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

### 3.17 Earnings per unit

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

### 3.18 Distributions

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

### 3.19 Other assets

Other assets are stated at cost less impairment losses, if any.

4. BANK BALANCES	Note	2023	2022
----- (Rupees in '000) -----			
Balances with banks in:			
Savings accounts	4.1	28,205,208	14,146,600
Certificate of Musharakah	4.2	12,085,000	-
		<u>40,290,208</u>	<u>14,146,600</u>

4.1 This represents bank balances held with different banks. Profit rates on these accounts range between 5.50% and 20.85% per annum (June 30, 2022: between 3% and 16.25% per annum).

4.2 This amount consists of Certificates of Musharakah placed with Bank Alfalah Limited - Islamic Banking and United Bank Limited - Ameen Islamic Banking of Rs. 5,785,000,000 (2022: Nil) and Rs. 6,300,000,000 (2022: Nil) respectively which is due to be matured within one month of the current year-end and carries profit at the rate of 20.25% and 20.35% respectively.

5. INVESTMENTS	Note	2023	2022
----- (Rupees in '000) -----			
<b>Investment by category</b>			
<b>Financial assets at amortised cost</b>			
Bai Muajjal	5.1	-	-
Sukuk certificates	5.2	4,797,000	1,306,000
		<u>4,797,000</u>	<u>1,306,000</u>

# HBL Islamic Money Market Fund

## Notes to the financial statements

For the year ended June 30, 2023

5.1

Bai Muajjal - at amortised cost

	Maturity date	Rate of return	As at July 1, 2022	Placements made during the year	Income accrued	Matured / Sold during the year	As at June 30, 2023	Carrying value as a percentage of	
								Total investments	Net Assets
								----- (%) -----	
								----- (Rupees in '000) -----	
Pak Oman Investment Company (Pvt.) Limited	December 21, 2022	15.00%	-	1,052,596	32,443	1,085,039	-	-	-
Pak Oman Investment Company (Pvt.) Limited	December 23, 2022	15.00%	-	1,053,980	32,053	1,086,033	-	-	-
Pak Oman Investment Company (Pvt.) Limited	December 23, 2022	15.00%	-	771,609	23,465	795,074	-	-	-
Pak Oman Investment Company (Pvt.) Limited	December 23, 2022	15.00%	-	320,936	9,760	330,696	-	-	-
Pak Kuwait Investment Company Limited	November 11, 2022	14.85%	-	321,053	9,736	330,789	-	-	-
Pak Kuwait Investment Company Limited	November 11, 2022	14.85%	-	771,963	4,049	776,012	-	-	-
Pak Oman Investment Company (Pvt.) Limited	December 26, 2022	15.00%	-	1,054,442	32,933	1,087,375	-	-	-
Pak Kuwait Investment Company Limited	November 14, 2022	14.85%	-	772,318	10,369	782,687	-	-	-
Pak Kuwait Investment Company Limited	November 14, 2022	14.85%	-	321,170	4,312	325,482	-	-	-
Pak Kuwait Investment Company Limited	November 21, 2022	14.85%	-	773,026	11,951	784,977	-	-	-
Pak Kuwait Investment Company Limited	November 21, 2022	14.85%	-	1,055,826	16,323	1,072,149	-	-	-
Pak Oman Investment Company (Pvt.) Limited	December 5, 2022	14.90%	-	777,631	12,380	790,011	-	-	-
Pak Kuwait Investment Company Limited	December 5, 2022	14.90%	-	1,061,824	16,905	1,078,729	-	-	-
Samba Bank Limited	December 5, 2022	15.00%	-	363,556	5,229	368,785	-	-	-
Samba Bank Limited	December 5, 2022	15.00%	-	415,492	5,976	421,468	-	-	-
Samba Bank Limited	December 5, 2022	15.00%	-	207,841	2,904	210,745	-	-	-
Pak Oman Investment Company (Pvt.) Limited	January 19, 2023	15.90%	-	807,874	10,910	818,784	-	-	-
Pak Oman Investment Company (Pvt.) Limited	January 19, 2023	15.90%	-	796,406	10,755	807,161	-	-	-
Pak Oman Investment Company (Pvt.) Limited	January 19, 2023	15.90%	-	790,250	10,672	800,922	-	-	-
Pak Kuwait Investment Company Limited	January 23, 2023	15.90%	-	808,225	11,971	820,196	-	-	-
Pak Kuwait Investment Company Limited	January 23, 2023	15.90%	-	790,609	11,710	802,319	-	-	-
Pak Kuwait Investment Company Limited	January 23, 2023	15.90%	-	796,761	11,801	808,562	-	-	-
Pak Brunei Investemnt Company Limited	January 27, 2023	15.94%	-	797,992	12,197	810,189	-	-	-
Pak Brunei Investemnt Company Limited	January 27, 2023	15.94%	-	809,446	12,372	821,818	-	-	-
Pak Brunei Investemnt Company Limited	January 27, 2023	15.94%	-	422,385	6,456	428,841	-	-	-
Pak Oman Investment Company (Pvt.) Limited	January 27, 2023	15.90%	-	810,498	11,298	821,796	-	-	-
Pak Oman Investment Company (Pvt.) Limited	January 27, 2023	15.90%	-	422,987	5,896	428,883	-	-	-
Pak Oman Investment Company (Pvt.) Limited	January 27, 2023	15.90%	-	799,055	11,139	810,194	-	-	-
Pak Oman Investment Company (Pvt.) Limited	January 27, 2023	15.90%	-	810,849	10,950	821,799	-	-	-
Pak Oman Investment Company (Pvt.) Limited	January 27, 2023	15.90%	-	799,409	10,795	810,204	-	-	-
Pak Oman Investment Company (Pvt.) Limited	January 27, 2023	15.90%	-	423,188	5,715	428,903	-	-	-
Pak Kuwait Investment Company Limited	February 6, 2023	15.73%	-	802,783	10,725	813,508	-	-	-
Pak Kuwait Investment Company Limited	February 6, 2023	15.73%	-	797,068	10,649	807,717	-	-	-
Pak Kuwait Investment Company Limited	February 6, 2023	15.73%	-	814,188	10,877	825,065	-	-	-
Pak Kuwait Investment Company Limited	February 6, 2023	15.73%	-	833,131	11,130	844,261	-	-	-
Samba Bank Limited	February 9, 2023	15.90%	-	159,756	2,157	161,913	-	-	-
Samba Bank Limited	February 9, 2023	15.90%	-	417,079	5,632	422,711	-	-	-
Samba Bank Limited	February 9, 2023	15.90%	-	417,079	5,632	422,711	-	-	-
Pak Kuwait Investment Company Limited	March 17, 2023	16.50%	-	809,513	18,663	828,176	-	-	-
Pak Kuwait Investment Company Limited	March 17, 2023	16.50%	-	804,222	18,541	822,763	-	-	-
Pak Kuwait Investment Company Limited	March 17, 2023	16.50%	-	840,825	19,385	860,210	-	-	-
Pak Brunei Investemnt Company Limited	March 20, 2023	16.45%	-	810,222	18,988	829,210	-	-	-
Pak Brunei Investemnt Company Limited	March 20, 2023	16.45%	-	804,950	18,864	823,814	-	-	-
Pak Brunei Investemnt Company Limited	March 20, 2023	16.45%	-	841,610	19,724	861,334	-	-	-
Pak Oman Investment Company (Pvt.) Limited	March 20, 2023	16.55%	-	842,788	18,725	861,513	-	-	-
Pak Oman Investment Company (Pvt.) Limited	March 20, 2023	16.55%	-	806,041	17,908	823,949	-	-	-
Pak Oman Investment Company (Pvt.) Limited	March 20, 2023	16.55%	-	811,285	18,025	829,310	-	-	-
Pak Oman Investment Company (Pvt.) Limited	March 21, 2023	16.55%	-	807,497	16,842	824,339	-	-	-
Pak Oman Investment Company (Pvt.) Limited	March 21, 2023	16.55%	-	844,358	17,611	861,969	-	-	-
Pak Kuwait Investment Company Limited	March 27, 2023	16.50%	-	808,589	17,911	826,500	-	-	-
Pak Kuwait Investment Company Limited	March 27, 2023	16.50%	-	845,536	18,729	864,265	-	-	-
Pak Oman Investment Company (Pvt.) Limited	March 21, 2023	16.55%	-	810,044	14,326	824,370	-	-	-
Pak Oman Investment Company (Pvt.) Limited	March 21, 2023	16.55%	-	847,106	14,981	862,087	-	-	-
Pak Brunei Investemnt Company Limited	April 10, 2023	19.50%	-	858,254	15,591	873,845	-	-	-
Pak Brunei Investemnt Company Limited	April 10, 2023	19.50%	-	782,484	14,213	796,697	-	-	-
Pak Brunei Investemnt Company Limited	April 11, 2023	19.45%	-	785,191	11,715	796,906	-	-	-
Pak Brunei Investemnt Company Limited	April 11, 2023	19.45%	-	861,067	12,849	873,916	-	-	-
Pak Oman Investment Company (Pvt.) Limited	April 10, 2023	19.20%	-	863,879	9,088	872,967	-	-	-
Pak Oman Investment Company (Pvt.) Limited	April 10, 2023	19.20%	-	787,898	8,289	796,187	-	-	-
Pak Brunei Investemnt Company Limited	May 10, 2023	20.40%	-	294,271	4,934	299,205	-	-	-
Pak Oman Investment Company (Pvt.) Limited	May 11, 2023	20.40%	-	796,019	13,347	809,366	-	-	-
Pak Oman Investment Company (Pvt.) Limited	May 11, 2023	20.40%	-	872,316	14,626	886,942	-	-	-
Pak Brunei Investemnt Company Limited	June 12, 2023	20.30%	-	804,740	14,770	819,510	-	-	-
Pak Brunei Investemnt Company Limited	June 12, 2023	20.30%	-	299,788	5,502	305,290	-	-	-
Pak Oman Investment Company (Pvt.) Limited	June 16, 2023	20.25%	-	322,254	5,542	327,796	-	-	-
Pak Oman Investment Company (Pvt.) Limited	June 16, 2023	20.25%	-	820,945	14,119	835,064	-	-	-
Pak Oman Investment Company (Pvt.) Limited	June 16, 2023	20.25%	-	821,406	13,671	835,077	-	-	-
Pak Oman Investment Company (Pvt.) Limited	June 16, 2023	20.25%	-	322,446	5,367	327,813	-	-	-
			-	<b>48,849,825</b>	<b>875,073</b>	<b>49,724,898</b>	-	-	-

5.2 Sukuks certificate - at amortised cost

	As at July 1, 2022	Purchased during the year	Matured / Sold during the year	As at June 30, 2023	Amortised cost as at June 30, 2023	Market value as at June 30, 2023	Market value as a percentage of	
							Total investments	Net Assets
(Rupees in '000)							[%]	
K-Electric Limited - Short Term Sukuk-7	-	750,000	750,000	-	-	-	0.0%	0.0%
K-Electric Limited - Short Term Sukuk-8	-	750,000	750,000	-	-	-	0.0%	0.0%
K-Electric Limited - Short Term Sukuk-12	-	750,000	750,000	-	-	-	0.0%	0.0%
The China Power Hub Company Limited (28-July -22)	-	1,200,000	1,200,000	-	-	-	0.0%	0.0%
The China Power Hub Company Limited (7-Dec -22)	-	750,000	750,000	-	-	-	0.0%	0.0%
Lucky Electric Power Company Limited - Sukuk-1	300,000	-	300,000	-	-	-	0.0%	0.0%
Lucky Electric Power Company Limited - Sukuk-2	1,000,000	-	1,000,000	-	-	-	0.0%	0.0%
Lucky Electric Power Company Limited - Sukuk-3	-	750,000	750,000	-	-	-	0.0%	0.0%
Lucky Electric Power Company Limited - Sukuk-5	-	800,000	800,000	-	-	-	0.0%	0.0%
Hub Power Company Limited	6,000	-	6,000	-	-	-	0.0%	0.0%
K-Electric Limited - Short Term Sukuk - 13	-	304,000	-	304,000	304,000	304,000	6.4%	0.7%
K-Electric Limited - Short Term Sukuk - 15	-	750,000	-	750,000	750,000	750,000	15.6%	1.7%
K-Electric Limited - Short Term Sukuk - 17	-	223,000	-	223,000	223,000	223,000	4.6%	0.5%
Lucky Electric Power Company Limited - Sukuk-8	-	750,000	-	750,000	750,000	750,000	15.6%	1.7%
Lucky Electric Power Company Limited - Sukuk-10	-	500,000	-	500,000	500,000	500,000	10.4%	1.1%
Hub Power Company Limited - 18 May 2023	-	900,000	-	900,000	900,000	900,000	18.8%	2.0%
The China Power Hub Company Limited - 28-March-23	-	890,000	-	890,000	890,000	890,000	18.6%	2.0%
Lucky Electric Power Company Limited - 13-June-23	-	480,000	-	480,000	480,000	480,000	10.0%	1.1%
	<b>1,306,000</b>	<b>10,547,000</b>	<b>7,056,000</b>	<b>4,797,000</b>	<b>4,797,000</b>	<b>4,797,000</b>	<b>100%</b>	<b>10.8%</b>

5.2.1 Significant terms and conditions of Sukuk certificates outstanding as at June 30, 2023 are as follows:

Name of Security	Remaining Principal (Rupees in '000)	Mark-up rate (per annum)	Date of Issue	Maturity Date
K-Electric Limited - Short Term Sukuk - 13	304,000	6 months KIBOR + 1.00%	09-Feb-23	09-Aug-23
K-Electric Limited - Short Term Sukuk - 15	750,000	6 months KIBOR + 0.50%	21-Mar-23	21-Sep-23
K-Electric Limited - Short Term Sukuk - 17	223,000	6 months KIBOR + 0.45%	18-May-23	17-Nov-23
Lucky Electric Power Company Limited - Sukuk-8	750,000	6 months KIBOR + 0.55%	28-Mar-23	29-Sep-23
Lucky Electric Power Company Limited - Sukuk-10	500,000	6 months KIBOR + 0.50%	28-Apr-23	30-Oct-23
Hub Power Company Limited - 18 May 2023	900,000	6 months KIBOR + 0.30%	18-May-23	17-Nov-23
The China Power Hub Company Limited - 28 March 2023	890,000	6 months KIBOR + 0.70%	28-Mar-23	28-Sep-23
Lucky Electric Power Company Limited - 13 June 2023	480,000	6 months KIBOR + 0.70%	13-Jun-23	13-Dec-23

6. ACCRUED PROFIT

Note

	2023	2022
	----- (Rupees in '000) -----	
Profit accrued on bank deposits	241,272	110,441
Profit accrued on Sukuk certificates	225,930	16,666
Profit accrued on Certificate of Musharakah	136,134	-
	<b>603,336</b>	<b>127,107</b>

7. ADVANCES, DEPOSITS AND PREPAYMENT

Prepaid annual rating fee		85	67
Security deposit with the Trustee		100	100
Other receivable		17,403	-
Advance tax	7.1	4,431	710
		<b>22,019</b>	<b>877</b>

7.1 This pertains to tax collected by bank which will be claimed upon filing of tax return of the Fund.

8. PAYABLE TO THE MANAGEMENT COMPANY	Note	2023	2022
----- (Rupees in '000) -----			
In respect of:			
Management fee	8.1	24,104	2,857
Sindh Sales Tax on management fee	8.2	3,134	371
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	2,094	328
Sales load payable		1,115	588
Selling and Marketing expense payable		8,328	1,390
		<u>38,775</u>	<u>5,534</u>

8.1 As per SECP S.R.O. 639 (I)/2019 dated June 20, 2019, there has been amendment in NBFC regulation no. 61, in which limits over management fee had been removed and directed that the asset management company shall disclose in the Offering document the maximum rate of management fee chargeable to Collective Investment Scheme within allowed expense ratio limit. Further, the asset management company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the Offering Document and such actual rate shall be disclosed in Fund manager report. The management fee expense charged by the asset management company varied between 0.2% and 0.7% (2022: 0.2% and 0.3%) during the year.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

8.3 As per SECP S.R.O. 639 (I)/2019 dated June 20, 2019, there has been amendment in NBFC regulation no. 60 (3) point (s) and (v), in which limits to allocate fee and expenses pertaining to registrar services, accounting, operation, valuation services and selling and marketing expenses had been removed.

9. PAYABLE TO THE TRUSTEE	Note	2023	2022
----- (Rupees in '000) -----			
Trustee fee	9.1	1,894	696
Sindh Sales Tax	9.2	246	90
		<u>2,140</u>	<u>786</u>

9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified in, based on the daily Net Asset Value (NAV) of the Fund. With effect from October 01, 2021 the tariff is 0.055% per annum of Net Assets.

9.2 The Sindh Government has levied Sindh Sales Tax on services at the rate of 13% (2022: 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2023	2022
----- (Rupees in '000) -----			
Annual fee	10.1	7,495	1,913

10.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as a money market scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.02% of the average annual net assets of the scheme. The fee is payable annually in arrears.



11. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2023 ----- (Rupees in '000) -----	2022
Auditors' remuneration		387	339
Federal Excise Duty	11.1	2,185	2,185
Withholding tax payable		90,214	28,584
Other payables		1,038,269	427
Capital gain tax payable		51	46
Dividend payable		307	307
		<b>1,131,413</b>	<b>31,888</b>

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

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

The Finance Act 2016, excluded the mutual funds from the levy of FED with effect from July 01, 2016, therefore, no provision was charged during the year ended June 30, 2023.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of the Management Company, aggregating to Rs. 2.185 million. Had the provision not being made, the Net Asset Value per unit as at June 30, 2023 would have been higher by Rs. 0.00497 (2022: Rs. 0.0142) per unit.

11.2 The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014 (SWWF 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.

During the last year, the Sindh Revenue Board (SRB) through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Companies (AMCs) are covered under the term "financial institution" as per Sindh Workers' Welfare Act, 2014 (SWWF Act, 2014) and are therefore subject to SWWF charge whereas as the Mutual Funds / Pension Funds managed by those AMCs do not qualify as "financial institution" as per Sindh SWWF Act, 2014. Consequently, AMCs would be subject to SWWF charge and no provision for SWWF would need to be recorded in the books of the fund.

In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB and accordingly, the Fund had reversed the provision for SWWF on 13 August 2021.

## 12. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as on June 30, 2023.

13. NUMBER OF UNITS IN ISSUE	Note	2023	2022
		----- Number of units -----	
Total units in issue at the beginning of the year		153,535,911	65,619,532
Add: Units issued during the year		1,629,230,422	304,673,046
Less: Units redeemed during the year		<u>(1,343,536,727)</u>	<u>(216,756,667)</u>
<b>Total units in issue at the end of the year</b>		<b><u>439,229,606</u></b>	<b><u>153,535,911</u></b>
14. RETURN ON INVESTMENTS CALCULATED USING THE EFFECTIVE YIELD METHOD		2023	2022
		----- (Rupees in '000) -----	
Sukuk certificates		847,099	63,301
Commercial paper		-	81,665
Certificate of Musharakah		2,227,147	81,241
Bai Muajjal		<u>875,073</u>	<u>46,804</u>
		<b><u>3,949,319</u></b>	<b><u>273,011</u></b>
15. AUDITORS' REMUNERATION			
Annual audit fee		306	266
Fee for half yearly review		54	47
Other certifications and out of pocket expenses		<u>164</u>	<u>106</u>
		<b><u>524</u></b>	<b><u>419</u></b>

16. **TAXATION**

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

17. **TOTAL EXPENSE RATIO**

In accordance with the Directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2023 is 0.88% (June 30, 2022: 0.39% which includes 0.09% (June 30, 2022: 0.06%) representing government levy, Sindh Worker's Welfare Fund and SECP fee.

18. **EARNINGS PER UNIT**

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

**19. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES**

	Receivable against issuance of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at July 1, 2022	-	-	-
Receivable against issuance of units	164,836,410	-	164,836,410
Payable against redemption of units	-	135,931,522	135,931,522
	164,836,410	135,931,522	300,767,932
Amount received on issuance of units	(164,836,410)	-	(164,836,410)
Amount paid on redemption of units	-	(135,931,522)	(135,931,522)
	(164,836,410)	(135,931,522)	(300,767,932)
<b>Closing balance as at June 30, 2023</b>	-	-	-

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

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

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

Remuneration payable to the 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 financial statements are as follows:

Transactions during the year	2023	2022
	----- (Rupees in '000) -----	
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee	186,435	21,490
Sales tax on Management Fee	24,236	2,794
Allocation of expenses related to registrar services, accounting, operation and valuation services	39,802	1,390
Selling and marketing expense	39,802	1,390
Issuance of Nil units (2022: 14,826 units)	-	1,500
Redemption of Nil units (2022: 1,260,920 units)	-	127,573
Dividend Paid	-	4,135
<b>Habib Bank Limited - Sponsor</b>		
Bank charges paid	986	466
Profit on bank deposits earned	5,065	198,754

	2023	2022
	----- (Rupees in '000) -----	
<b>Executive and Key management personnel</b>		
Issuance of 205,759 units (2022: 156,608 units)	20,818	13,930
Conversion in of 11,678 units (2022: Nil units)	1,182	-
Conversion out of 31,347 units (2022: Nil units)	3,172	-
Redemption of 128,885 units (2022: 93,237 units)	13,040	9,433
Dividend Paid	2,366	695
	2023	2022
	----- (Rupees in '000) -----	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	20,611	5,434
Sales tax on Trustee remuneration	2,679	706
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund - Active Allocation Plan (Associate)</b>		
Issuance of 2,217,152 units (2022: 1,179,471 units)	224,319	119,332
Redemption of 3,510,230 units (2022: Nil units)	355,145	-
Dividend	10,870	1,602
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund - Conservative Allocation Plan (Associate)</b>		
Issuance of 1,590 units (2022: 875 units)	161	88
Redemption of 496 units (2022: 689 units)	50	70
Dividend	10	3
<b>Archroma Pakistan Limited - Employees Gratuity Fund - Associate</b>		
Issuance of Nil units (2022: 296,518 units)	-	30,000
Conversion out 665,074 units (2022: Nil units)	67,288	-
Dividend	4,189	5,173
<b>HBL Asset Management Limited Employees Gratuity Fund - Associate</b>		
Issuance of 46,454 units (2022: Nil units)	4,700	-
Dividend	481	-
<b>HBL Asset Management Limited Employees Provident Fund - Associate</b>		
Issuance of 158,143 units (2022: Nil units)	16,000	-
Dividend	1,636	-
<b>HBL Islamic Income Fund</b>		
Purchase of Commercial Paper	-	40,000
Purchase of Sukuk	-	160,000
<b>HBL Money Market Fund</b>		
Purchase of Commercial Paper	-	66,000
Sale of Commercial Paper	-	70,000
<b>HBL Cash Fund</b>		
Purchase of Commercial Paper	-	380,000

**20.1 Balances outstanding as at year end**

**HBL Asset Management Limited - Management Company**

Management Fee Payable	24,104	2,857
Sales Tax on Management Fee	3,134	371
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,094	328
Sale load payable	1,115	588
Selling and marketing cost	8,328	1,390

2023                      2022  
----- (Rupees in '000) -----

**Habib Bank Limited - Sponsor**

Bank balances	286,703	93,150
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**Central Depository Company of Pakistan Limited - Trustee**

Trustee Remuneration Payable	1,894	696
Sales Tax on Trustee Remuneration Payable	246	90

**Executive and Key management personnel**

Investment held in the Fund: 176,439 units (2022 : 115,385 units)	17,889	11,674
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**MCBFSL Trustee HBL Islamic Financial Planning Fund  
- Active Allocation Plan (Associate)**

Investment held in the Fund: 9,665 units (2022: 1,195,301 units)	980	120,934
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**MCBFSL Trustee HBL Islamic Financial Planning Fund  
- Conservative Allocation Plan (Associate)**

Investment held in the Fund: 1,410 units (2022: 213 units)	143	22
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**HBL Asset Management Limited Employees Gratuity Fund - Associate**

Investment held in the Fund: 51,205 units (2022: Nil units)	5,192	-
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**HBL Asset Management Limited Employees Provident Fund - Associate**

Investment held in the Fund: 174,313 units (2022: Nil units)	17,673	-
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**Archroma Pakistan Limited - Employees Gratuity Fund - Associate**

Investment held in the Fund: 359 units (2022: 568,894 units)	36	57,558
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\* Investors who were reported as Connected Persons due to holding more than 10% units of Fund in the comparative year but does not hold at least 10% units of the Fund at the end of current year are not reported as related party.

**21. FINANCIAL RISK MANAGEMENT**

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

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

**21.1 Market risk**

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

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

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

**21.1.1 Currency risk**

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

**21.1.2 Profit rate risk**

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

**a) Cash flow profit rate risk**

As at June 30, 2023, the Fund hold balances in bank accounts, certificates of musharakah and sukuks that could expose the Fund to cashflow profit rate risk which are classified as amortised cost. In case of 100 basis points increase / decrease in mark-up rates on June 30, 2023, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
<b>Exposure</b>		
Bank balances	<u>40,290,208</u>	<u>14,146,600</u>
Sukuks	<u>4,797,000</u>	<u>1,306,000</u>
Certificates of	<u>12,085,000</u>	<u>-</u>
	<b>Effect on total comprehensive income and net assets</b>	
	<b>2023</b>	<b>2022</b>
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
100	<u>6,795,934</u>	<u>(226,130)</u>
100	<u>(6,795,934)</u>	<u>(226,130)</u>

**21.1.3 Price risk**

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

The Fund, currently, does not have any financial instruments which are subject to price risk.

## 21.2 Credit risk

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

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

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

The maximum exposure to credit risk before considering any collateral as at June 30, 2023 and June 30, 2022 is the carrying amount of the financial assets. Investments in debt securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

The analysis below summarises the credit quality of the Fund's bank balances, accrued mark-up and other receivable as at June 30, 2023 and June 30, 2022:

	2023	2022
	----- (Rupees in '000) -----	
Investment in sukuku	4,797,000	1,306,000
Accrued mark-up	603,336	127,107
Advances, deposits and prepayment	22,019	877

### Balances with banks by rating category

Name of bank	2023		
	Rating agency	Rating	Amount (Rupees in '000)
Habib Bank Limited	VIS	AAA	271,226
Allied Bank Limited	PACRA	AAA	1,000,883
MCB Bank Limited	PACRA	AAA	40
Meezan Bank Limited	VIS	AAA	168
United Bank Limited	VIS	AAA	11,755,451
National Bank Of Pakistan	VIS	AAA	5,761,942
Bank Alhabib Limited	PACRA	AAA	20,120
Askari Bank Limited	PACRA	AA+	45
Habib Metropolitan Bank Limited	PACRA	AA+	168
Bank Alfalah Limited	PACRA	AA+	2,008,237
Faysal Bank Limited	VIS	AA	7,386,072
Dubai Islamic Bank Limited	VIS	AA	238
Soneri Bank Limited	PACRA	AA-	607
Summit Bank Limited	VIS	Suspended	11
			<u>28,205,208</u>



Name of bank	2022		
	Rating agency	Rating	Amount (Rupees in '000)
Habib Bank Limited	VIS	AAA	93,150
Allied Bank Limited	PACRA	AAA	2,867
MCB Bank Limited	PACRA	AAA	40
Meezan Bank Limited	VIS	AAA	91
United Bank Limited	VIS	AAA	5
National Bank Of Pakistan	VIS	AAA	76
Bank Al Habib Limited	PACRA	AAA	2,019
Askari Bank Limited	PACRA	AA+	23
Habib Metropolitan Bank Limited	PACRA	AA+	4,821,440
Bank Alfalah Limited	PACRA	AA+	4
Faysal Bank Limited	VIS	AA	9,225,641
Dubai Islamic Bank Pakistan Limited	PACRA	AA	130
Soneri Bank Limited	PACRA	AA-	1,103
Summit Bank Limited	VIS	Suspended	11
			14,146,600

### 21.2.1 Concentration of Credit risk

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

### 21.3 Liquidity risk

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

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. The Fund did not withhold any redemptions during the year.

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

	2023			Total
	Upto three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----				
<b>Liabilities</b>				
Payable to the Management Company	38,775	-	-	38,775
Payable to the Trustee	2,140	-	-	2,140
Accrued expenses and other liabilities	1,038,963	-	-	1,038,963
	1,079,878	-	-	1,079,878
Unit holders' Fund	44,532,740	-	-	44,532,740

	2022			Total
	Upto three months	More than three months and upto one year	More than one year	
	----- (Rupees in '000) -----			
<b>Liabilities</b>				
Payable to the Management Company	5,534	-	-	5,534
Payable to the Trustee	786	-	-	786
Accrued expenses and other liabilities	1,073	-	-	1,073
	<u>7,393</u>	-	-	<u>7,393</u>
Unit holders' Fund	<u>15,540,463</u>	-	-	<u>15,540,463</u>

#### 21.4 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risk arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- ethical and business standards; and

#### 22. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

	Note	2023					
		Carrying amount			Fair value		
		Fair value through profit or loss	At Amortised cost	Total	Level 1	Level 2	Level 3
		(Rupees in '000)					
<b>Financial instruments</b>							
<b>Financial assets not measured at fair value</b>							
	22.1						
Sukuk certificates		-	4,797,000	4,797,000			
Bank balances		-	40,290,208	40,290,208			
Accrued profit		-	603,336	603,336			
Advances and Deposits		-	21,934	21,934			
		-	45,712,478	45,712,478			
<b>Financial liabilities not measured at fair value</b>							
Payable to Management Company		-	38,775	38,775			
Payable to Trustee		-	2,140	2,140			
Accrued expenses and other liabilities		-	1,038,963	1,038,963			
		-	1,079,878	1,079,878			
		2022					
	Note	Carrying amount			Fair value		
		Fair value through profit or loss	At Amortised cost	Total	Level 1	Level 2	Level 3
		(Rupees in '000)					
<b>Financial instruments</b>							
<b>Financial assets not measured at fair value</b>							
Sukuk certificates		-	1,306,000	1,306,000			
Bank balances		-	14,146,600	14,146,600			
Accrued mark-up on bank deposits		-	127,107	127,107			
Advances and Deposits		-	810	810			
		-	15,580,517	15,580,517			

	2022						
	Carrying amount			Fair value			
	Fair value through profit or loss	At Amortised cost	Total	Level 1	Level 2	Level 3	Total
<i>Note</i>	----- (Rupees in '000) -----						
<b>Financial liabilities not measured at fair value</b>	<b>22.1</b>						
Payable to Management Company	-	5,534	5,534				
Payable to Trustee	-	696	696				
Accrued expenses and other liabilities	-	1,073	1,073				
	-	7,303	7,303				

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

**23 FINANCIAL INSTRUMENTS BY CATEGORY**

	2023		
	At fair value through profit or loss	At Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Assets</b>			
Sukuk Certificates	-	4,797,000	4,797,000
Bank balances	-	40,290,208	40,290,208
Accrued mark-up on banks	-	603,336	603,336
Advances and Deposits	-	21,934	21,934
	-	45,712,478	45,712,478
<b>Liabilities</b>			
Payable to the Management Company	-	38,775	38,775
Payable to the Trustee	-	2,140	2,140
Accrued expenses and other liabilities	-	1,038,963	1,038,963
	-	1,079,878	1,079,878
	2022		
	At fair value through profit or loss	At Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Assets</b>			
Sukuk Certificates	-	1,306,000	1,306,000
Bank balances	-	14,146,600	14,146,600
Accrued mark-up on banks	-	127,107	127,107
Advances and Deposits	-	810	810
	-	15,580,517	15,580,517
<b>Liabilities</b>			
Payable to the Management Company	-	5,534	5,534
Payable to the Trustee	-	786	786
Accrued expenses and other liabilities	-	1,073	1,073
	-	7,393	7,393

**24. UNIT HOLDERS' FUND RISK MANAGEMENT**

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

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

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

**25. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2023, are as follows:

S.No.	Name of Members	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	25
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	28
3	Wamiq Sakrani	Head of Fixed Income	MBA	14
4	Imad Ansari	Head of Risk	MBA	16
5	Umair Naseer	Head of Research	MBA	10
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
7	Raza Abbas	Senior Fund Manager	M.Com	20
8	Abdul Samad Khanani	Senior Fund Manager	BBA	8

\* They are Joint Fund Managers of all other HBL funds managed by Management Company.

**26. PATTERN OF UNIT HOLDING**

	2023			
	Number of unit holders	Units held	Investment amount (Rupees in '000)	Percentage investment
Individuals	5,458	124,314,481	12,604,030	28.30%
Associated company	3	225,517	22,865	0.05%
Trust	16	2,845,561	288,507	0.65%
Insurance Companies	13	5,088,901	515,955	1.16%
Retirement funds	34	6,583,449	667,485	1.50%
Banks / DFIs	0	-	-	0.00%
Others	127	300,171,697	30,433,898	68.34%
	<b>5,651</b>	<b>439,229,606</b>	<b>44,532,740</b>	<b>100.00%</b>

	2022			
	Number of unit holders	Units held	Investment amount (Rupees in '000)	Percentage investment
Individuals	3,432	45,530,629	4,608,480	29.7%
Associated company	-	-	-	0.0%
Trust	14	2,641,999	267,417	1.7%
Insurance Companies	11	3,762,771	380,857	2.5%
Retirement funds	30	4,901,009	496,066	3.2%
Banks / DFIs	-	-	-	0.0%
Others	64	96,699,503	9,787,643	63.0%
	<b>3,551</b>	<b>153,535,911</b>	<b>15,540,463</b>	<b>100.0%</b>

**27. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

Six meetings of the Board of Directors were held on August 29,2022 , October 19, 2022, January 16,2023 ,January 23,2023 ,February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

	Name of Director	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Raymond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29,2022, January 16,2023, January 23,2023, February 13,2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19,2022

**28. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation, the effect of which is not material.

**29. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

**30. GENERAL**

Figures have been rounded off to the nearest thousand Rupees.

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

Chief Financial Officer

Chief Executive Officer

Director





# HBL Islamic Asset Allocation Fund



<b>NAME OF FUND</b>	<b>HBL ISLAMIC ASSET ALLOCATION FUND</b>
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited
<b>NAME OF AUDITORS</b>	KPMG Taseer Hadi & Co., Chartered Accountants
<b>NAME OF SHARIAH ADVISORS</b>	Al - Hilal Shariah Advisors (Pvt.) Limited
<b>NAME OF BANKERS</b>	Habib Bank Limited Bank Al Habib Limited Dubai Islamic Bank Limited Askari Bank Limited Soneri Bank Limited Allied Bank Limited Bank Islami Pakistan Limited Al Baraka Bank Pakistan Limited MCB Islamic Bank Limited National Bank Limited The Bank of Khyber Faysal Bank Limited U Microfinance Bank Limited Meezan Bank Limited Bank Alfalah Limited

**FUND MANAGER'S REPORT – HBL ISLAMIC ASSET ALLOCATION FUND**

**Type and Category of Fund**

Open end Shariah Complaint Asset Allocation Fund

**Investment Objective and Accomplishment of Objective**

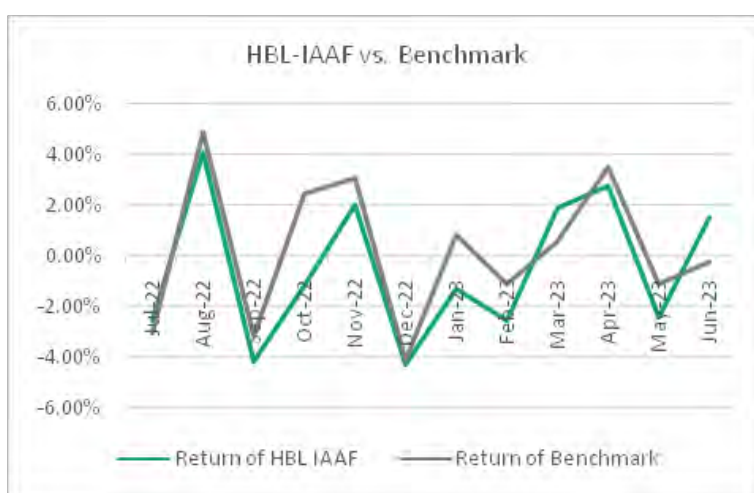
The objective of the Fund is to provide superior returns through investments in Shariah Complaint equity securities and Shariah Compliant income /money market instruments.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is Weighted average daily return of KMI30 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.

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

Month	Return of Fund	
	HBL -IAAF	Benchmark
Jun-23	1.55%	-0.23%
May-23	-2.44%	-1.14%
Apr-23	2.80%	3.51%
Mar-23	1.88%	0.58%
Feb-23	-2.54%	-1.12%
Jan-23	-1.29%	0.84%
Dec-22	-4.29%	-4.13%
Nov-22	2.00%	3.05%
Oct-22	-1.15%	2.47%
Sep-22	-4.15%	-3.22%
Aug-22	4.09%	4.89%
Jul-22	-2.51%	-3.04%



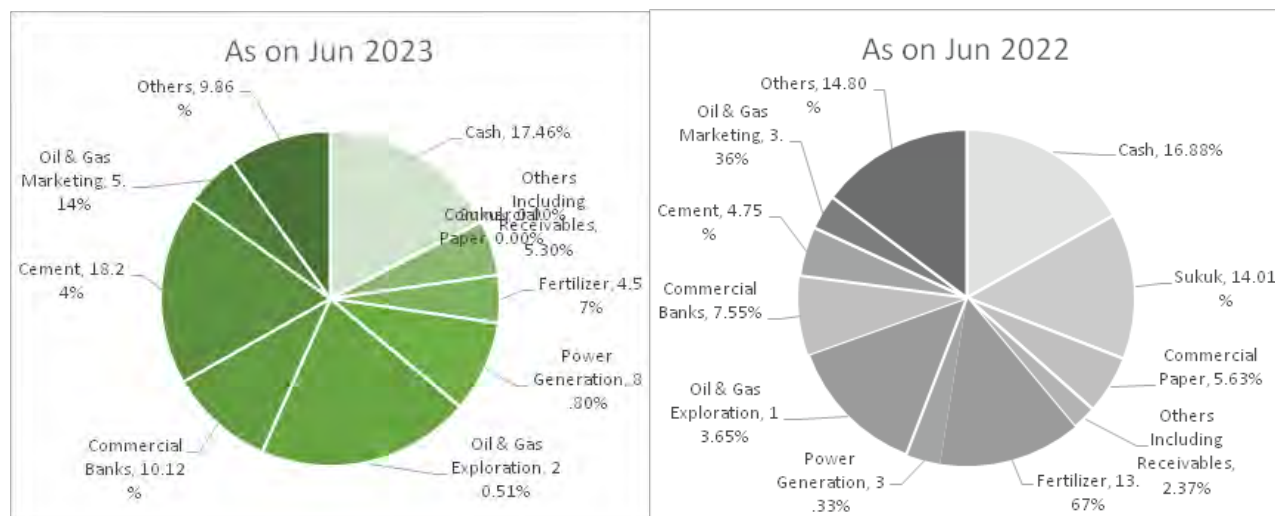
**Strategies and Policies employed during the Year – HBL IAAF**

During the year under review the Fund has increased its exposure in equity securities from 61% as on June 30, 2022 to 77% on June 30, 2023. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. The Fund increased its exposure in oil & gas exploration companies, oil & gas marketing companies, commercial banks, cement and power sector, while it decreased its exposure in the fertilizer sector.

**Strategies and Policies employed during the Year – HBL IAAF P1 & P2**

During the year under review, the Fund's exposure majorly remained intact in Sukuk (majorly GoP Backed and Guaranteed) and there were no major changes in the asset allocation since the inception of the fund.

## Asset Allocation



### Fund Performance

Under HBL Islamic Asset Allocation Fund (HBL-IAAF), the HBL Islamic Asset Allocation Fund – Plan I (HBL IAAF-Plan-I) has been constituted on July 13, 2020 and HBL Islamic Asset Allocation Fund – Plan-II was launched on August 05, 2022.

The total and net income of the Fund including HBL IAAF Plans was Rs. 413.08 million and Rs. 394.71 million respectively during the period and year ended June 30, 2023. The Net Asset Value (NAV) of the HBL-IAAF decreased from Rs. 108.5372 per unit as on June 30, 2022 to Rs. 101.6871 per unit as on June 30, 2023, thereby giving a negative return of 6.31% during the period against the benchmark return (Weighted average daily return of KMI 30 Index & 6 months deposit rate of A rated or above banks) of 2.03%. The Net Asset Value (NAV) of the HBL-IAAF Plan-I was Rs. 101.3349 per unit as on June 30, 2023 as compared to Rs. 100.5354 per unit as on June 30, 2022 (after incorporating dividend of Rs. 15.70 per unit), thereby giving a return of 16.54% during the period against the benchmark return of 4.16%. The Net Asset Value (NAV) of the HBL-IAAF Plan-II was Rs. 100.9289 (after incorporating dividend of Rs. 18.65 per unit), as on June 30, 2023 thereby giving a return of 19.75% while the benchmark return during the period was 3.88%. The collective size of Fund was Rs. 2.25 billion as on June 30, 2023 as compared to Rs. 2.62 billion at the start of the year.

### Significant Changes in Asset Allocation during the Year (HBL-IAAF)

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2023 and June 30, 2022:

Sector Name	As on Jun 2023	As on Jun 2022
Cash	17.46%	16.88%
Sukuk	-	14.01%
Commercial Paper	-	5.63%
Others Including Receivables	5.30%	2.37%
Fertilizer	4.57%	13.67%
Power Generation	8.80%	3.33%
Oil & Gas Exploration	20.51%	13.65%
Commercial Banks	10.12%	7.55%
Cement	18.24%	4.75%
Oil & Gas Marketing	5.14%	3.36%
Others	9.9%	14.8%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Review of Market invested in

### Money Market Review

Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

### Stock Market Review

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

### Distribution

The Board of Directors approved dividend distribution of up to Rs. 15.70 per unit to the unit holders for the year ended June 30, 2023 from HBL Islamic Asset Allocation Fund – Plan-I, Rs. 18.65 per unit to the unit holders for the year ended June 30, 2023 from HBL Islamic Asset Allocation Fund – Plan-II and NIL distribution from HBL Islamic Asset Allocation Fund.

### Significant Changes in the State of Affairs

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

### Breakdown of Unit Holding by Size (HBL Islamic Asset Allocation Fund)

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	40	1,063
101 – 500	27	6,037
501 – 1,000	8	5,768
1,001 – 10,000	29	112,512
10,001 – 100,000	21	558,601
100,001 – 500,000	2	306,071
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	<b>127</b>	<b>990,052</b>

**Breakdown of Unit Holding by Size (HBL Islamic Asset Allocation Fund – Plan-I)**

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	-	-
101 – 500	-	-
501 – 1,000	-	-
1,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – 500,000	-	-
500,001 – 1,000,000	2	1,382,515
1,000,001 – 5,000,000	1	1,035,744
5,000,001 and above	2	16,617,670
<b>Total</b>	<b>5</b>	<b>19,035,929</b>

**Breakdown of Unit Holding by Size (HBL Islamic Asset Allocation Fund – Plan-II)**

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	-	-
101 – 500	-	-
501 – 1,000	-	-
1,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – 500,000	-	-
500,001 – 1,000,000	2	1,203,888
1,000,001 – 5,000,000	2	3,686,391
5,000,001 and above	-	-
<b>Total</b>	<b>4</b>	<b>4,890,279</b>

**Unit Splits**

There were no unit splits during the year.

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

Investments are subject to market risk.

**Soft Commission**

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

# PERFORMANCE TABLE - HBL ISLAMIC ASSET ALLOCATION FUND

As at June 30, 2023

	2023	2022	2021	2020	2019	2018
Net assets at the period end (Rs'000)	100,676	202,144	387,971	310,399	1,130,868	2,469,559
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	101.6871	108.5372	112.9636	103.6330	103.2688	104.7748
Offer	103.9852	110.9901	115.5166	105.9751	105.6027	107.1427
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	114.5224	118.9244	119.267	118.2841	109.9945	108.8114
Lowest offer price per unit	97.239	109.7132	106.7077	100.7388	103.5444	102.4066
Highest redemption price per unit	111.9914	116.2961	116.6311	115.67	107.5636	106.4066
Lowest redemption price per unit	95.09	107.2885	104.3494	98.5124	101.256	100.1434
<b>RETURN ( % )</b>						
Total return	-6.31%	-3.92%	11.59%	6.42%	-1.15%	-0.78%
Income distribution	0.00%	0.00%	2.70%	6.25%	0.00%	0.30%
Capital growth	-6.31%	-3.92%	8.89%	0.17%	-1.15%	-1.08%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	0	0	2.7	6.25	0	0.3
Date of Income Distribution	-	-	18-Jun-21	26-Jun-20	-	03-Jul-18
Total dividend distribution for the year (Rs)	-	-	2.70	6.25	-	0.30
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-6.31%	-3.92%	11.59%	6.42%	-1.15%	-0.78%
Average annual return 2 year	-5.12%	3.55%	8.97%	2.57%	-0.97%	4.24%
Average annual return 3 year	0.15%	4.49%	5.49%	1.44%	2.51%	3.94%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Net Assets as at 30 June:						
Bank Balances	17.46%	16.88%	40.66%	35.33%	19.81%	43.05%
GoP Ijarah Sukuks	0.00%	0.00%	2.29%	2.85%	-	-
Certificate of Modaraba	0.00%	-	-	7.74%	-	-
Commercial Paper	0.00%	5.63%	6.14%	0.00%	16.05%	-
TFC / Sukuks	0.00%	14.01%	20.53%	20.58%	37.39%	28.69%
Stock/Equities	77.24%	61.11%	27.81%	29.99%	23.11%	27.31%
Others	5.31%	2.37%	2.57%	3.51%	3.64%	0.96%

**Note:**

The Launch date of the Fund is January 08, 2016

**Disclaimer:**

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

# PROXY VOTING DISCLOSURE

For the year ended June 30, 2023

Summary of Actual Proxy voted by CIS

HBLIAAF	Meetings	Resolutions	For	Against
Number	2	9	9	-
(%ages)			100%	-

(h) AMC did not participate in shareholders' meetings

Scrip	AGM Meeting Dt	EOGM Meeting Dt
Attock Cement Pakistan Ltd	10-19-22	27-05-23
Attock Refinery Ltd	09-20-22	-
Avanceon Limited	29-05-23	
Azgard Nine Ltd	10-28-22	
BankIslami Pakistan Limited	03-30-23	10/10/2022 10-05-2023
Cherat Cement Company Ltd.	10-12-22	22-06-23
D G Khan Cement Co.Ltd.	10-28-22	20-06-23
Engro Corporation Ltd	03-30-23	26-01-23
Engro Fertilizers Limited	03-28-23	-
Engro Polymer & Chemicals Ltd	04-27-23	-
Ferozsons Laboratories Ltd	09-30-22	26-06-23
Highnoon Laboratories Limited	04-29-23	
Hub Power Company Ltd	09-29-22	20-02-23
Interloop Limited	18-10-22	
Kohat Cement Ltd	10-27-22	21/02/2023 22-6-2023
Lucky Cement Ltd	09-20-22	28/09/2022 24-5-2023
Maple Leaf Cement Factory Ltd	10-27-22	30/12/2022 20-6-2023
Mari Petroleum Company Ltd	09-28-22	23-06-23
Meezan Bank Ltd	03-29-23	-
Mughal Iron & Steel Inds Ltd	10-31-22	-
National Refinery Ltd	10-19-22	-
Nishat Mills Ltd	28/10/2022 28-11-2022	31/03/2023 19-6-2023
Oil & Gas Development Co Ltd	10-25-22	30-11-22
Pakistan Oilfields Ltd	09-20-22	12-06-23
Pakistan Petroleum Ltd	01-00-00	30-11-22
Pakistan State Oil Company Ltd	10-26-22	-
Sui Northern Gas Pipeline Ltd	07-29-22	-
Systems Limited	05-23-23	01/07/2022 23-6-2023
The Organic Meat Company Limited	10-28-22	20-06-23
The Searle Company Ltd	10-28-22	-
TPL Properties Limited	27-10-22	
TPL Trakker Limited	10-24-22	-
Unity Foods Limited	28/10/2022 15-12-2022 15-2-2023	-



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC ASSET ALLOCATION FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Asset Allocation Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2023





ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٽڊ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Asset Allocation Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2023. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 25, 2023

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

UAN (021) 111-425-262  
Fax (021) 35168455  
www.hblasset.com

September 25, 2023

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Asset Allocation Fund (HBL-IAAF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

والله أعلم بالصواب، وصلى الله على نبيينا محمد وعلى آله وصحبه وبارك وسلم

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



Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive



KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
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+92 (21) 37131900, Fax +92 (21) 35685095

## INDEPENDENT AUDITORS' REPORT

### To the Unit holders of HBL Islamic Asset Allocation Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **HBL Islamic Asset Allocation Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023 but does not include the financial statements and our auditors' report thereon.





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

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

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

Board of Directors are responsible for overseeing the Fund's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

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





KPMG Taseer Hadi & Co.

The engagement partner on the audit resulting in this independent auditors' report is Zeeshan Rashid.

Date: 27 September 2023

Karachi

UDIN: AR202310188weg8j9RrJ

KPMG Taseer Hadi & Co.  
Chartered Accountants



KPMG Taseer Hadi & Co.  
Chartered Accountants  
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### **Independent Reasonable Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles**

We were engaged by the Board of Directors of HBL Asset Management Limited, Management Company of **HBL Islamic Asset Allocation Fund** (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Management Company for the year ended June 30, 2023, in the form of an independent reasonable assurance opinion about whether the annexed statement presents fairly the status of the Fund's compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

#### **Applicable Criteria**

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

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended June 30, 2023.

#### **Responsibilities of the Management Company**

The Management Company is responsible for preparation of the annexed statement that is free from material misstatement and for the information contained therein.

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

#### **Our Independence and Quality Control**

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

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Chartered Accountants  
Member Firm of the International Federation of Accountants (IFAC)  
Member Firm of the International Islamic Accountants and Tax Administrators (IIATA)  
Member Firm of the International Federation of Certified Practising Accountants (IFCPA)  
Member Firm of the International Federation of Accountants (IFAC)



KPMG Taseer Hadi & Co.

### **Our Responsibilities**

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

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

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

### **Opinion**

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

In our opinion, the annexed statement, for the year ended June 30, 2023, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

**Date: 27 September 2023**

**Karachi**

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

# HBL ISLAMIC ASSET ALLOCATION FUND

## Statement of Assets and Liabilities

As at June 30, 2023

	2023				2022			
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	
Note ----- (Rupees in '000) -----								
<b>Assets</b>								
Bank balances	4	18,906	256,273	104,454	379,633	35,794	753,383	789,177
Investments	5	83,648	1,611,016	371,399	2,066,063	171,328	1,620,518	1,791,846
Dividend receivable and accrued profit	6	350	52,502	10,880	63,732	2,181	50,186	52,367
Preliminary expenses and flotation costs	7	-	86	-	86	-	129	129
Receivable against sale of investment		1,304	-	-	1,304	-	-	-
Advances, deposits and other receivables	8	4,095	10,886	7,800	22,781	2,803	100	2,903
<b>Total assets</b>		<b>108,303</b>	<b>1,930,763</b>	<b>494,533</b>	<b>2,533,599</b>	<b>212,106</b>	<b>2,424,316</b>	<b>2,636,422</b>
<b>Liabilities</b>								
Payable to the Management Company	9	331	531	450	1,312	1,001	565	1,566
Payable to the Trustee	10	19	143	34	196	48	160	208
Payable to Securities and Exchange Commission of Pakistan	11	26	446	80	552	72	518	590
Accrued expenses and other liabilities	12	7,251	639	398	8,288	7,960	543	8,503
Payable against purchase of investment		-	-	-	-	880	-	880
<b>Total liabilities</b>		<b>7,627</b>	<b>1,759</b>	<b>962</b>	<b>10,348</b>	<b>9,961</b>	<b>1,786</b>	<b>11,747</b>
<b>Net assets</b>		<b>100,676</b>	<b>1,929,004</b>	<b>493,571</b>	<b>2,523,251</b>	<b>202,145</b>	<b>2,422,530</b>	<b>2,624,675</b>
Unit holders' fund (as per statement attached)		<u>100,676</u>	<u>1,929,004</u>	<u>493,571</u>		<u>202,145</u>	<u>2,422,530</u>	
<b>Contingencies and commitments</b>								
----- Number of units -----								
Number of units in issue	14.	<u>990,052</u>	<u>19,035,929</u>	<u>4,890,279</u>		<u>1,862,442</u>	<u>24,096,292</u>	
----- (Rupees) -----								
Net assets value per unit		<u>101.6871</u>	<u>101.3349</u>	<u>100.9289</u>		<u>108.5372</u>	<u>100.5354</u>	

The annexed notes 1 to 32 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC ASSET ALLOCATION FUND

## Income Statement

For the year ended June 30, 2023

	2023				2022		
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
Note ----- (Rupees in '000) -----							
<b>Income</b>							
Net realised loss on sale of investments	(12,036)	(10,090)	(180)	(22,306)	(14,720)	(26,374)	(41,094)
Dividend income	7,738	-	-	7,738	4,120	-	4,120
Return on investments calculated using effective yield method	15 994	302,537	55,346	358,877	16,292	203,709	220,001
Profit on deposits with banks calculated using effective yield method	16 4,468	59,317	12,940	76,725	7,460	46,483	53,943
Net Unrealised diminution on remeasurement of investments classified as 'financial asset at fair value through profit or loss'	5.6 (1,131)	(8,203)	(1,059)	(10,393)	(18,227)	2,804	(15,423)
Other income	37	1,571	834	2,442	13	143	156
	70	345,132	67,881	413,083	(5,062)	226,765	221,703
<b>Expenses</b>							
Remuneration of the Management Company	9.1 & 9.2 2,165	3,782	2,935	8,882	6,078	4,391	10,469
Remuneration of the Trustee	10.1 289	1,891	339	2,519	810	2,196	3,006
Annual fee to Securities and Exchange Commission of Pakistan	11 26	446	80	552	72	518	590
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3 958	-	-	958	2,689	-	2,689
Selling and marketing expenses	9.3 & 9.4 792	-	-	792	2,330	-	2,330
Auditors' remuneration	17 17	424	100	541	51	415	466
Amortisation of preliminary expenses and flotation costs	-	43	8	51	-	43	43
Settlement and bank charges	483	407	370	1,260	387	346	733
Fees and subscription	32	203	46	281	62	338	400
Securities transaction costs	1,489	305	140	1,934	585	154	739
Printing charges	10	100	45	155	12	77	89
Charity expense	488	-	-	488	195	-	195
Reimbursement of expenses from the Management Company	9.4 (36)	-	-	(36)	-	-	-
	6,713	7,601	4,063	18,377	13,271	8,478	21,749
<b>Net (loss) / income from operating activities</b>	(6,643)	337,531	63,818	394,706	(18,333)	218,287	199,954
Provision for Sindh Workers' Welfare fund	12.3 -	-	-	-	7,130	3,018	10,148
<b>Net (loss) / income for the year before taxation</b>	(6,643)	337,531	63,818	394,706	(11,203)	221,305	210,102
Taxation	18 -	-	-	-	-	-	-
<b>Net (loss) / income for the year after taxation</b>	(6,643)	337,531	63,818	394,706	(11,203)	221,305	210,102
<b>Allocation of net income for the year after taxation</b>							
Net (loss) / income for the year after taxation	(6,643)	337,531	63,818		(11,203)	221,305	
Income already paid on units redeemed	-	(322,350)	(57,685)		-	(220,333)	
<b>Accounting income available for distribution</b>	(6,643)	15,181	6,133		(11,203)	972	
<b>Accounting income available for distribution:</b>							
- Relating to capital gains	-	-	-		-	-	
- Excluding capital gains	-	15,181	6,133		-	972	
	-	15,181	6,133		-	972	
<b>Earnings per unit</b>	19						

The annexed notes 1 to 32 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC ASSET ALLOCATION FUND

## Statement of Comprehensive Income

For the year ended June 30, 2023

	2023				2022		
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----		
Net (loss) / income for the year after taxation	(6,643)	337,531	63,818	394,706	(11,203)	221,305	210,102
Other comprehensive income for the year	-	-	-	-	-	-	-
Total comprehensive (loss) / income for the year	<u>(6,643)</u>	<u>337,531</u>	<u>63,818</u>	<u>394,706</u>	<u>(11,203)</u>	<u>221,305</u>	<u>210,102</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director



**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2023

HBL Islamic Asset Allocation Fund

	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
----- (Rupees in '000) -----						
Net assets at the beginning of the year	84,444	117,701	202,145	259,067	128,904	387,971
Issuance of units: 33,755 units (2022: 297,686 units)						
- Capital value	3,664	-	3,664	33,628	-	33,628
- Element of (loss) / income	(77)	-	(77)	136	-	136
Total proceeds on issuance of units	3,587	-	3,587	33,764	-	33,764
Redemption of units: 906,145 units (2022: 1,869,724 units)						
- Capital value	(98,350)	-	(98,350)	(211,211)	-	(211,211)
- Element of (loss) / income	(63)	-	(63)	2,824	-	2,824
Total payment on redemption of units	(98,413)	-	(98,413)	(208,387)	-	(208,387)
Total comprehensive (loss) / income for the year	-	(6,643)	(6,643)	-	(11,203)	(11,203)
Net assets at the end of the year	<u>(10,382)</u>	<u>111,058</u>	<u>100,676</u>	<u>84,444</u>	<u>117,701</u>	<u>202,145</u>
Undistributed income brought forward						
- Realised income		135,928			111,082	
- Unrealised income / (loss)		(18,227)			17,822	
		117,701			128,904	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		-			-	
		-			-	
Net loss after taxation		(6,643)			(11,203)	
Undistributed income carried forward		<u>111,058</u>			<u>117,701</u>	
Undistributed income carried forward comprises of:						
- Realised income		112,189			135,928	
- Unrealised income / (loss)		(1,131)			(18,227)	
		<u>111,058</u>			<u>117,701</u>	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			<u>108.5372</u>			<u>112.9636</u>
Net assets value per unit at end of the year			<u>101.6871</u>			<u>108.5372</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC ASSET ALLOCATION FUND

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2023

	HBL Islamic Asset Allocation Fund Plan 1					
	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year	2,417,993	4,537	2,422,530	2,470,677	3,565	2,474,242
Issuance of units: 24,396,202 units (2022: 32,552,816 units)						
- Capital value	2,452,682	-	2,452,682	3,268,690	-	3,268,690
- Element of (loss) / income	15,052	-	15,052	36,041	-	36,041
<b>Total proceeds on issuance of units</b>	<b>2,467,734</b>	<b>-</b>	<b>2,467,734</b>	<b>3,304,731</b>	<b>-</b>	<b>3,304,731</b>
Redemption of units: 29,456,565 units (2022: 33,097,465 units)						
- Capital value	(2,961,428)	-	(2,961,428)	(3,323,379)	-	(3,323,379)
- Element of (loss) / income	247,530	(322,350)	(74,820)	165,005	(220,333)	(55,328)
<b>Total payment on redemption of units</b>	<b>(2,713,898)</b>	<b>(322,350)</b>	<b>(3,036,248)</b>	<b>(3,158,374)</b>	<b>(220,333)</b>	<b>(3,378,708)</b>
Total comprehensive income / (loss) for the year	-	337,531	337,531	-	221,305	221,305
Final Distribution for the year ended June 30, 2023: Rs. 15.7 per unit declared on June 16, 2023 (2022: Rs 9 per unit)						
Refund of Capital	(262,543)	-	(262,543)	(199,041)	-	(199,041)
Total distribution	(262,543)	-	(262,543)	(199,041)	-	(199,041)
<b>Net assets at the end of the year</b>	<b>1,909,286</b>	<b>19,718</b>	<b>1,929,004</b>	<b>2,417,993</b>	<b>4,537</b>	<b>2,422,530</b>
Undistributed income brought forward						
- Realised income		1,733			(350)	
- Unrealised income / (loss)		2,804			3,915	
		4,537			3,565	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		15,181			972	
		15,181			972	
Final Distribution for the year ended June 30, 2023: Rs. 15.7 per unit declared on June 16, 2023 (2022: Rs 9 per unit)						
Undistributed income carried forward		19,718			4,537	
Undistributed income carried forward comprises of:						
- Realised income		27,921			1,733	
- Unrealised income / (loss)		(8,203)			2,804	
		19,718			4,537	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			100.5354			100.4119
Net assets value per unit at end of the year			101.3349			100.5354

The annexed notes 1 to 32 form an integral part of these financial statements.

Chief Financial Officer

Chief Executive Officer

Director

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2023

HBL Islamic Asset Allocation Fund Plan 2		
2023		
Capital value	Undistributed income	Total
----- (Rupees in '000) -----		
<b>Issuance of units: 9,783,035 units</b>		
- Capital value	-	978,304
- Element of income	-	92,952
<b>Total proceeds on issuance of units</b>	-	1,071,256
<b>Redemption of units: 4,892,756 units</b>		
- Capital value	-	(489,276)
- Element of loss	(57,685)	(75,317)
<b>Total payment on redemption of units</b>	(57,685)	(564,593)
Total comprehensive income / (loss) for the year	63,818	63,818
Final Distribution for the year ended 30 June 2023: 18.65 per unit declared on 16 June 2023	(1,653)	(1,653)
Refund of Capital	-	(75,257)
Total distribution	(1,653)	(76,910)
<b>Net assets at the end of the year</b>	<b>4,480</b>	<b>493,571</b>
<b>Accounting income available for distribution</b>		
- Relating to capital gains	-	
- Excluding capital gains	6,133	
Final Distribution for the year ended 30 June 2023: 18.65 per unit declared on 16 June 2023	(1,653)	
<b>Undistributed income carried forward</b>	<b>4,480</b>	
<b>Undistributed income carried forward comprises of:</b>		
- Realised income	5,539	
- Unrealised income / (loss)	(1,059)	
	<b>4,480</b>	
		(Rupees)
<b>Net assets value per unit at end of the year</b>		<b>100.9289</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

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

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

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

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

# HBL ISLAMIC ASSET ALLOCATION FUND

## Cash Flow Statement

For the year ended June 30, 2023

	June 30, 2023				June 30, 2022		
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
Note	----- (Rupees in '000) -----				----- (Rupees in '000) -----		
<b>Cash flows from operating activities</b>							
Net (loss) / income for the year before taxation	(6,643)	337,531	63,818	394,706	(11,203)	221,305	210,102
<b>Adjustments</b>							
Net realised loss / (gain) on sale of investments	12,036	10,090	180	22,306	14,720	26,374	41,094
Dividend income	(7,738)	-	-	(7,738)	(4,120)	-	(4,120)
Return on investments calculated using effective yield method	(994)	(302,537)	(55,346)	(358,877)	(16,292)	(203,709)	(220,001)
Profit on deposits with banks calculated using effective yield method	(4,468)	(59,317)	(12,940)	(76,725)	(7,460)	(46,483)	(53,943)
Net unrealised diminution / (appreciation) on remeasurement of investments classified as 'financial asset at fair value through profit or loss'	5.6	1,131	8,203	1,059	18,227	(2,804)	15,423
Other Income	(37)	(1,571)	(834)	(2,442)	(13)	(143)	(156)
Amortisation of preliminary expenses and flotation costs	-	43	8	51	-	43	43
	(6,713)	(7,558)	(4,055)	(18,326)	(6,141)	(5,417)	(11,558)
<b>Decrease / (Increase) in assets</b>							
Investments	72,329	(8,791)	(372,638)	(309,100)	23,872	368,008	391,880
Advances, deposits, other receivables and receivable against sale of investments	(1,292)	(10,786)	(7,800)	(19,878)	1,953	-	1,953
	71,037	(19,577)	(380,438)	(328,978)	25,825	368,008	393,833
<b>(Decrease) / increase in liabilities</b>							
Payable to Management Company	(670)	(34)	450	(254)	(432)	(17)	(449)
Payable to Trustee	(29)	(17)	34	(12)	(24)	(9)	(33)
Payable to Securities and Exchange Commission of Pakistan	(46)	(72)	80	(38)	(1)	129	128
Accrued expenses and other liabilities	(710)	95	398	(217)	(1,982)	(2,934)	(4,916)
	(1,455)	(28)	962	(521)	(2,439)	(2,831)	(5,270)
<b>Net cash (used in) / generated from operating activities</b>	<b>62,869</b>	<b>(27,163)</b>	<b>(383,531)</b>	<b>(347,825)</b>	<b>17,245</b>	<b>359,760</b>	<b>377,005</b>
<b>Cashflow from investing activities</b>							
Profit received on bank deposits	5,433	63,195	11,313	79,941	8,525	40,275	48,800
Dividend income received	7,733	-	-	7,733	4,294	-	4,294
Profit received on investments	1,866	296,344	46,085	344,295	16,186	203,013	219,199
Profit received on Deposits	37	1,571	834	2,442	-	-	-
<b>Net cashflow from investing activities</b>	<b>77,938</b>	<b>333,947</b>	<b>(325,299)</b>	<b>86,586</b>	<b>46,250</b>	<b>603,048</b>	<b>649,298</b>
<b>Cash flows from financing activities</b>							
Proceeds from issuance of units	3,587	2,205,191	995,999	3,204,777	33,764	3,304,731	3,338,495
Payment on redemption of units	(98,413)	(3,036,248)	(564,593)	(3,699,254)	(208,387)	(3,577,748)	(3,786,135)
Cash distribution	-	-	(1,653)	(1,653)	-	-	-
<b>Net cash used in financing activities</b>	<b>(94,826)</b>	<b>(831,057)</b>	<b>429,753</b>	<b>(496,131)</b>	<b>(174,623)</b>	<b>(273,017)</b>	<b>(447,640)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(16,888)</b>	<b>(497,110)</b>	<b>104,454</b>	<b>(409,545)</b>	<b>(128,373)</b>	<b>330,031</b>	<b>201,658</b>
Cash and cash equivalents at beginning of the year	35,794	753,383	-	789,177	164,167	423,352	587,519
<b>Cash and cash equivalents at end of the year</b>	<b>18,906</b>	<b>256,273</b>	<b>104,454</b>	<b>379,632</b>	<b>35,794</b>	<b>753,383</b>	<b>789,177</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director

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

- 1.1 HBL Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed, dated September 07, 2015, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on October 28, 2015.
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3 The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The fund comprises of the original fund and a sub-fund, namely Plan 1 which shall be perpetual. The initial public offer period for IAAF was from January 07, 2016 to January 08, 2016 (both days inclusive) and the initial public offer period for IAAF Plan 1 was from the start of banking hours from July 13, 2020 to the closure of banking hours on July 13, 2020 . The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.4 The primary objective of the Fund is to provide superior returns through investments in Shari'ah Compliant Equity Securities and Shari'ah Compliant Income/ Money Market Instruments
- 1.5 VIS Credit Rating Company has upgraded a management quality rating to 'AM1' (Stable outlook) of the Management Company on December 31, 2022 (2022: AM2++ dated on December 31, 2021).
- 1.6 During the period, the Fund launched "HBL Islamic Asset Allocation Fund - Plan 2" (HBL IAAF Fund - Plan 2) dated August 05, 2022. HBL IAAF Fund - Plan 2 is an allocation plan with an objective to provide competitive returns through investments in Shariah Complaint Equity Securities and Shariah Compliant Income / Money Market Instrument.
- 1.7 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

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

## **2.2 Standards and amendments effective during the year**

There are number of new standards and amendments that are effective from July 01, 2022 however these do not have a significant effect on the Fund's financial statements.

## **2.3 Standards, interpretations and amendments to accounting and reporting standards, that are not yet effective**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 July 1, 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after January 1, 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which the Fund must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the fund must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, the fund will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. These amendments also specify the transition requirements for the fund that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help fund provide useful accounting policy disclosures. The key amendments to IAS 1 include:
  - Requiring funds to disclose their material accounting policies rather than their significant accounting policies;
  - Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a fund's financial statements.



The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the fund applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, funds will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review
- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) introduce two new disclosure objectives for a fund to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the fund's liabilities and cash flows, and the fund's exposure to liquidity risk. Under the amendments, funds also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a fund might consider when providing specific quantitative liquidity risk disclosures about its financial

liabilities. The amendments are effective for periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

- International Tax Reform – Pillar Two Model Rules (amendments to IAS 12 ) introduce following new disclosure requirements:
- Once tax law is enacted but before top-up tax is effective: disclose information that is known or can be reasonably estimated and that helps users of its financial statements to understand its exposure to Pillar Two income taxes at the reporting date. If information is not known or cannot be reasonably estimated at the reporting date, then a fund discloses a statement to that effect and information about its progress in assessing the Pillar Two exposure.
- After top-up tax is effective: disclose current tax expense related to top-up tax.

The above amendment and improvement have no impact on the financial statements of the Fund.

#### **2.4 Basis of measurement**

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

#### **2.5 Functional and presentation currency**

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

#### **2.6 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

- (a) classification of financial assets (Note 3.2)
- (b) impairment of financial assets (Note 3.2)
- (c) provisions (Note 3.8)

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The management has adopted the following significant policies for the preparation of these financial statements:

#### **3.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the Statement of Assets and Liabilities at amortised cost. These comprise of deposits with banks and highly liquid investments with original maturities of three months or less and that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short term cash commitments rather than for investments for other purposes.

#### **3.2 Financial assets**

##### **3.2.1 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

##### **i. Classification**

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

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

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

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

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

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

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

### **Business model assessment**

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

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

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

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

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

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

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

### **ii. Subsequent measurement**

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

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

The fair value of financial assets are determined as follows:

**a) Debt securities (other than Government securities)**

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

**b) Government securities**

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

**c) Equity securities**

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

**iii. Reclassifications**

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

#### **iv. Impairment of financial assets**

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

#### **3.2.2 Regular way contracts**

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

#### **3.2.3 Derecognition**

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

#### **3.2.4 Offsetting of financial instruments**

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

#### **3.3 Financial liabilities**

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

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

#### **3.4 Unitholders' Fund**

Unitholders' Fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

#### **3.5 Preliminary expenses and flotation costs**

Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are amortised over a period of five years from the end of the initial offering year as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

#### **3.6 Issuance and redemption of units**

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

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

### **3.7 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net assets value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

### **3.8 Provisions**

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

### **3.9 Net assets value per unit**

The net assets value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

### **3.10 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

### **3.11 Revenue recognition**

- Realised gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.



- Unrealised gains / (losses) arising on mark to market of investments classified as Financial assets at fair value through profit or loss are included in the Income Statement in the year in which they arise.
- Mark-up on deposits with banks and mark-up / return on investments in debt and government securities is recognised using effective yield method.
- Dividend income is recognised when the right to receive the dividend is established.

### **3.12 Zakat Payable**

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

### **3.13 Expenses**

All expenses including Management fee, Trustee fee and Securities and Exchange Commission of Pakistan fee are recognised in the income statement on accrual basis.

### **3.14 Earnings per unit**

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

### **3.15 Distributions**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

### **3.16 Other assets**

Other assets are stated at cost less impairment losses, if any.

# HBL ISLAMIC ASSET ALLOCATION FUND

## Notes to the Financial Statements

For the year ended June 30, 2023

4.	BANK BALANCES	Note	2023				2022		
			Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
			----- (Rupees in '000) -----				----- (Rupees in '000) -----		
	Savings account	4.1	18,906	256,273	104,454	379,633	35,794	753,383	789,177
			<b>18,906</b>	<b>256,273</b>	<b>104,454</b>	<b>379,633</b>	<b>35,794</b>	<b>753,383</b>	<b>789,177</b>

4.1 This represents bank balances held with different banks. Profit rates on these accounts ranges between 7.25% and 20% per annum (2022: between 3.75% and 15.75% per annum).

5.	INVESTMENTS	Note	2023				2022		
			Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
			----- (Rupees in '000) -----				----- (Rupees in '000) -----		
<b>Financial assets at fair value through profit or loss</b>									
	Listed equity securities	5.1	83,648	-	-	83,648	129,668	-	129,668
	GoP ijarah sukuks	5.2	-	-	70,042	70,042	-	-	-
	Sukuk bonds	5.3	-	1,566,016	301,357	1,867,373	29,720	1,620,518	1,650,238
			<b>83,648</b>	<b>1,566,016</b>	<b>371,399</b>	<b>2,021,063</b>	<b>159,388</b>	<b>1,620,518</b>	<b>1,779,906</b>
<b>Financial assets at amortised cost</b>									
	Sukuk bonds	5.4	-	45,000	-	45,000	-	-	-
	Commercial paper	5.5	-	-	-	-	11,940	-	11,940
			<b>-</b>	<b>45,000</b>	<b>-</b>	<b>45,000</b>	<b>11,940</b>	<b>-</b>	<b>11,940</b>
			<b>83,648</b>	<b>1,611,016</b>	<b>371,399</b>	<b>2,066,063</b>	<b>171,328</b>	<b>1,620,518</b>	<b>1,791,846</b>

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

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

Name of the Investee Company	Note	As at July 01, 2022	Purchases during the year	Bonus / Rights issue (Note 5.1.2)	Sales during the year	As at June 30, 2023	Cost of holdings as at June 30, 2023	Market value as at June 30, 2023	Market value as a percentage of Total Investments	Market value as a percentage of Net Assets	Par value as a percentage of issued capital of the investee company
						----- (Number of shares) -----	----- (Rupees in '000) -----	----- % -----			
<b>Glass &amp; Ceramics</b>											
Tariq Glass Industries Limited		-	102,500	-	102,500	-	-	-	-	-	-
		-	102,500	-	102,500	-	-	-	-	-	-
<b>Food &amp; Personal Care Products</b>											
Unity Foods Limited		147,899	181,801	-	329,700	-	-	-	-	-	-
The Organic Meat Company Limited		118,411	100,000	-	218,411	-	-	-	-	-	-
At-Tahur Limited	5.1.2	-	81,000	8,100	89,100	-	-	-	-	-	-
		<b>266,310</b>	<b>362,801</b>	<b>8,100</b>	<b>637,211</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Automobile Assembler</b>											
Millat Tractors Limited		-	600	-	600	-	-	-	-	-	-
		<b>-</b>	<b>600</b>	<b>-</b>	<b>600</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cement</b>											
Kohat Cement Limited		9,470	34,500	-	43,970	-	-	-	-	-	-
Fauji Cement Company Limited	5.1.2	-	551,000	23,187	574,187	-	-	-	-	-	-
Pioneer Cement Limited		-	159,400	-	159,400	-	-	-	-	-	-
Cherat Cement Company Limited		-	74,300	-	65,700	8,600	1,021	1,034	1.24	1.03	0.00
Attock Cement Pakistan Limited		42,800	13,000	-	55,800	-	-	-	-	-	-
D.G. Khan Cement Company Limited		-	270,000	-	176,500	93,500	4,898	4,797	5.73	4.76	0.02
Lucky Cement Limited	5.1.1	6,755	72,694	-	67,602	11,847	5,923	6,185	7.39	6.14	0.00
Maple Leaf Cement Factory Limited		106,200	1,091,243	-	924,500	272,943	7,708	7,732	9.24	7.68	0.03
		<b>165,225</b>	<b>2,266,137</b>	<b>23,187</b>	<b>2,067,659</b>	<b>386,890</b>	<b>19,550</b>	<b>19,748</b>	<b>23.60</b>	<b>19.61</b>	<b>0.05</b>

# HBL ISLAMIC ASSET ALLOCATION FUND

## Notes to the Financial Statements

For the year ended June 30, 2023

Name of the Investee Company	Note	As at July 01, 2022	Purchases during the year	Bonus / Rights issue (Note 5.1.2)	Sales during the year	As at June 30, 2023	Cost of holdings as at June 30, 2023	Market value as at June 30, 2023	Market value as a percentage of Total Investments	Market value as a percentage of Net Assets	Par value as a percentage of issued capital of the investee company
		----- (Number of shares) -----					---- (Rupees in '000) ----		----- % -----		
<b>Chemical</b>											
Engro Polymer & Chemicals Limited		24,500	93,000	-	117,500	-	-	-	-	-	-
Lotte Chemical Pakistan Limited		-	63,500	-	63,500	-	-	-	-	-	-
Lucky Core Industries		-	1,200	-	1,200	-	-	-	-	-	-
Descon Oxychem Limited		-	666,000	-	666,000	-	-	-	-	-	-
		<b>24,500</b>	<b>823,700</b>	<b>-</b>	<b>848,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Commercial Banks</b>											
BankIslami Pakistan Limited		208,000	715,449	-	651,438	272,011	4,571	4,831	5.78	4.80	0.02
Meezan Bank Limited	5.1.2	119,575	134,500	7,757	190,832	71,000	6,118	6,132	7.33	6.09	0.00
Faysal Bank Limited		-	201,000	-	201,000	-	-	-	-	-	-
		<b>327,575</b>	<b>1,050,949</b>	<b>7,757</b>	<b>1,043,270</b>	<b>343,011</b>	<b>10,689</b>	<b>10,963</b>	<b>13.11</b>	<b>10.89</b>	<b>0.03</b>
<b>Technology and Communication</b>											
Avancon Limited	5.1.2	36,000	149,500	6,495	191,995	-	-	-	-	-	-
Systems Limited		-	43,910	-	43,900	10	4	4	-	-	-
TPL Trakker Limited		-	513,500	-	-	513,500	5,139	4,539	5.43	4.51	0.27
Octopus Digital Limited		-	35,000	-	35,000	-	-	-	-	-	-
		<b>36,000</b>	<b>741,910</b>	<b>6,495</b>	<b>270,895</b>	<b>513,510</b>	<b>5,143</b>	<b>4,543</b>	<b>5.43</b>	<b>4.51</b>	<b>0.3</b>
<b>Engineering</b>											
Mughal Iron and Steel Industries Limited		48,689	204,468	-	214,323	38,834	1,862	1,881	2.25	1.87	0.01
		<b>48,689</b>	<b>204,468</b>	<b>-</b>	<b>214,323</b>	<b>38,834</b>	<b>1,862</b>	<b>1,881</b>	<b>2.25</b>	<b>1.87</b>	<b>0.01</b>
<b>Fertilizer</b>											
Engro Corporation Limited		74,400	83,800	-	143,100	15,100	4,378	3,924	4.69	3.90	0.00
Engro Fertilizers Limited		111,335	137,560	-	236,367	12,528	1,055	1,034	1.24	0.01	0.00
		<b>185,735</b>	<b>221,360</b>	<b>-</b>	<b>379,467</b>	<b>27,628</b>	<b>5,433</b>	<b>4,958</b>	<b>5.93</b>	<b>3.91</b>	<b>0.00</b>
<b>Oil &amp; Gas Exploration Companies</b>											
Mari Petroleum Company Limited		2,835	11,199	-	10,685	3,349	5,027	5,073	6.06	5.04	0.00
Oil & Gas Development Company Limited	5.1.1	125,500	342,500	-	364,700	103,300	8,091	8,057	9.63	8.00	0.00
Pakistan Oilfields Limited		11,250	18,411	-	29,661	-	-	-	-	-	-
Pakistan Petroleum Limited	5.1.1	141,999 <sup>92</sup>	338,770	-	327,300	153,462	9,397	9,076	10.85	9.01	0.01
		<b>281,577</b>	<b>710,880</b>	<b>-</b>	<b>732,346</b>	<b>260,111</b>	<b>22,515</b>	<b>22,206</b>	<b>26.54</b>	<b>22.06</b>	<b>0.01</b>
<b>Oil &amp; Gas Marketing Companies</b>											
Pakistan State Oil Company Limited	5.1.1 & 5.1.2	41,459	20,000	-	60,956	503	59	56	0.07	0.06	-
Shell Pakistan Limited		-	52,500	-	52,500	-	-	-	-	-	-
Sui Northern Gas Pipeline Limited		-	753,496	-	613,602	139,894	5,889	5,508	6.58	5.47	0.02
Attock Petroleum Limited		-	7,000	-	7,000	-	-	-	-	-	-
		<b>41,459</b>	<b>832,996</b>	<b>-</b>	<b>734,058</b>	<b>140,397</b>	<b>5,948</b>	<b>5,564</b>	<b>6.65</b>	<b>5.53</b>	<b>0.02</b>
<b>Refinery</b>											
Attock Refinery Limited		22,500	82,700	-	90,200	15,000	2,507	2,574	3.08	2.56	0.01
National Refinery Limited		8,000	10,434	-	18,434	-	-	-	-	-	-
		<b>30,500</b>	<b>93,134</b>	<b>-</b>	<b>108,634</b>	<b>15,000</b>	<b>2,507</b>	<b>2,574</b>	<b>3.08</b>	<b>2.56</b>	<b>0.01</b>
<b>Pharmaceuticals</b>											
AGP Limited		-	53,000	-	53,000	-	-	-	-	-	-
Ferozsons Laboratories Limited	5.1.2	7,500	-	-	7,500	-	-	-	-	-	-
The Searle Company Limited	5.1.2	1,067	16,500	266	16,500	1,333	81	51	0.06	0.05	0.00
Highnoon Laboratories Limited	5.1.2	5,160	11,650	1,387	13,360	4,837	1,822	1,626	1.94	0.02	0.01
		<b>13,727</b>	<b>81,150</b>	<b>1,653</b>	<b>90,360</b>	<b>6,170</b>	<b>1,903</b>	<b>1,677</b>	<b>2.00</b>	<b>0.07</b>	<b>0.01</b>
<b>Power Generation &amp; Distribution</b>											
The Hub Power Company Limited	5.1.1	103,687	137,000	-	103,687	137,000	9,230	9,532	11.40	9.47	0.01
Nishat Power Limited		-	100,500	-	100,500	-	-	-	-	-	-
		<b>103,687</b>	<b>237,500</b>	<b>-</b>	<b>204,187</b>	<b>137,000</b>	<b>9,230</b>	<b>9,532</b>	<b>11.40</b>	<b>9.47</b>	<b>0.01</b>
<b>Textile Composite</b>											
Interloop Limited		36,487	-	-	36,487	-	-	-	-	-	-
Azgard Nine Limited		100,000	-	-	100,000	-	-	-	-	-	-
Nishat Mills Limited		26,700	-	-	26,700	-	-	-	-	-	-
		<b>163,187</b>	<b>-</b>	<b>-</b>	<b>163,187</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Property</b>											
TPL Properties Limited		111,000	229,000	-	340,000	-	-	-	-	-	-
		<b>111,000</b>	<b>229,000</b>	<b>-</b>	<b>340,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Miscellaneous</b>											
Pakistan Aluminium Beverage Cans Limited		-	29,000	-	29,000	-	-	-	-	-	-
		<b>-</b>	<b>29,000</b>	<b>-</b>	<b>29,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total as at June 30, 2023</b>		<b>1,799,171</b>	<b>7,988,085</b>	<b>47,192</b>	<b>7,965,897</b>	<b>1,868,551</b>	<b>84,779</b>	<b>83,648</b>	<b>99.98</b>	<b>80.46</b>	<b>0.44</b>

5.1.1 The above investments include shares with market value aggregating to Rs. 14.45 million (2022: Rs. 37.744 million) which have been pledged with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

5.1.2 This includes gross bonus shares as per Fund's entitlement declared by the investee company. Previously due to amendments brought by the Finance Act, 2014 in the Income Tax Ordinance, 2001, the bonus shares received by the shareholders were to be treated as income and a tax at the rate of 5 percent was 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 was to be collected at source by the investee company which was considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan (MUFAP), has filed a petition in Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has already withheld the shares (from Tax Year 2014 to Tax Year 2018) equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.11 million at June 30, 2023 (2022: Rs. 0.20 million) and not yet deposited on CDC account of department of Income tax while during the year no tax on bonus shares is being withheld by the investee company(s) due to the amendments brought by the Finance Act, 2018 in the Income Tax Ordinance, 2001 which excluded the requirement of tax on bonus shares. Management is of the view that the decision will be in favor of the asset management company and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

## 5.2 Investment in Government Securities - Ijarah Sukuk - at fair value through profit or loss

### Islamic Asset Allocation Fund Plan 2

Issue Date	Tenor	Face value			Amortised cost as at June 30, 2023	Market value as at June 30, 2023	Market value as a percentage of		
		As at July 1, 2022	Purchases during the year	Sales during the year			Total investments of sub-fund	Net assets of sub-fund	
		----- (Rupees in '000) -----					----- (%) -----		
17-Apr-23	1 Year	-	70,000	-	70,000	70,000	70,042	18.86	14.19
		-	70,000	-	70,000	70,000	70,042	18.86	14.19

5.2.1 These carry markup at the rate at 22.68% per annum receivable semi-annually in arrears, maturing in April 2024.

## 5.3 Sukuk Bonds - at fair value through profit or loss

Name of the Investee Company	As at July 01, 2022	Purchases during the year	Sales / matured during the year	As at June 30, 2023	Amortised Cost as at June 30, 2023	Market value as at June 30, 2023	Market value as percentage of	
							Total investments	Net Assets
		----- (Number of certificates) -----			----- (Rupees in '000) -----		----- % -----	
<b>Islamic Asset Allocation Fund</b>								
<b>Miscellaneous</b>								
Agha Steel Industries Limited	33	-	33	-	-	-	-	-
<b>Total</b>	<b>33</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Islamic Asset Allocation Fund Plan 1</b>								
<b>Commercial Banks</b>								
Meezan Bank Limited - Perpetual	250	73	40	283	283,000	283,000	17.57	14.67
Dubai Islamic Bank Pakistan Limited	175	-	175	-	-	-	-	-
	4,000	-	-	4,000	20,000	20,000	1.24	1.04
Al Baraka Bank Pakistan Limited	-	140	80	60	60,025	60,060	3.73	3.11
Dubai Islamic Bank Pakistan Limited- Tier II	-	89	50	39	39,000	39,053	2.42	2.02
	<b>4,425</b>	<b>302</b>	<b>345</b>	<b>4,382</b>	<b>402,025</b>	<b>402,113</b>	<b>24.96</b>	<b>20.85</b>
<b>Power Generation &amp; Distribution</b>								
Hub Power Company Limited	2,750	265	-	3,015	154,940	151,504	9.40	7.85
Pakistan Energy Sukuk - II	125,500	50,000	-	175,500	881,893	877,676	54.48	45.50
AGP Limited	910	-	910	-	-	-	-	-
K-Electric Limited - Sukuk V	32,000	-	29,080	2,920	12,673	12,637	0.78	0.66
K-Electric Limited - Sukuk VI	-	1,000	-	1,000	100,000	100,007	6.21	5.18
	<b>161,160</b>	<b>51,265</b>	<b>29,990</b>	<b>182,435</b>	<b>1,149,506</b>	<b>1,141,824</b>	<b>70.88</b>	<b>59.19</b>

# HBL ISLAMIC ASSET ALLOCATION FUND

## Notes to the Financial Statements

For the year ended June 30, 2023

Name of the Investee Company	As at July 01,	Purchases during	Sales / matured	As at June 30,	Amortised Cost	Market value	Market value as	
	2022	the year	during the year	2023	as at June 30,	as at June 30,	Total	Net Assets
					2023	2023	investments	%
	------(Number of certificates)-----				------(Rupees in '000)-----		------%-----	
<b>Miscellaneous</b>								
Agha Steel Industries Limited	-	33	-	33	22,688	22,079	1.37	0.00
	-	33	-	33	22,688	22,079	1.37	0.00
<b>Total</b>	<b>165,585</b>	<b>51,600</b>	<b>30,335</b>	<b>186,850</b>	<b>1,574,219</b>	<b>1,566,016</b>	<b>97.21</b>	<b>80</b>
<b>Islamic Asset Allocation Fund Plan 2</b>								
<b>Commercial Banks</b>								
Meezan Bank limited - Perpetual	-	12	-	12	12,000	12,000	3.23	2.43
Dubai Islamic Bank Pakistan Limited	-	60	60	-	-	-	-	-
Dubai Islamic Bank Limited- Tier II	-	60	-	60	60,000	60,082	16.18	12.17
	-	132	60	72	72,000	72,082	19.41	14.60
<b>Power Generation &amp; Distribution</b>								
Pakistan Energy Sukuk - II	-	12,000	-	12,000	60,000	60,012	16.16	12.16
Pak Elektron Limited	-	50	50	-	-	-	-	-
K-Electric Limited - Sukuk V	-	12,000	-	12,000	52,020	51,935	13.98	10.52
	-	24,050	50	24,000	112,020	111,947	30.14	22.68
<b>Miscellaneous</b>								
Pakistan International Corporation Limited	-	12,000	-	12,000	60,000	58,890	15.86	11.93
Mughal Iron & Steel Industries Limited	-	85	-	85	58,438	58,438	15.73	11.84
	-	12,085	-	12,085	118,438	117,328	31.59	23.77
<b>Total</b>	<b>-</b>	<b>36,267</b>	<b>110</b>	<b>36,157</b>	<b>302,458</b>	<b>301,357</b>	<b>81.14</b>	<b>61.06</b>

Significant terms and conditions of Sukuk bonds outstanding as at June 30, 2023 are as follows:

Name of Security	Remaining Principle (per Sukuk)	Mark-up rate (per annum)	Date of Issue	Maturity Date
Meezan Bank Limited - Perpetual	1,000,000	3-months kibar + 1.75%	1-Aug-18	-
Dubai Islamic Bank Pakistan Limited - Perpetual	5,000	3-months kibar + 1.75%	31-Dec-18	-
Al Baraka Bank Pakistan Limited	1,000,000	6 months kibar + 0.75%	22-Aug-17	22-Aug-24
Dubai Islamic Bank Limited- Tier II	1,000,000	6 months kibar + 0.70%	2-Dec-22	25-Nov-32
The Hub Power Company Limited	50,000	1 year kibar + 1.90%	19-Mar-20	19-Mar-24
Pakistan Energy Sukuk - II	5,000	6 months kibar - 0.10%	21-May-20	21-May-30
K-Electric Limited - Sukuk V	4,250	3 months kibar + 1.70%	3-Aug-20	3-Aug-27
K-Electric Limited - Sukuk VI	100,000	3 months kibar+ 1.70%	23-Nov-22	23-Nov-29
Agha Steel Industries Limited	687,500	3 months kibar + 0.80%	9-Oct-18	9-Oct-25
Pakistan International Corporation Limited	5,000	1 months kibar + 1.00%	26-Jul-21	26-Jul-31
Mughal Iron & Steel Industries Limited	687,500	3-months Kibar + 1.30%	2-Mar-21	2-Mar-26

#### 5.4 Sukuk Bonds - At amortised cost

Name of the Investee Company	Maturity date	As at July 1, 2022	Placements made during the year	Income accrued	Matured / Sale during the year	Market value as at June 30, 2023	Market value as a percentage of		
							Total investments	Net Assets	
		------(Rupees in '000)-----					------%-----		
<b>Islamic Asset Allocation Fund Plan 1</b>									
K-Electric Limited - Short Term Sukuk XIII	Aug 9, 2023	-	98,000	7,810	83,000	15,000	0.93	0.78	
K-Electric Limited - Short Term Sukuk-XV	Sep 21, 2023	-	30,000	1,879	-	30,000	1.86	1.56	
		-	128,000	9,689	83,000	45,000	2.79	2.33	

Significant terms and conditions of Sukuk bonds outstanding as at June 30, 2023 are as follows:

Name of Security	Remaining Principle (per Sukuk)	Mark-up rate (per annum)	Date of Issue	Maturity Date
K-Electric Limited - Short Term Sukuk XIII	1,000,000	6 months kibar +1.00%	9-Feb-23	9-Aug-23
K-Electric Limited - Short Term Sukuk-XV	1,000,000	6 months kibar +1.40%	21-Mar-23	21-Sep-23

#### 5.5 Commercial papers - At amortised cost

Name of the Investee Company	Maturity date	As at July 1, 2022	Placements made during the year	Income accrued	Matured / Sale during the year	As at June 30, 2023	Market value as a percentage of		
							Total investments	Net Assets of fund	
		------(Rupees in '000)-----					------(%)-----		
<b>Islamic Asset Allocation Fund</b>									
Mughal Iron & Steel Industries Limited	July 21, 2022	11,940	-	262	12,202	-	0%	0%	
		11,940	-	262	12,202	-	0%	0%	

#### 5.6 Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'

	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total
	------(Rupees in '000)-----			
Market value of investments	83,648	1,611,016	371,399	2,066,063
Less: cost / carrying value of investments	(84,779)	(1,619,219)	(372,458)	(2,076,456)
	(1,131)	(8,203)	(1,059)	(10,393)

6.	DIVIDEND RECEIVABLE AND ACCRUED PROFIT	June 30, 2023				June 30, 2022		
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
		(Rupees in '000)				(Rupees in '000)		
	Dividend receivable	35	-	-	35	30	-	30
	Profit accrued on deposits with banks	315	4,479	1,627	6,421	1,279	8,356	9,635
	Profit accrued on Sukuks - Listed	-	48,023	6,000	54,023	872	41,830	42,702
	Profit accrued on GOP Ijara Sukuks	-	-	3,253	3,253	-	-	-
		<b>350</b>	<b>52,502</b>	<b>10,880</b>	<b>63,732</b>	<b>2,181</b>	<b>50,186</b>	<b>52,367</b>

7.	PRELIMINARY EXPENSES AND FLOTATION COSTS	June 30, 2023				June 30, 2022		
	Opening balance	-	129	-	129	-	172	172
	Less: amortised during the year / period	-	(43)	-	(43)	-	(43)	(43)
	Closing balance	-	86	-	86	-	129	129

7.1 Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operations of the Plan 1 and are being amortised over a year of five years commencing from the end of the initial offering year as per the requirements set out in the Trust Deed of the Plan 1 and NBFC regulations.

8.	ADVANCES, DEPOSITS AND OTHER RECEIVABLES	June 30, 2023				June 30, 2022		
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
		(Rupees in '000)				(Rupees in '000)		
	Security deposit with National Clearing Company of Pakistan Limited	3,674	9,494	7,700	20,868	2,500	-	2,500
	Security deposit with Central Depository Company of Pakistan Limited	100	100	100	300	100	100	200
	Initial listing fees	-	-	-	-	14	-	14
	Other Receivables	84	-	-	84	-	-	-
	Advance tax	201	1,292	-	1,493	189	-	189
	Receivable from Management Company	36	-	-	36	-	-	-
		<b>4,095</b>	<b>10,886</b>	<b>7,800</b>	<b>22,781</b>	<b>2,803</b>	<b>100</b>	<b>2,903</b>

8.1 This pertains to tax deducted by bank due to non availability of the withholding tax exemption certificate for certain months on bank profit which will be claimed on filing of tax return of the Fund.

9.	PAYABLE TO THE MANAGEMENT COMPANY	June 30, 2023				June 30, 2022		
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
		(Rupees in '000)				(Rupees in '000)		
	Management fee	125	253	261	639	320	283	603
	Sindh sales tax	16	33	34	83	42	37	79
	Sales load payable	-	-	-	-	-	-	-
	Selling and marketing expenses payable	128	-	-	128	479	-	479
	Allocation of expenses related to registrar services, accounting, operation and valuation services	62	-	-	62	160	-	160
	Formation cost payable	-	245	155	400	-	245	245
		<b>331</b>	<b>531</b>	<b>450</b>	<b>1,312</b>	<b>1,001</b>	<b>565</b>	<b>1,566</b>

9.1 As per SECP S.R.O. 639 (I)/2019 dated June 20, 2019, there has been amendment in NBFC Regulation no. 61, in which limits over management fee had been removed and directed that the asset management company shall disclose in the offering document the maximum rate of management fee chargeable to collective investment scheme within allowed expense ratio limit. Further, the asset management company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document and such actual rate shall be disclosed in Fund manager report. The management fee expense charged by the asset management company during the year is 1.5% (2022: 1.5%).



9.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax Act, 2011 effective from July 01, 2017.

9.3 SECP through its S.R.O. 639 (I)/2019 dated June 20, 2019 has made an amendment in NBFC regulation no. 60 (3) point (s) and (v), in which limits to allocate fee and expenses pertaining to registrar services, accounting, operation, valuation services and selling and marketing expenses had been removed. Accordingly, the selling and marketing expense charged by the fund is 0.65% per annum (2022: 0.4% to 0.65%) and allocation of expenses pertaining to registrar services, accounting, operation, valuation services are 0.75% per annum (2022: 0.1% to 0.75%) of net assets of the Fund.

9.4 As per SECP's direction No. SCD/PRDD/Direction/18/2016, "The Asset Management Companies (AMCs) shall adjust the Net Asset Value (NAV) of the Collective Investment Scheme (CIS) on the basis of Total Expense Ratio (TER) at the end of each quarter during the financial year for the amount of expenses in excess of TER limit prescribed in regulation 60 (5) of the NBFC regulations for that CIS by booking liability against AMC. Moreover, the reimbursement (if any) by an AMC to CIS shall be made on the basis of annual TER calculated at the end of each financial year and NAV shall be adjusted accordingly."

During the year ended June 30, 2023 the fund was in breach of TER ratio of 4.5% as prescribed under the Regulations for the CIS categorised as "Asset Allocation Scheme". As a result the fund has recorded the reimbursement of expense during the last month of the current financial year and has recognised a receivable from the Management Company accordingly.

**10. PAYABLE TO THE TRUSTEE**

	Note	June 30, 2023				June 30, 2022		
		Islamic Asset	Islamic Asset	Islamic Asset	Total	Islamic Asset	Islamic Asset	Total
		Allocation	Allocation Fund	Allocation Fund		Allocation	Allocation Fund	
		Fund	Plan 1	Plan 2	Fund	Plan 1		
		(Rupees in '000)				(Rupees in '000)		
Trustee's remuneration	10.1	17	127	30	174	42	142	184
Sindh Sales Tax	10.2	2	16	4	22	6	18	24
		<b>19</b>	<b>143</b>	<b>34</b>	<b>196</b>	<b>48</b>	<b>160</b>	<b>208</b>

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

Based on the Trust Deed, the tariff structure applicable to the Fund and Plan 1 as at June 30, 2023 is as follows:

The trustee remuneration shall consist of reimbursement of actual custodial expenses/ charges plus the following tariff:

Net assets	Tariff per annum
Up to Rs. 1,000 million	0.2% p.a. of NAV
Exceeding Rs. 1,000 million	Rs. 2 million plus 0.10% p.a. of NAV exceeding Rs. 1,000 million

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

**11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

SECP vide S.R.O 685(1)/2019 dated: 28 June 2019 has revised rate of annual fee at 0.02% of net assets is applicable on all categories of Collective Investment schemes from 01 July 2019, the Fund has charged SECP Fee accordingly.

**12. ACCRUED EXPENSES AND OTHER LIABILITIES**

	June 30, 2023				June 30, 2022		
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
<i>Note</i>	(Rupees in '000)				(Rupees in '000)		
Auditors' remuneration payable	18	300	77	395	34	306	340
Charity payable	12.1 488	-	-	488	195	-	195
Federal excise duty	12.2 1,063	-	-	1,063	1,063	-	1,063
Withholding tax payable	-	-	248	248	-	-	-
Payable to brokers	351	88	8	447	153	-	153
Dividend payable	25	-	-	25	25	-	25
Payable to NCCPL	35	35	28	98	30	30	60
Payable to Shariah advisor	1	17	4	22	3	16	19
Other payable	5,270	199	33	5,502	6,457	191	6,648
	<b>7,251</b>	<b>639</b>	<b>398</b>	<b>8,288</b>	<b>7,960</b>	<b>543</b>	<b>8,503</b>

12.1 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.

12.2 As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 % 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 June 30, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

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 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 been made, the Net Asset Value per unit as on June 30, 2023 would have been higher by Rs. 1.0737 in HBL IAAF (2022: Rs. 0.5708).

12.3 The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014 (SWWF 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.

During the recent year, SRB through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Companies (AMCs) are covered under the term "financial institution" as per SWWF Act, 2014 and are therefore subject to SWWF charge whereas as the Mutual Funds / Pension Funds managed by those AMCs do not qualify as "financial institution" as per Sindh SWWF Act, 2014. Consequently, AMCs would be subject to SWWF charge and no provision for SWWF would need to be In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on

August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB and accordingly, the Fund have reversed the provision for SWWF on 13 August 2021.

### 13. CONTINGENCIES AND COMMITMENTS

Other than already disclosed in these financial statements, there are no contingencies and commitments outstanding as at June 30, 2023.

#### 14. NUMBER OF UNITS IN ISSUE

	Note	June 30, 2023				June 30, 2022		
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
		----- (Rupees in '000) -----				----- (Rupees in '000) -----		
Total units in issue at the beginning of the year		1,862,442	24,096,292	-	25,958,734	3,434,480	24,640,941	28,075,421
Units issued during the year	14.1	33,755	24,396,202	9,783,035	34,212,992	297,686	32,552,816	32,850,502
Units redeemed during the year		(906,145)	(29,456,565)	(4,892,756)	(35,255,466)	(1,869,724)	(33,097,465)	(34,967,189)
Total units in issue at the end of the year		990,052	19,035,929	4,890,279	24,916,260	1,862,442	24,096,292	25,958,734

14.1 This includes 2,611,326 (2022: 1,980,606) units issued at zero value as refund of capital for HBL IAAF Plan 1.

#### 15. RETURN ON INVESTMENTS CALCULATED USING EFFECTIVE YIELD METHOD

	June 30, 2023				June 30, 2022		
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----		
Sukuk certificates	732	302,537	52,136	355,405	8,169	167,436	175,605
Commercial Paper	262	-	-	262	7,073	-	7,073
Government of Pakistan - Ijarah Sukuks	-	-	3,210	3,210	1,050	36,273	37,323
	994	302,537	55,346	358,877	16,292	203,709	220,001

#### 16. PROFIT ON DEPOSITS WITH BANKS CALCULATED USING EFFECTIVE YIELD METHOD

Profit on savings accounts	4,468	59,317	12,940	76,725	7,460	46,483	53,943
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#### 17. AUDITORS' REMUNERATION

Annual audit fee	7	257	68	332	31	258	289
Fee for half yearly review	4	62	12	78	9	59	68
Other certifications and out of pocket expenses	6	105	19	130	11	98	109
	17	424	100	541	51	415	466

### 18. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the NBFC Regulation, the Fund is required to distribute 90% of the net accounting income other than capital gains, whether realise or unrealise, to the unit holders. HBL IAAF Plan - 1 and HBL IAAF Plan - 2 has distributed more than 90% of the their accounting income for the year as reduced by capital gains, whether realised or unrealised, to their unit holders during the period, accordingly no provision has been recorded in their financial statements. Moreover, since HBL IAAF has incurred loss during the current year no provision has been made in its financial statements.

**19. EARNINGS PER UNIT**

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

**20. FINANCIAL INSTRUMENTS BY CATEGORY**

	2023				2023				2023			
	Islamic Asset Allocation Fund				Islamic Asset Allocation Fund Plan 1				Islamic Asset Allocation Fund Plan 2			
	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total	At Amortised Cost	At fair value through other comprehensive income	At fair value through profit or loss	Total
	(Rupees in '000)				(Rupees in '000)				(Rupees in '000)			
<b>Financial assets</b>												
Bank balances												
Investments	18,906	-	-	18,906	256,273	-	-	256,273	104,454	-	-	104,454
Dividend receivable and accrued profit	-	-	83,648	83,648	45,000	-	1,566,016	1,611,016	-	-	371,399	371,399
Receivable against sale of investment	350	-	-	350	52,502	-	-	52,502	10,880	-	-	10,880
Advances, deposits and other receivables	1,304	-	-	1,304	-	-	-	-	-	-	-	-
	4,095	-	-	4,095	10,886	-	-	10,886	7,800	-	-	7,800
	<u>24,655</u>	<u>-</u>	<u>83,648</u>	<u>108,303</u>	<u>364,661</u>	<u>-</u>	<u>1,566,016</u>	<u>1,930,677</u>	<u>123,134</u>	<u>-</u>	<u>371,399</u>	<u>494,533</u>
<b>Financial liabilities</b>												
Payable to Management Company	331	-	-	331	531	-	-	531	450	-	-	450
Payable to Trustee	19	-	-	19	143	-	-	143	34	-	-	34
Accrued expenses and other liabilities	6,188	-	-	6,188	639	-	-	639	150	-	-	150
	<u>6,538</u>	<u>-</u>	<u>-</u>	<u>6,538</u>	<u>1,313</u>	<u>-</u>	<u>-</u>	<u>1,313</u>	<u>634</u>	<u>-</u>	<u>-</u>	<u>634</u>
	(Rupees in '000)				(Rupees in '000)				(Rupees in '000)			
<b>Financial assets</b>												
Bank balances	35,794	-	-	35,794	753,383	-	-	753,383				
Investments	11,940	-	159,388	171,328	-	-	1,620,518	1,620,518				
Dividend receivable and accrued mark-up	2,181	-	-	2,181	50,186	-	-	50,186				
Advances, deposits and other receivables	2,803	-	-	2,803	100	-	-	100				
	<u>52,718</u>	<u>-</u>	<u>159,388</u>	<u>212,106</u>	<u>803,669</u>	<u>-</u>	<u>1,620,518</u>	<u>2,424,187</u>				
<b>Financial liabilities</b>												
Payable to Management Company	1,001	-	-	1,001	565	-	-	565				
Payable to Trustee	48	-	-	48	160	-	-	160				
Accrued expenses and other liabilities	6,897	-	-	6,897	543	-	-	543				
	<u>7,946</u>	<u>-</u>	<u>-</u>	<u>7,946</u>	<u>1,268</u>	<u>-</u>	<u>-</u>	<u>1,268</u>				

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

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, Trustee and unit holders holding 10 percent or more units of the Fund.

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

Remuneration payable to the Management Company and the 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 financial statements are as follows:

**21.1 Transactions during the year**

	June 30, 2023		June 30, 2022		
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 1
	(Rupees in '000)		(Rupees in '000)		
<b>HBL Asset Management Limited - Management Company</b>					
Management fee	1,916	3,347	2,597	5,378	3,886
Sindh Sales Tax	249	435	338	700	505
Allocation of Expenses related to registrar services, accounting, operation and valuation services	958	-	-	2,689	-
Selling and marketing expenses	756	-	-	2,331	-
Formation Cost Payable	-	43	8	-	43
<b>Habib Bank Limited - Sponsor</b>					
Redemption of 531,283 units (2022: 872,742 units)	59,219	-	-	95,947	-
Bank charges paid during the period	31	-	-	24	-
Mark-up earned during the period	88	-	-	1,173	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>					
Remuneration	256	1,673	300	717	1,943
Sindh Sales Tax	33	218	39	93	253
Central Depository service charges	74	59	22	25	17
<b>Executives and their relatives</b>					
Issuance of 2,964 units (2022: 3,141 units)	300	-	-	350	-
Redemption of 2,964 units (2022: 3,141 units)	298	-	-	346	-
<b>HBL Islamic Asset Allocation Fund - Plan 1</b>					
Sale of sukuk	27,454	-	-	-	-
<b>HBL Islamic Asset Allocation Fund</b>					
Purchase of sukuk	-	27,454	-	-	-
<b>Qatar Group (Private) Limited</b>					
Purchase of sukuk	-	33,000	-	-	-
<b>Pak-Qatar Individual Family Participant Investment Fund - Connected Person due to holding more than 10% units</b>					
Issuance of 137,073 units (2022: 10,161,226 units)	-	15,000	-	-	1,094,497
Redemption of 3,094,242 units (2022:12,471,851units)	-	330,000	-	-	1,345,355
Refund of Capital of 797,307 units (2022: Nil units)	-	-	-	-	64,142
<b>Pak-Qatar Investment Account - Connected Person due to holding more than 10% units</b>					
Issue of 179,748 units (2022:12,210,190 units)	-	20,000	-	-	1,327,009
Redemption of 2,396,758 units (2022:12,670,002 units)	-	275,000	-	-	1,380,017
Refund of Capital of 1,487,396 units (2022: Nil units)	-	-	-	-	96,992
Purchase of GOP ijara Sukuk (Face value)	-	-	-	-	100,000
Sale of GOP ijara Sukuk (Face value)	-	-	-	-	700,000
<b>HBL Islamic Income Fund</b>					
Sale of sukuks (Face value)	-	-	-	86,555	-
<b>Dawood Family Takaful Limited - Aggressive Fund - Connected Person due to holding more than 10% units</b>					
Issuance of 536,946 units	-	-	55,000	-	-
Dividend on 1,828 units (2022: Nil units)	-	-	183	-	-
Refund of Capital of 97,978 units (2022: Nil units)	-	-	-	-	-
<b>Dawood Family Takaful Limited - Balanced Fund - Connected Person due to holding more than 10% units</b>					
Issuance of 1,865,149 units	-	-	195,000	-	-
Dividend on 6,348 units (2022: Nil units)	-	-	635	-	-
Refund of Capital of 340,337 units (2022: Nil units)	-	-	-	-	-
<b>Dawood Family Takaful Limited - Income Fund - Connected Person due to holding more than 10% units</b>					
Issuance of 1,243,433 units	-	-	130,000	-	-
Dividend on 4,232 units (2022: Nil units)	-	-	423	-	-
Refund of Capital of 226,891 units (2022: Nil units)	-	-	-	-	-

# HBL ISLAMIC ASSET ALLOCATION FUND

## Notes to the Financial Statements

For the year ended June 30, 2023

	June 30, 2023			June 30, 2022	
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1
	(Rupees in '000)			(Rupees in '000)	
<b>Dawood Family Takaful Limited</b>					
<b>- Connected Person due to holding more than 10% units</b>					
Issuance of 478,243 units	-	-	50,000	-	-
Dividend on 1,628 units (2022: Nil units)	-	-	163	-	-
Refund of Capital of 87,266 units (2022: Nil units)	-	-	-	-	-
<b>21.2 Amounts outstanding as at year end</b>					
<b>HBL Asset Management Limited - Management Company</b>					
Management fee payable	125	253	261	320	283
Sindh Sales Tax	16	33	34	42	37
Allocation of expenses related to registrar services, accounting, operation and valuation services	62	-	-	160	-
Charging of selling and marketing expenses	128	-	-	479	-
Sales load Payable	-	-	-	-	-
Formation Cost	-	245	155	-	245
<b>Habib Bank Limited - Sponsor</b>					
Investment held in the Fund Nil units (June 30, 2022: 531,283 units)	-	-	-	57,664	-
Bank balances	929	-	-	1,809	-
<b>HBL Asset Management Ltd Employees Gratuity Fund</b>					
Investment held in the Fund: 4,909 units (June 30, 2022: 4,909 units)	499	-	-	533	-
<b>HBL Asset Management Ltd Employees Provident Fund</b>					
Investment held in the Fund: 14,169 units (June 30, 2022: 14,169 units)	1,441	-	-	1,538	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>					
Remuneration payable	17	127	30	48	160
Sindh Sales Tax Payable	2	16	4	-	-
Security Deposit	100	100	100	100	100
<b>Executives and their relatives</b>					
Investment held in the Fund: Nil units (June 30, 2022: Nil units)	-	-	-	-	-
<b>Tariq Mahmood Malik - Connected Person due to holding 10% or more units</b>					
Investment held in the Fund: 187,104 units (June 30, 2022: 187,104 units)	19,026	-	-	20,308	-
<b>Abdullah Farooq Azam - Connected Person due to holding 10% or more units</b>					
Investment held in the Fund: 118,966 units (June 30, 2022 Nil units)	12,097	-	-	-	-
<b>Pak-Qatar Individual Family Participant Investment Fund</b>					
Investment held in the Fund: 5,605,246 units (June 2022: 7,765,108 units)	-	568,007	-	-	780,668
<b>Pak-Qatar Investment Account</b>					
Investment held in the Fund: 11,012,425 units (June 2022: 11,742,039 units)	-	1,115,943	-	-	1,180,491
<b>Dawood Family Takaful Limited - Aggressive Fund</b>					
<b>- Connected Person due to holding more than 10% units</b>					
Investment held in the HBL IAAF Fund Plan II: 636,751 units	-	-	64,267	-	-
<b>Dawood Family Takaful Limited Balanced Fund</b>					
<b>- Connected Person due to holding more than 10% units</b>					
Investment held in the HBL IAAF Fund Plan II: 2,211,835 units	-	-	223,238	-	-
<b>Dawood Family Takaful Limited Income Fund</b>					
<b>- Connected Person due to holding more than 10% units</b>					
Investment held in the HBL IAAF Fund Plan II: 1,474,556 units	-	-	148,825	-	-
<b>Dawood Family Takaful Limited</b>					
<b>- Connected Person due to holding more than 10% units</b>					
Investment held in the HBL IAAF Fund Plan II: 567,137 units	-	-	57,241	-	-

## 22. INVESTMENT COMMITTEE

Details of members of the investment committee of the Fund are as follow:

Name	Experience in years	Qualification
1 Mr. Mir Adil Rashid	25	BSc
2 Mr. Muhammad Ali Bhabha	28	CFA, FRM, MBA
3 Mr. Imad Ansari	16	MBA
4 Mr. Muhammad Zohaib	15	CIMA, MA
5 Mr. Muhammad Wamiq Sakrani	14	MBA
6 Mr. Raza Abbas	20	M.Com
7 Mr. Umair Naseer	10	MBA
8 Mr. Abdul Samad Khanani	8	BBA

\* They are joint Fund Managers of all other HBL funds managed by the Management Company.



**23 TOP TEN BROKERS / DEALERS**

**Top ten brokers during the year ended June 30, 2023**

- 1 Intermarket Securities Limited
- 2 Arif Habib Limited
- 3 EFG Hermes Pakistan Limited
- 4 DJM Securities Limited
- 5 Sherman Securities (Pvt) Limited
- 6 KTrade Securities Limited (Formerly) Khadim Ali Shah Bukhari Securities Limited
- 7 JS Global Capital Limited
- 8 Optimus Capital Management (Pvt.) Limited
- 9 Ismail Iqbal Securities (Pvt) Limited
- 10 Darson Securities (Private) Limited

**Top ten brokers during the year ended June 30, 2022**

- 1 Insight Securities (Private) Limited
- 2 KTrade Securities Limited
- 3 Arif Habib Limited
- 4 Next Capital Limited
- 5 Vector Securities (Private) Limited
- 6 Habib Metropolitan Financial Services Limited
- 7 Ismail Iqbal Securities (Private) Limited
- 8 ABA Ali Habib Securities (Private) Limited
- 9 Spectrum Securities (Private) Limited
- 10 IGI Finex Securities Limited

**24 PATTERN OF UNIT HOLDING**

	At June 30, 2023			Percentage
	Number of Unit holders	Units held	Investment amount (Rupees in '000)	
<b>Islamic Asset Allocation Fund</b>				
Individuals	123	847,099	86,139	85.56%
Retirement Funds	2	75,092	7,636	7.58%
Trust	1	48,785	4,961	4.93%
Associated Companies	2	19,078	1,940	1.93%
Other corporate	-	-	-	0.00%
	<b>128</b>	<b>990,054</b>	<b>100,676</b>	<b>100.00%</b>
<b>Islamic Asset Allocation Fund Plan 1</b>				
Insurance companies	5	19,035,929	1,929,004	100.00%
	<b>5</b>	<b>19,035,929</b>	<b>1,929,004</b>	<b>100.00%</b>
<b>Islamic Asset Allocation Fund Plan 2</b>				
Insurance companies	4	4,890,279	493,569	100.00%
	<b>4</b>	<b>4,890,279</b>	<b>493,569</b>	<b>100.00%</b>
<b>At June 30, 2022</b>				
	Number of Unit holders	Units held	Investment amount (Rupees in '000)	Percentage
<b>Islamic Asset Allocation Fund</b>				
Individuals	141	1,188,204	128,965	63.80%
Retirement Funds	2	75,092	8,150	4.03%
Trust	1	48,785	5,295	2.62%
Associated Companies	3	550,361	59,735	29.55%
Other corporate	-	-	-	0.00%
	<b>147</b>	<b>1,862,442</b>	<b>202,145</b>	<b>100.00%</b>
<b>Islamic Asset Allocation Fund Plan 1</b>				
Insurance companies	5	24,096,292	2,422,530	100.00%
	<b>5</b>	<b>24,096,292</b>	<b>2,422,530</b>	<b>100.00%</b>

**25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

Six meetings of the Board of Directors were held on August 29,2022 , October 19, 2022, January 16,2023 ,January 23,2023 ,February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Shahid Ghaffar	6	6	-	-
2 Ms. Ava A. Cowasjee	6	6	-	-
3 Mr. Rayomond H. Kotwal	6	6	-	-
4 Mr. Abrar Ahmed Mir	6	2	4	August 29,2022, January 16,2023, January 23,2023, February 13,2023
5 Mr. Tariq Masaud	6	6	-	-
6 Mr. Abid Sattar	6	6	-	-
7 Mr. Khalid Malik	6	5	1	October 19, 2023

**26 FINANCIAL RISK MANAGEMENT**

26.1 The Fund's objective in managing risks is the creation and protection of Unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, Fund's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to credit risk, liquidity risk and market risk arising from the financial instruments it holds.

**26.2 Credit risk**

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligations. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- The Fund limits its exposure to credit risk by only investing in instruments and bank deposits that have a minimum "AA-" from a credit rating agency duly approved by the SECP.
- Investment transactions are carried out with large number of brokers, whose credit rating is taken into account so as to minimize the risk of default and transactions are settled or paid for only upon deliveries.
- The risk of counter party exposure due to failed trade causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis.
- Cash is held only with reputable banks (including related party).

The table below analyses the Fund's maximum exposure to credit risk:

Rating Agency	Rating	2023			2022		
		Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan-1	Islamic Asset Allocation Fund Plan-2	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan-1	
		----- (Rupees in '000) -----			----- (Rupees in '000) -----		
<b>Bank balances by rating category</b>							
Habib Bank Limited	VIS	AAA	929	-	-	1,809	-
Bank Al Habib Limited	PACRA	AAA	172	-	-	193	-
National Bank of Pakistan	VIS	AAA	150	16	-	61	27.00
Allied Bank Limited	PACRA	AAA	8	10	2,157	5	10.00
Askari Bank Limited	PACRA	AA+	14	-	-	13	-
Habib Metropolitan Bank Limited	PACRA	AA+	6	-	-	6	-
Dubai Islamic Bank Pakistan Limited	VIS	AA	4,689	-	-	1,187	-
Soneri Bank Limited	PACRA	AA-	113	389	-	109	1,319
BankIslami Pakistan Limited	PACRA	AA-	531	1,061	102,288	766	84
The Bank of Khyber Limited	PACRA	A+	2	-	-	2	-
Al Baraka Bank (Pakistan) Limited	VIS	A+	12,206	14,774	-	31,580	751,943.00
MIB Bank Limited	PACRA	A	55	-	-	52	-
Summit Bank Limited	VIS	Suspended	11	-	-	11	-
U-Micro Finance Bank Limited	PACRA	A+	10	9	-	-	-
Bank Alfalah Limited	PACRA	AA+	10	10	-	-	-
Faysal Bank Limited	VIS	AA	-	240,004	-	-	-
Meezan Bank Limited	VIS	AAA	-	-	10	-	-
			<b>18,906</b>	<b>256,273</b>	<b>104,455</b>	<b>35,794</b>	<b>753,383</b>

Islamic Asset Allocation Fund	2023			2022			
	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total	
	----- (Rupees in '000) -----			----- (Rupees in '000) -----			
<b>Sukuk certificates by rating category</b>							
AAA	-	877,676	118,902	996,578	-	250,000	250,000
AA+	-	547,149	63,935	611,084	-	446,308	446,308
AA	-	45,000	-	45,000	-	631,893	631,893
AA-	-	59,053	60,082	119,136	-	200,862	200,862
A+	-	22,079	58,438	80,516	29,720	-	29,720
A	-	60,059	-	60,059	-	-	-
	-	<b>1,611,016</b>	<b>301,357</b>	<b>1,912,373</b>	<b>29,720</b>	<b>1,529,063</b>	<b>1,558,783</b>
<b>Government Securities</b>							
GoP ijarah	-	-	70,042	70,042	-	-	-
<b>Investment in commercial paper</b>							
A-1+	-	-	-	-	11,940	-	11,940
<b>Dividend receivable and accrued mark-up</b>							
	350	52,502	10,880	63,732	2,181	50,186	52,367
<b>Accruals, Deposits and other receivables</b>							
	3,774	9,594	7,800	21,168	2,600	100	2,700

### **Concentration of credit risk**

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

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

### **26.3 Liquidity risk**

'Liquidity risk' is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's offering document provides for the daily creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unit holder's redemptions at any time. The Fund manages the liquidity risk by maintaining maturities of financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets. The Fund's investments are considered to be readily realisable as they are all invested in equity securities, government securities, sukuk certificates, commercial papers and saving accounts. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

In accordance with the risk management policy of the Fund, the Fund manager monitors the liquidity position on a daily basis, which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

In accordance with regulation 58(1)(k) of the NBFC Regulations, 2008, the Fund has the ability to borrow funds for meeting the redemption requests, with the approval of the Trustee, for a period not exceeding three months to the extent of fifteen percent of the net assets. However, no such borrowing has been obtained during the year ended June 30, 2023

Further, the Fund is also allowed in accordance with regulation 57 (10) of the NBFC Regulations, 2008, to defer redemption requests to the next dealing day, had such requests exceed ten percent of the total number of units in issue.

### **26.4 Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as profit rates, foreign exchange rates and debt security prices.

#### **i) Profit rate risk**

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in the market profit rates. The Fund's profit rate is monitored on a quarterly basis by the board of directors.

As at June 30, 2023 the balances that may be exposed to profit rate risk are as follows:

	2023				2022		
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----		
<i>Variable rate instruments</i>							
Bank balances	18,906	256,273	104,454	379,633	35,794	753,383	789,177
Investments - at fair value through profit or loss	83,648	1,566,016	371,399	2,021,063	159,388	1,620,518	1,779,906
	<u>102,554</u>	<u>1,822,289</u>	<u>475,853</u>	<u>2,400,696</u>	<u>195,182</u>	<u>2,373,901</u>	<u>2,569,083</u>
<i>Fixed rate instrument</i>							
Investments - At amortised cost	-	45,000	-	-	11,940	-	11,940
	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>11,940</u>	<u>-</u>	<u>11,940</u>

#### Cash flow sensitivity analysis for variable rate instruments

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) had the interest rates on savings accounts with banks increased / (decreased) by 100 basis point is as follows

	Effect on total comprehensive income and net assets				Effect on total comprehensive income and net assets		
	2023				2022		
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----		
100	<u>189</u>	<u>2,563</u>	<u>1,045</u>	<u>3,796</u>	<u>358</u>	<u>7,534</u>	<u>7,892</u>
(100)	<u>(189)</u>	<u>(2,563)</u>	<u>(1,045)</u>	<u>(3,796)</u>	<u>(358)</u>	<u>(7,534)</u>	<u>(7,892)</u>

As at June 30, 2023, the Fund hold's sukuk bonds which are classified as 'fair through profit or loss', exposing the Fund to cash flow interest rate risk and fair value interest rate risk. In case of 100 basis points increase / decrease in mark-up rates on June 30, 2023, with all other variables held constant, the impact on the net assets and total comprehensive income for the year is as follows:

	Total Exposure				Total Exposure		
	2023				2022		
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----		
GoP ijarah	-	-	70,042	70,042	-	-	-
Sukuk bonds	-	1,566,016	301,357	1,867,373	29,720	1,620,518	1,650,238
	<b>Effect on total comprehensive income and net assets</b>				<b>Effect on total comprehensive income and net assets</b>		
	2023				2022		
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----		
Change in basis points - Fair value interest rate risk							
100	-	(39,951)	(8,124)	(48,075)	(443)	(40,861)	(41,304)
(100)	-	42,015	8,551	50,565	523	47,743	48,266
Change in basis points - Cash Flow interest rate risk							
100	-	37,144	2,687	37,144	36	25,885	25,921
(100)	-	(37,144)	(2,687)	(37,144)	(36)	(25,885)	(25,921)

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association are expected to change overtime. Accordingly, the sensitivity analysis prepared as of June 30, 2023, is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

#### Sensitivity analysis for fixed rate instruments

	2023				2022		
	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Islamic Asset Allocation Fund Plan 2	Total	Islamic Asset Allocation Fund	Islamic Asset Allocation Fund Plan 1	Total
	----- (Rupees in '000) -----				----- (Rupees in '000) -----		
Change in basis points							
100	-	141	-	141	-	-	-
(100)	-	(141)	-	(141)	-	-	-



# HBL ISLAMIC ASSET ALLOCATION FUND

## Notes to the Financial Statements

For the year ended June 30, 2023

	At June 30, 2023						
	Interest rate (%)	Maturity Up to			More than one year	Not exposed to profit rate risk	Total
		Three months	Six months	One year			
<b>On-balance sheet financial instruments</b>							
<b><u>Islamic Asset Allocation Fund</u></b>							
<b>Financial assets</b>							
Bank balances							
Investments classified as:							
'At fair value through Profit or Loss'	7.25% - 20%	18,906	-	-	-	18,906	
- Listed Equity securities							
- Sukuk Certificates		-	-	-	83,648	83,648	
- GoP Ijarah Sukuks		-	-	-	-	-	
'At amortised cost'							
- Commercial paper		-	-	-	-	-	
Dividend receivable and accrued profit		-	-	-	-	-	
Receivable against sale of investment		-	-	-	350	350	
Advances, deposits and other receivables		1,304	-	-	-	-	
<b>Total financial assets</b>		<b>20,210</b>	<b>-</b>	<b>-</b>	<b>88,093</b>	<b>106,999</b>	
<b>Financial liabilities</b>							
Payable to the Management Company		-	-	-	331	331	
Payable to the Trustee		-	-	-	19	19	
Accrued expenses and other liabilities		-	-	-	6,188	6,188	
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>6,538</b>	<b>6,538</b>	
<b>On-balance sheet gap</b>		<b>20,210</b>	<b>-</b>	<b>-</b>	<b>81,555</b>	<b>100,461</b>	
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

	At June 30, 2023						
	Interest rate (%)	Maturity Up to			More than one year	Not exposed to profit rate risk	Total
		Three months	Six months	One year			
<b>On-balance sheet financial instruments</b>							
<b><u>Islamic Asset Allocation Fund Plan 1</u></b>							
<b>Financial assets</b>							
Bank balances	7.25% - 20%	256,273	-	-	-	256,273	
Investments classified as:							
'At fair value through Profit or Loss'							
- Listed Equity securities		-	-	-	-	-	
- Sukuk Certificates	KIBOR+ 3M-1Yr	-	45,000	211,564	1,354,452	1,611,016	
- GoP Ijarah Sukuks	-0.1%-1.9%	-	-	-	-	-	
Dividend receivable and accrued mark-up		-	-	-	52,502	52,502	
Advances, deposits and other receivables		-	-	-	10,886	10,886	
<b>Total financial assets</b>		<b>256,273</b>	<b>45,000</b>	<b>211,564</b>	<b>1,354,452</b>	<b>1,930,677</b>	
<b>Financial liabilities</b>							
Payable to the Management Company		-	-	-	531	531	
Payable to the Trustee		-	-	-	143	143	
Accrued expenses and other liabilities		-	-	-	639	639	
<b>Total financial liabilities</b>		<b>256,273</b>	<b>45,000</b>	<b>211,564</b>	<b>1,354,452</b>	<b>1,929,364</b>	
<b>On-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

# HBL ISLAMIC ASSET ALLOCATION FUND

## Notes to the Financial Statements

For the year ended June 30, 2023

	At June 30, 2023						
	Interest rate (%)	Maturity Up to			More than one year	Not exposed to profit rate risk	Total
		Three months	Six months	One year			
(Rupees in '000)							
<b>On-balance sheet financial instruments</b>							
<b>Islamic Asset Allocation Fund Plan 2</b>							
<b>Financial assets</b>							
Bank balances	7.25% - 20%	104,454	-	-	-	104,454	
Certificate of Musharaka		-	-	-	-	-	
Investments classified as:							
'At fair value through Profit or Loss'							
- Listed Equity securities		-	-	-	-	-	
- Sukuk Certificates	KIBOR+ 3M-1Yr 0.70%-1.75%	-	-	-	301,357	301,357	
- GoP Ijarah Sukuks		-	-	70,042	-	70,042	
Dividend receivable and accrued mark-up		-	-	-	10,880	10,880	
Advances, deposits and other receivables		-	-	-	7,800	7,800	
<b>Total financial assets</b>		<b>104,454</b>	<b>-</b>	<b>70,042</b>	<b>301,357</b>	<b>494,533</b>	
<b>Financial liabilities</b>							
Payable to the Management Company		-	-	-	450	450	
Payable to the Trustee		-	-	-	34	34	
Accrued expenses and other liabilities		-	-	-	150	150	
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>634</b>	<b>634</b>	
<b>On-balance sheet gap</b>		<b>104,454</b>	<b>-</b>	<b>70,042</b>	<b>301,357</b>	<b>493,899</b>	
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

	At June 30, 2022						
	Interest rate (%)	Maturity Up to			More than one year	Not exposed to profit rate risk	Total
		Three months	Six months	One year			
(Rupees in '000)							
<b>On-balance sheet financial instruments</b>							
<b>Islamic Asset Allocation Fund</b>							
<b>Financial assets</b>							
Bank balances	3.75%-15.75%	35,794	-	-	-	35,794	
Certificate of Musharaka		-	-	-	-	-	
Investments classified as:							
'At fair value through Profit or Loss'							
- Listed Equity securities	KIBOR 3M-6M+ 0.5%-3%	-	-	-	129,668	129,668	
- Sukuk Certificates		-	-	-	29,720	29,720	
- GoP Ijarah Sukuks		-	-	-	-	-	
'At amortised cost'							
- Commercial paper		-	-	-	11,940	11,940	
Dividend receivable and accrued mark-up		-	-	-	2,181	2,181	
Advances, deposits and other receivables		-	-	-	2,803	2,803	
<b>Total financial assets</b>		<b>35,794</b>	<b>-</b>	<b>-</b>	<b>29,720</b>	<b>212,106</b>	
<b>Financial liabilities</b>							
Payable to the Management Company		-	-	-	1,001	1,001	
Payable to the Trustee		-	-	-	48	48	
Accrued expenses and other liabilities		-	-	-	6,897	6,897	
Payable against purchase of investment		-	-	-	880	880	
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>8,826</b>	<b>8,826</b>	
<b>On-balance sheet gap</b>		<b>35,794</b>	<b>-</b>	<b>-</b>	<b>29,720</b>	<b>203,280</b>	
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

	At June 30, 2022					Total	
	Interest rate (%)	Maturity Up to			More than one year		Not exposed to profit rate risk
		Three months	Six months	One year			
On-balance sheet financial instruments	----- (Rupees in '000) -----						
<u>Islamic Asset Allocation Fund Plan 1</u>							
<b>Financial assets</b>							
Bank balances	3.75% -	753,383	-	-	-	753,383	
Certificate of Musharaka		-	-	-	-	-	
Investments classified as:							
'At fair value through Profit or Loss'							
- Listed Equity securities		-	-	-	-	-	
- Sukuk Certificates	KIBOR+ 3M-1Y 0.1%-1.9%	-	-	-	1,620,518	1,620,518	
- GoP Ijarah Sukuks		-	-	-	-	-	
Dividend receivable and accrued mark-up		-	-	-	50,186	50,186	
Advances, deposits and other receivables		-	-	-	100	100	
<b>Total financial assets</b>		<b>753,383</b>	<b>-</b>	<b>-</b>	<b>1,620,518</b>	<b>2,424,187</b>	
<b>Financial liabilities</b>							
Payable to the Management Company		-	-	-	565	565	
Payable to the Trustee		-	-	-	160	160	
Accrued expenses and other liabilities		-	-	-	543	543	
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,268</b>	<b>1,268</b>	
<b>On-balance sheet gap</b>		<b>753,383</b>	<b>-</b>	<b>-</b>	<b>1,620,518</b>	<b>2,422,919</b>	
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

## ii) Foreign Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

## iii) Price risk

Price risk is the risk of volatility in prices of financial instruments resulting from their dependence on market sentiments, speculative activities, supply and demand for financial instruments and liquidity in the market. The value of investments may fluctuate due to change in business cycles affecting the business of the Fund in which the investment is made, change in business circumstances of the Fund, industry environment and / or the economy in general.

	2023		2022	
	Islamic Asset Allocation Fund		Islamic Asset Allocation Fund	
	Fund Equity Portfolio	KMI-30 Benchmark Portfolio	Fund Equity Portfolio	KMI-30 Benchmark Portfolio
	-----%-----		-----%-----	
Textile Composite	0%	0%	4%	4%
Cement	24%	11%	8%	10%
Chemical	0%	0%	2%	4%
Engineering	2%	1%	2%	1%
Automobile Assembler	0%	0%	0%	0%
Oil and Gas Exploration Companies	27%	42%	22%	42%
Oil and Gas Marketing Companies	7%	5%	5%	4%
Refinery	3%	1%	5%	2%
Commercial Banks	13%	10%	12%	10%
Fertilizer	6%	16%	22%	12%
Technology and Communication	5%	7%	2%	1%
Food and Personal Care Products	0%	0%	4%	1%
Glass and Ceramics	0%	0%	0%	0%
Pharmaceuticals	2%	2%	4%	3%
Power Generation & Distribution	11%	5%	5%	4%
Property	0%	0%	2%	1%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

In case of 5% increase / decrease in KMI-30 index on June 30, 2023 with all other variables held constant, other components of equity and the net assets of the Fund would increase / decrease by Rs. 4.21 million as a result of gains / losses on equity securities

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Funds equity instruments moved according to the historical correlation with the index. This represents managements best estimate of a reasonable possible shift in the KMI-30 index, having regard to the historical volatility of the index. The composition of the Funds investment portfolio and the correlation thereof to the KMI-30 index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KMI-30 index.

In addition to unit holders' fund, the analysis below summarizes the Fund's financial liabilities into relevant maturity grouping as at June 30, 2023:

	Islamic Asset Allocation Fund				Islamic Asset Allocation Fund Plan 1				Islamic Asset Allocation Fund Plan 2						
	Maturity Up to			More than	Total	Maturity Up to			More than	Total	Maturity Up to			More than	Total
	Three months	Six months	One year	one year		Three months	Six months	One year	one year		Three months	Six months	One year	one year	
Financial liabilities	(Rupees in '000)														
Payable to Management Company	331	-	-	-	331	531	-	-	-	531	450	-	-	-	450
Payable to Trustee	19	-	-	-	19	143	-	-	-	143	34	-	-	-	34
Accrued expenses and other liabilities	6,188	-	-	-	6,188	639	-	-	-	639	150	-	-	-	150
	<b>6,538</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,538</b>	<b>1,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,313</b>	<b>634</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>634</b>
Unit holders' fund	<b>100,676</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>100,676</b>	<b>1,929,004</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,929,004</b>	<b>493,571</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>493,571</b>

	At June 30, 2022					At June 30, 2022				
	Islamic Asset Allocation Fund					Islamic Asset Allocation Fund Plan 1				
	Maturity Up to					Maturity Up to				
	Three months	Six months	One year	More than one year	Total	Three months	Six months	One year	More than one year	Total
<b>Financial liabilities</b>	(Rupees in '000)					(Rupees in '000)				
Payable to Management Company	1,001	-	-	-	1,001	565	-	-	-	565
Payable to Trustee	48	-	-	-	48	160	-	-	-	160
Accrued expenses and other liabilities	6,897	-	-	-	6,897	543	-	-	-	543
	<u>7,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,946</u>	<u>1,268</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,268</u>
Unit holders' fund	<u>202,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,145</u>	<u>2,422,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,422,530</u>

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

## 26.5 Unit holders' fund risk management (Capital risk management)

The Fund's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market conditions. Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

In order to maintain or adjust the unit holders' Fund structure, the Fund's policy is to perform the following:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to unit holders;
- Redeem and issue units in accordance with the constitutive documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and issuance; and
- The Fund Manager / Investment Committee members and Chief Executive of the management company critically track the movement of 'Assets under Management'. The Board of Directors is updated about the Fund yield and movement of NAV and total fund size at the end of each quarter.

## 26.6 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risk arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

## **27 FAIR VALUES 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 prices used for financial assets held by the Fund is Current bid price.

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

The Fund's accounting policy on fair value measurements of investments is discussed in note 3.2 and 3.3 to these financial statements.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

# HBL ISLAMIC ASSET ALLOCATION FUND

## Notes to the Financial Statements

For the year ended June 30, 2023

On-balance sheet financial instruments		Islamic Asset Allocation Fund							
		At June 30, 2023							
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Carrying amount At fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Fair Value Total
(Rupees in '000)									
<b>Financial assets measured at fair value</b>									
	83,648	-	-	-	83,648	83,648	-	-	83,648
	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
	<b>83,648</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>83,648</b>				
<b>Financial assets not measured at fair value</b>									
27.2	-	-	-	18,906	18,906				
	-	-	-	-	-				
	-	-	-	350	350				
	1,304	-	-	-	1,304				
	-	-	-	4,095	4,095				
	<b>1,304</b>	<b>-</b>	<b>-</b>	<b>23,351</b>	<b>24,655</b>				
<b>Financial liabilities not measured at fair value</b>									
27.2	-	-	-	331	331				
	-	-	-	19	19				
	-	-	-	6,188	6,188				
	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,538</b>	<b>6,538</b>				
On-balance sheet financial instruments		Islamic Asset Allocation Fund Plan 1							
		At June 30, 2023							
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Carrying amount At fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Fair Value Total
(Rupees in '000)									
<b>Financial assets measured at fair value</b>									
	1,566,016	-	-	45,000	1,611,016	-	1,611,016	-	1,611,016
	-	-	-	-	-	-	-	-	-
	<b>1,566,016</b>	<b>-</b>	<b>-</b>	<b>45,000</b>	<b>1,611,016</b>				
<b>Financial assets not measured at fair value</b>									
27.2	-	-	-	256,273	256,273				
	-	-	-	52,502	52,502				
	-	-	-	10,886	10,886				
	<b>-</b>	<b>-</b>	<b>-</b>	<b>319,661</b>	<b>319,661</b>				
<b>Financial liabilities not measured at fair value</b>									
27.2	-	-	-	531	531				
	-	-	-	143	143				
	-	-	-	639	639				
	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,313</b>	<b>1,313</b>				
On-balance sheet financial instruments		Islamic Asset Allocation Fund Plan 2							
		At June 30, 2023							
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Carrying amount At fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Fair Value Total
(Rupees in '000)									
<b>Financial assets measured at fair value</b>									
	-	-	-	-	-	-	-	-	-
	301,357	-	-	-	301,357	-	301,357	-	301,357
	70,042	-	-	-	70,042	-	70,042	-	70,042
	<b>371,399</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>371,399</b>				
<b>Financial assets not measured at fair value</b>									
27.2	-	-	-	104,454	104,454				
	-	-	-	10,880	10,880				
	-	-	-	7,800	7,800				
	<b>-</b>	<b>-</b>	<b>-</b>	<b>123,134</b>	<b>123,134</b>				
<b>Financial liabilities not measured at fair value</b>									
27.2	-	-	-	450	450				
	-	-	-	34	34				
	-	-	-	150	150				
	<b>-</b>	<b>-</b>	<b>-</b>	<b>634</b>	<b>634</b>				
On-balance sheet financial instruments		Islamic Asset Allocation Fund							
		At June 30, 2022							
Note	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	Carrying amount At fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Fair Value Total
(Rupees in '000)									
<b>Financial assets measured at fair value</b>									
	129,668	-	-	-	129,668	129,668	-	-	129,668
	29,720	-	-	-	29,720	-	29,720	-	29,720
	-	-	-	-	-	-	-	-	-
	<b>159,388</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>159,388</b>				
<b>Financial assets not measured at fair value</b>									
27.2	-	-	-	35,794	35,794				
	-	-	-	-	-				
	-	-	-	11,940	11,940				
	-	-	-	2,181	2,181				
	-	-	-	2,803	2,803				
	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,718</b>	<b>52,718</b>				
<b>Financial liabilities not measured at fair value</b>									
27.2	-	-	-	1,001	1,001				
	-	-	-	48	48				
	-	-	-	6,897	6,897				
	-	-	-	880	880				
	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,826</b>	<b>8,826</b>				



**On-balance sheet financial instruments**

Islamic Asset Allocation Fund Plan 1									
At June 30, 2022									
Note	Carrying amount					Fair Value			
	Mandatorily at fair value through profit or loss	Designated as at fair value through profit or loss	At fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)									
<b>Financial assets measured at fair value</b>									
	1,620,518	-	-	-	1,620,518	-	1,620,518	-	1,620,518
GoP ijarah sukuk	-	-	-	-	-	-	-	-	-
	1,620,518	-	-	-	1,620,518	-	-	-	-
<b>Financial assets not measured at fair value</b>									
Bank balances	-	-	-	753,383	753,383	-	-	-	-
Dividend receivable and accrued mark-up	-	-	-	50,186	50,186	-	-	-	-
Preliminary expenses and flotation costs	-	-	-	129	129	-	-	-	-
Advances, deposits and other receivables	-	-	-	100	100	-	-	-	-
	-	-	-	803,798	803,798	-	-	-	-
<b>Financial liabilities not measured at fair value</b>									
Payable to the Management Company	-	-	-	565	565	-	-	-	-
Payable to the Trustee	-	-	-	160	160	-	-	-	-
Accrued expenses and other liabilities	-	-	-	543	543	-	-	-	-
	-	-	-	1,268	1,268	-	-	-	-

**27.1 Valuation techniques used in determination of fair values within level 2:**

Investments in GoP ijarah sukuk are valued on the basis of the PKiSRVs announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

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

27.3 Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

**28 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES**

	Islamic Asset Allocation Fund			Islamic Asset Allocation Fund - Plan 1			Islamic Asset Allocation Fund - Plan 2		
	Receivable against sale of units	Payable against redemption of units	Total	Receivable against sale of units	Payable against redemption of units	Total	Receivable against sale of units	Payable against redemption of units	Total
(Rupees in '000)									
Opening balance as at July 1, 2022	-	-	-	-	-	-	-	-	-
Receivable against issuance of units	3,587	-	3,587	2,467,734	-	2,467,734	995,999	-	995,999
Payable against redemption of units	-	98,412	98,412	-	3,298,792	3,298,792	-	(564,593)	(564,593)
	3,587	98,412	101,999	2,467,734	3,298,792	5,766,526	995,999	(564,593)	431,406
Amount received on issuance of units	(3,587)	-	(3,587)	(2,467,734)	-	(2,467,734)	(995,999)	-	(995,999)
Amount paid on redemption of units	-	(98,412)	(98,412)	-	(3,298,792)	(3,298,792)	-	564,593	564,593
	(3,587)	(98,412)	(101,999)	(2,467,734)	(3,298,792)	(5,766,526)	(995,999)	564,593	(431,406)
<b>Closing balance as at June 30, 2023</b>	-	-	-	-	-	-	-	-	-
(Rupees in '000)									
Opening balance as at July 1, 2021									
Receivable against issuance of units	33,764	-	33,764	3,304,731	-	3,304,731	-	-	-
Payable against redemption of units	-	208,387	208,387	-	3,378,707	3,378,707	-	-	-
	33,764	208,387	242,151	3,304,731	3,378,707	6,683,438	-	-	-
Amount received on issuance of units	(33,764)	-	(33,764)	(3,304,731)	-	(3,304,731)	-	-	-
Amount paid on redemption of units	-	(208,387)	(208,387)	-	(3,378,707)	(3,378,707)	-	-	-
	(33,764)	(208,387)	(242,151)	(3,304,731)	(3,378,707)	(6,683,438)	-	-	-
<b>Closing balance as at June 30, 2022</b>	-	-	-	-	-	-	-	-	-

**29 CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation, the effect of which is not material.

**30 TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016, issued by the Securities and Exchange Commission of Pakistan, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the financial statements of CIS / the Fund. Further, limit for Asset Allocation scheme is 4.5% in case management fee is charged and upto 0.5% incase no management fee is charged. The TER for the year ended June 30, 2023, is 4.87%, 0.34% and 0.92% for HBL IAAF, HBL IAAF Plan-1 and HBL IAAF Plan-2 (2022: 3.65% and 0.33%) which includes 0.37%, 0.05%, 0.10% (2022: 0.04%, 0.04%) representing Government levy and SECP fee of the Islamic Asset Allocation Fund, Islamic Asset Allocation Fund Plan-1 and Islamic Asset Allocation Fund Plan-2 respectively. During the year ended June 30, 2023 the fund was in breach of the TER of 4.5%, the details of which are disclosed in Note 9.4

**31 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on August 25, 2023.

**32 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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

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**Chief Financial Officer**

---

**Chief Executive Officer**

---

**Director**



**HBL** Islamic Stock Fund

<b>NAME OF FUND</b>	<b>HBL ISLAMIC STOCK FUND</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF AUDITORS</b>	<b>A.F. Ferguson &amp; Co.</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Dubai Islamic Bank Limited Bank Islami Pakistan Limited Bank Al Baraka Limited</b>

**FUND MANAGER'S REPORT – HBL ISLAMIC STOCK FUND**

**Type and Category of Fund**

Open end Equity Fund

**Investment Objective and Accomplishment of Objective**

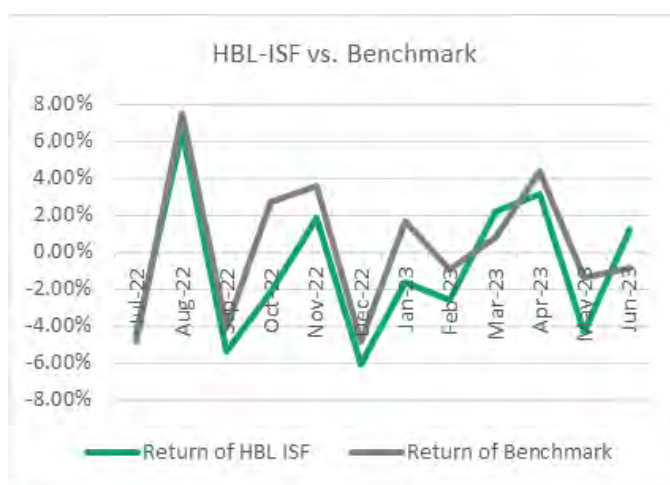
The investment objective of the Fund is to achieve long term capital growth by investing mainly in Shariah Complaint equity securities.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KMI-30 Index.

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

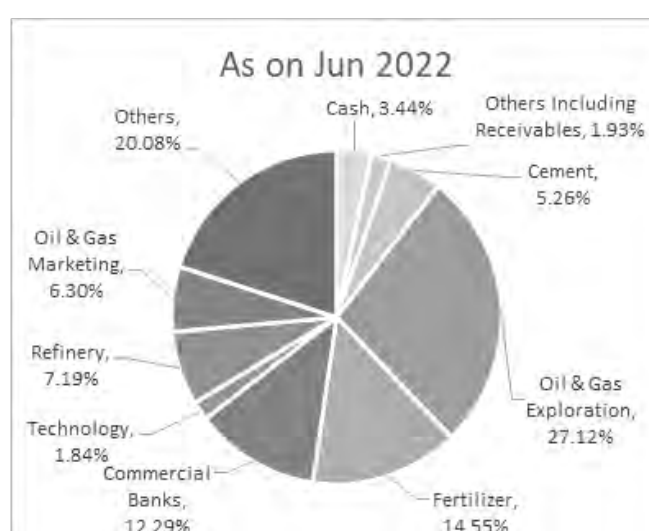
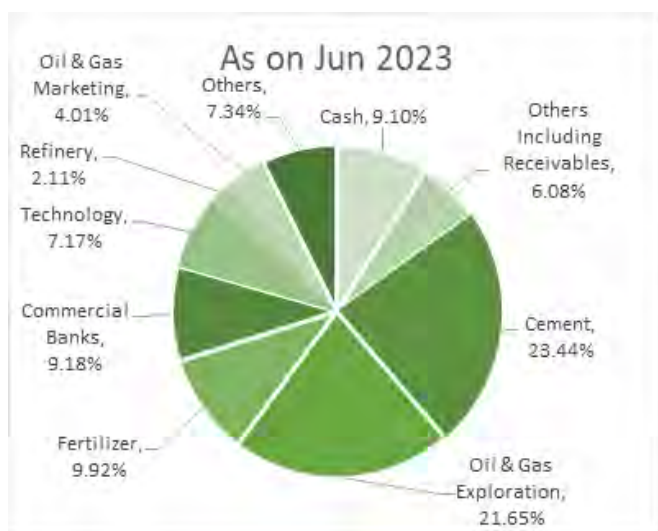
Month	Return of Fund	
	HBL-ISF	Benchmark
Jun-23	1.21%	-0.83%
May-23	-4.31%	-1.40%
Apr-23	3.16%	4.35%
Mar-23	2.15%	0.84%
Feb-23	-2.63%	-0.97%
Jan-23	-1.64%	1.70%
Dec-22	-6.06%	-4.86%
Nov-22	1.86%	3.55%
Oct-22	-2.17%	2.74%
Sep-22	-5.36%	-4.10%
Aug-22	6.54%	7.49%
Jul-22	-4.43%	-4.83%



**Strategies and Policies employed during the Year**

During the year under review, the Fund reduced its exposure in equity from 95% of total assets as on June 30, 2022 to 85% of total assets as on June 30, 2023. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in oil & gas exploration and cement was increased, while exposure in fertilizer and commercial banks was decreased.

**Asset Allocation**





## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2023 and June 30, 2022:

Sector Name	As on Jun 2023	As on Jun 2022
Cash	9.10%	3.44%
Others Including Receivables	6.08%	1.93%
Cement	23.44%	5.26%
Oil & Gas Exploration	21.65%	27.12%
Fertilizer	9.92%	14.55%
Commercial Banks	9.18%	12.29%
Technology	7.17%	1.84%
Refinery	2.11%	7.19%
Oil & Gas Marketing	4.01%	6.30%
Others	7.30%	20.10%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The total and net loss of the Fund was Rs. 5.41 million and Rs. 17.06 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) of the Fund was Rs. 77.9684 per unit as on June 30, 2023 as compared to Rs. 88.4322 per unit as on June 30, 2022, thereby giving a negative return of 11.83% during the year, against the benchmark return (KMI 30 Index) of 2.88%. The size of Fund was Rs. 0.16 billion as on June 30, 2023 as compared to Rs. 0.41 billion at the start of the year.

## Review of Market invested in

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## Distribution

The Board of Directors approved nil dividend to the unit holders for the year ended June 30, 2023.

## Significant Changes in the State of Affairs

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

### Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	150	4,847
101 – 500	53	12,655
501 – 1,000	16	11,688
1,001 – 10,000	55	159,189
10,001 – 100,000	31	906,465
100,001 – 500,000	2	319,231
500,001 – 1,000,000	1	621,176
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	<b>308</b>	<b>2,035,251</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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



# PERFORMANCE TABLE - HBL ISLAMIC STOCK FUND

	2023	2022	2021	2020	2019	2018
Net assets at the period end(Rs'000)	158,685	411,039	760,471	555,017	635,161	2,541,942
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	77.9684	88.4322	123.9845	93.6585	91.2924	111.8276
Offer	79.7305	90.4308	126.7865	95.7752	93.3556	114.3549
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	94.4487	129.4982	131.925	119.9859	118.7495	133.8388
Lowest offer price per unit	75.0873	110.2125	97.9654	74.3357	89.5553	103.5161
Highest redemption price per unit	92.3613	126.6362	129.0094	117.3341	116.1251	130.8809
Lowest redemption price per unit	73.4278	107.7767	95.8003	72.6928	87.5761	101.2283
<b>RETURN ( % )</b>						
Total return	-11.83%	-28.67%	32.38%	2.95%	-18.36%	-13.99%
Income distribution	0.00%	0.00%	0.00%	0.32%	0.00%	0.00%
Capital growth	-11.83%	-28.67%	32.38%	2.63%	-18.36%	-13.99%
<b>DISTRIBUTION</b>						
Final dividend distribution- Rs	-	-	-	0.32	-	-
Date of Income Distribution	-	-	-	26-Jun-20	-	-
Total dividend distribution for the year/ period	-	-	-	0.32	-	-
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-11.83%	-28.67%	32.38%	2.95%	-18.36%	-13.99%
Average annual return 2 year	-20.70%	-2.83%	16.74%	-8.32%	-16.21%	3.48%
Average annual return 3 year	-5.93%	-0.94%	3.62%	-10.25%	-4.38%	2.65%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	9%	3%	5%	6%	8%	22%
GoP Ijarah Sukuks						-
Placement with Banks and DFIs						-
Corporate Sukuks						-
Stock / Equities	85%	95%	94%	93%	89%	78%
Others	6%	2%	1%	1%	3%	0%

**Note:**

The Launch date of the Fund is May 10, 2011

**Disclaimer:**

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

Summary of Actual Proxy voted by CIS

HBLISF	Meetings	Resolutions	For	Against
Number	2	9	9	-
(%ages)			100%	-

(h) AMC did not participate in shareholders' meetings

Scrip	AGM Meeting Dt	EOGM Meeting Dt
Attock Cement Pakistan Ltd	10-19-22	27-05-23
Attock Petroleum Ltd	09-20-22	
Attock Refinery Ltd	09-20-22	
Avanceon Limited	29-05-23	
BankIslami Pakistan Limited	03-30-23	10/10/2022 10-05-2023
Cherat Cement Company Ltd.	10-12-22	22-06-23
D G Khan Cement Co.Ltd.	10-28-22	20-06-23
Engro Corporation Ltd	03-30-23	26-01-23
Engro Fertilizers Limited	03-28-23	
Engro Polymer & Chemicals Ltd	04-27-23	
Fauji Cement Company Limited	10-21-22	22-06-23
Ferozsons Laboratories Ltd	09-30-22	26-06-23
Highnoon Laboratories Limited	04-29-23	
Hub Power Company Ltd	09-29-22	20-02-23
Interloop Limited	18-10-22	
Kohinoor Textile Mills Ltd	27-10-22	03-02-23
Lucky Cement Ltd	09-20-22	28/09/2022 24-5-2023
Maple Leaf Cement Factory Ltd	10-27-22	30/12/2022 20-6-2023
Mari Petroleum Company Ltd	09-28-22	23-06-23
Meezan Bank Ltd	03-29-23	
Mughal Iron & Steel Inds Ltd	10-31-22	
National Refinery Ltd	10-19-22	
Nishat Mills Ltd	28/10/2022 28-11-2022	31/03/2023 19-6-2023
Oil & Gas Development Co Ltd	10-25-22	30-11-22
Pakistan Oilfields Ltd	09-20-22	12-06-23
Pakistan Petroleum Ltd	01-00-00	30-11-22
Pakistan State Oil Company Ltd	10-26-22	
Pioneer Cement Limited	10-27-22	
Sui Northern Gas Pipeline Ltd	07-29-22	
Systems Limited	05-23-23	01/07/2022 23-6-2023
Tariq Glass Industries Ltd	10-27-22	21-06-23
The Organic Meat Company Limited	10-28-22	20-06-23
The Searle Company Ltd	10-28-22	
TPL Properties Limited	27-10-22	
TPL Trakker Limited	10-24-22	
Unity Foods Limited	28/10/2022 15-12-2022 15-2-2023	

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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S.M.C.H.S., Main Shāhrah-e-Faisal  
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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC STOCK FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Stock Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2023





ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٲٲ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Stock Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2023. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 25, 2023

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

UAN (021) 111-425-262  
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www.hblasasset.com

September 25, 2023

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Stock Fund (HBL-ISF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

والله أعلم بالصواب، وصلى الله على نبيينا محمد وعلى آله وصحبه وبارك وسلم

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



Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive



**INDEPENDENT AUDITOR'S REPORT**

**To the Unit holders of HBL Islamic Stock Fund  
Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of HBL Islamic Stock Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**Key Audit Matters**

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p><b>Net Asset Value</b> (Refer notes 4 and 5 to the financial statements)</p> <p>The bank balances and investments constitute the most significant component of the net asset value (NAV). The bank balances and investments of the Fund as at June 30, 2023 amounted to Rs. 15,902 million and Rs. 148,169 million respectively.</p> <p>The existence of bank balances and the existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2023 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>• tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>• obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2023 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;</li> <li>• re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and</li> <li>• obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> </ul>

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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### Other Information

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

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

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

### Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

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

Board of directors of the Management Company is responsible for overseeing the Fund's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

*A.F. Ferguson & Co.*

A. F. Ferguson & Co.  
Chartered Accountants  
Karachi

Dated: September 22, 2023

UDIN: AR20231006118cCryn01



**INDEPENDENT REASONABLE ASSURANCE REPORT TO THE UNIT HOLDERS OF HBL ISLAMIC STOCK FUND ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

**Introduction**

We were engaged by the Board of Directors of **HBL Asset Management Limited** (the Management Company) to report on the Management Company's assessment of compliance with the Shariah Principles of **HBL Islamic Stock Fund** (the Fund), as set out in the annexed Statement of Compliance with the Shariah Principles (the Statement) prepared by the Management Company for the year ended June 30, 2023, in the form of an independent reasonable assurance conclusion about whether the annexed statement reflects, in all material respects the status of compliance of the Fund with the Shariah Principles as specified in the Trust Deed and the Guidelines issued by the Shariah Advisor (here-in-after referred to as "the Shariah Guidelines"). Our engagement was conducted by a team of assurance practitioners.

**Applicable Criteria**

The criteria for the assurance engagement against which the annexed Statement has been assessed comprises of the Shariah Principles as specified in the Trust Deed and the Guidelines issued by the Shariah Advisor.

**Management's Responsibility for Shariah Compliance**

The Management Company of the Fund is responsible for preparation of the annexed Statement that is free from material misstatement. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the annexed Statement that is free from material misstatement, whether due to fraud or error. It also includes ensuring the overall compliance of the Fund with the Shariah Guidelines.

**Our Independence and Quality Control**

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

The Firm applies International Standard on Quality Control (ISQC) 1, "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Our responsibility and summary of work performed**

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

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <[www.pwc.com/pk](http://www.pwc.com/pk)>

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The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with the Shariah Guidelines, whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the Fund's compliance with the Shariah Guidelines, in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing a conclusion as to the effectiveness of the Management Company's internal control over the Fund's compliance with the Shariah Guidelines. A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with Shariah Guidelines, and consequently cannot provide absolute assurance that the objective of compliance with the Shariah Guidelines, will be met. Also, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

The procedures performed primarily comprised the following:

- checking compliance of Shariah Guidelines relating to charity, maintaining bank accounts and for making investments of the Fund; and
- checking that the Shariah Advisor has certified that the operations of the Fund and its investments made during the year ended June 30, 2023 are in compliance with the Shariah Guidelines.

We believe that the evidences we have obtained through performing our procedures were sufficient and appropriate to provide a basis for our conclusion.

#### **Conclusion**

Based on the procedures performed during our reasonable assurance engagement, we report that in our opinion, the annexed Statement presents fairly, in all material respects, the status of the Fund's compliance with the Shariah Guidelines issued for the year ended June 30, 2023.

A.F. Ferguson & Co.  
Chartered Accountants  
Dated: September 27, 2023  
Karachi

	Note	2023	2022
----- Rupees in '000 -----			
<b>ASSETS</b>			
Bank balances	4	15,902	14,593
Investments	5	148,169	401,731
Dividend and profit receivable	6	301	868
Receivable against sale of investments		4,854	4,376
Advances and deposits	7	3,000	3,000
Receivable from HBL Asset Management Limited - Management Company	8	2,469	-
<b>Total assets</b>		174,695	424,568
<b>LIABILITIES</b>			
Payable to HBL Asset Management Limited - Management Company	9	895	2,798
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	29	84
Payable to the Securities and Exchange Commission of Pakistan	11	43	126
Payable against purchase of investments		6,645	2,000
Accrued expenses and other liabilities	12	8,398	8,521
<b>Total liabilities</b>		16,010	13,529
<b>NET ASSETS</b>		<u>158,685</u>	<u>411,039</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>158,685</u>	<u>411,039</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	----- Number of units -----	
<b>NUMBER OF UNITS IN ISSUE</b>	17	<u>2,035,251</u>	<u>4,648,066</u>
		----- Rupees -----	
<b>NET ASSET VALUE PER UNIT</b>	3.6	<u>77.9684</u>	<u>88.4322</u>

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

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

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

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

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

# HBL Islamic Stock Fund

## Income Statement

For the year ended June 30, 2023

	Note	2023	2022
----- Rupees in '000 -----			
<b>INCOME / (LOSS)</b>			
Dividend income		16,020	24,417
Profit on savings accounts with banks		2,889	2,891
Loss on sale of investments - net		(19,344)	(126,933)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.2	(4,972)	(82,093)
		<u>(24,316)</u>	<u>(209,026)</u>
<b>Total loss</b>		(5,407)	(181,718)
<b>EXPENSES</b>			
Remuneration of HBL Asset Management Limited - Management Company	9.1 & 9.2	4,908	14,190
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	1,181	3,711
Selling and marketing expenses	9.4	2,294	6,845
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1 & 10.2	491	1,419
Annual fee to the Securities and Exchange Commission of Pakistan	11	43	126
Auditors' remuneration	14	422	408
Settlement and bank charges		613	581
Legal fee		-	167
Securities transaction costs		2,856	2,860
Fees and subscription		437	237
Charity expense		881	1,050
Reimbursement from HBL Asset Management Limited - Management Company		(2,469)	-
<b>Total expenses</b>		<u>11,657</u>	<u>31,594</u>
		<u>(17,064)</u>	<u>(213,312)</u>
<b>Net operating loss for the year</b>			
Reversal of provision for Sindh Workers' Welfare Fund		-	9,507
		<u>(17,064)</u>	<u>(203,805)</u>
<b>Net loss for the year before taxation</b>			
Taxation	16	-	-
		<u>(17,064)</u>	<u>(203,805)</u>
<b>Net loss for the year after taxation</b>			
<b>Loss per unit</b>	18	-	-
<b>Allocation of net income for the year</b>			
Net income for the year before taxation		-	-
Income already paid on units redeemed		-	-
		<u>-</u>	<u>-</u>
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		<u>-</u>	<u>-</u>

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

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

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

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

\_\_\_\_\_  
Director

	2023	2022
	----- Rupees in '000 -----	
Net loss for the year after taxation	(17,064)	(203,805)
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<u>(17,064)</u>	<u>(203,805)</u>

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

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

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

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

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



**HBL Islamic Stock Fund**  
**STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND**  
 For the year ended June 30, 2023

	2023			2022		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
----- Rupees in '000 -----						
<b>Net assets at the beginning of the year</b>	851,524	(440,485)	411,039	997,151	(236,680)	760,471
Issuance of 3,381,401 units (2022: 5,018,577 units)						
- Capital value (at net asset value per unit at the beginning of the year)	299,025	-	299,025	622,226	-	622,226
- Element of loss	(10,659)	-	(10,659)	(97,761)	-	(97,761)
<b>Total proceed on issuance of units</b>	288,366	-	288,366	524,465	-	524,465
Redemption of 5,994,216 units (2022: 6,504,110 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(530,082)	-	(530,082)	(806,409)	-	(806,409)
- Element of income	6,426	-	6,426	136,317	-	136,317
<b>Total payment on redemption of units</b>	(523,656)	-	(523,656)	(670,092)	-	(670,092)
Total comprehensive loss for the year	-	(17,064)	(17,064)	-	(203,805)	(203,805)
Distribution for the year	-	-	-	-	-	-
<b>Net loss for the year less distribution</b>	-	(17,064)	(17,064)	-	(203,805)	(203,805)
<b>Net assets at the end of the year</b>	<u>616,234</u>	<u>(457,549)</u>	<u>158,685</u>	<u>851,524</u>	<u>(440,485)</u>	<u>411,039</u>
<b>Accumulated loss brought forward comprising of:</b>						
- Realised loss		(358,392)			(276,912)	
- Unrealised (loss) / income		(82,093)			40,232	
		<u>(440,485)</u>			<u>(236,680)</u>	
<b>Accounting income available for distribution:</b>						
- Relating to capital gains		-			-	
- Excluding capital gains		-			-	
		-			-	
Net loss for the year after taxation		(17,064)			(203,805)	
<b>Accumulated loss carried forward</b>		<u>(457,549)</u>			<u>(440,485)</u>	
<b>Accumulated loss carried forward comprising of:</b>						
- Realised loss		(452,577)			(358,392)	
- Unrealised loss		(4,972)			(82,093)	
		<u>(457,549)</u>			<u>(440,485)</u>	
				<b>(Rupees)</b>		<b>(Rupees)</b>
<b>Net asset value per unit at the beginning of the year</b>				<u>88.4322</u>		<u>123.9845</u>
<b>Net asset value per unit at the end of the year</b>				<u>77.9684</u>		<u>88.4322</u>

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

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

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

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

\_\_\_\_\_  
 Director



	Note	2023	2022
		----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(17,064)	(203,805)
<b>Adjustments for:</b>			
Loss on sale of investments - net		19,344	126,933
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.2	4,972	82,093
Profit on savings accounts with banks		(2,889)	(2,891)
Dividend income		(16,020)	(24,417)
Reversal of provision for Sindh Workers' Welfare Fund		-	(9,507)
		<u>(11,657)</u>	<u>(31,594)</u>
<b>Decrease / (increase) in assets</b>			
Investments - net		233,413	120,853
Receivable from HBL Asset Management Limited - Management Company		(2,469)	-
Advances and deposits		-	4,470
		<u>230,944</u>	<u>125,323</u>
<b>(Decrease) / increase in liabilities</b>			
Payable to HBL Asset Management Limited - Management Company		(1,903)	84
Payable to the Central Depository Company of Pakistan Limited - Trustee		(55)	(64)
Payable to the Securities and Exchange Commission of Pakistan		(83)	(10)
Accrued expenses and other liabilities		(123)	(947)
		<u>(2,164)</u>	<u>(937)</u>
Profit received		3,465	2,247
Dividend received		16,011	24,405
<b>Net cash generated from operating activities</b>		<u>236,599</u>	<u>119,444</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance and conversion of units		288,366	524,465
Payment against redemption and conversion of units		(523,656)	(670,092)
<b>Net cash used in financing activities</b>		<u>(235,290)</u>	<u>(145,627)</u>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>		<u>1,309</u>	<u>(26,183)</u>
Cash and cash equivalents at the beginning of the year		14,593	40,776
<b>Cash and cash equivalents at the end of the year</b>	4	<u><u>15,902</u></u>	<u><u>14,593</u></u>

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

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

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

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

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

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

- 1.1 HBL Islamic Stock Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed under the Trust Act, 1882 on November 23, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 10, 2010. During the year ended June 30, 2021, the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the "Sindh Trust Act, 2020". Accordingly, on September 8, 2021, the above-mentioned Trust Deed has been registered under the "Sindh Trust Act, 2020".
- 1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3 The Fund has been categorised as a Shariah compliant equity scheme by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 issued by the Securities and Exchange Commission of Pakistan and is listed on the Pakistan Stock Exchange Limited. The Fund is an open-ended shariah compliant fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par from May 09, 2011 to May 10, 2011.
- 1.4 The principal objective of the Fund is to provide long-term capital growth by investing mainly in shariah compliant equity securities and short-term government securities.
- 1.5 VIS Credit Rating Company Limited (VIS) has upgraded the Management Quality Rating to AM-I ( 2022: AM++) on December 30, 2022 and the outlook on the rating has been assigned as 'Stable'.
- 1.6 The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

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

**2.2 Standards, interpretations and amendments to the published accounting and reporting standards that are effective in the current year**

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2022. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

**2.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective**

There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2023. However, these are not expected to have any significant effects on the Fund's operations and are, therefore, not detailed in these financial statements.

**2.4 Critical accounting estimates and judgments**

The preparation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgments and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification and valuation of financial assets (notes 3.2 and 5) and provision for Federal excise duty (note 12.2).

**2.5 Accounting convention**

These financial statements have been prepared under the historical cost convention except for investments which have been classified as at 'fair value through profit or loss' which and measured at their respective fair values.

**2.6 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

**3.1 Cash and cash equivalents**

These comprise balances with banks in savings accounts, cheques in hand and other short-term highly liquid investments with original maturities of three months or less.

## **3.2 Financial assets**

### **3.2.1 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

### **3.2.2 Classification and subsequent measurement**

#### **3.2.2.1 Equity instruments**

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual profit in the issuer's net assets.

All equity investments are required to be measured in the "statement of assets and liabilities" at fair value, with gains and losses recognised in the "income statement", except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVTPL.

The dividend income for equity securities classified under FVTPL is recognised in the income statement.

Since all investments in equity instruments have been designated as FVTPL, the subsequent movement in the fair value of equity securities is routed through the income statement.

### **3.2.3 Impairment**

The Fund assesses on a forward looking basis the expected credit loss (ECL) associated with its financial assets carried at amortised cost and FVOCI. The Fund recognises loss allowances for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

### **3.2.4 Regular way contracts**

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

### **3.2.5 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

## **3.3 Financial liabilities**

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the income statement.

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

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

### **3.5 Provisions**

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

### **3.6 Net assets value per unit**

The Net Asset Value (NAV) per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net asset of the Fund by the number of units in circulation at the year end.

### **3.7 Issue and redemption of units**

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

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

### **3.8 Distribution to the unit holders**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year includes income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

Element of income represents the difference between NAV per unit on the issuance or redemption date, as the case may be, of units and the NAV per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend NAV of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

### 3.10 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the income statement on the date when the transaction takes place.
- "Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the year in which these arise."
- Dividend income is recognised when the Fund's right to receive the dividend is established.
- Profit on bank balances is recognised on an accrual basis.

### 3.11 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee fee, annual fee payable to the SECP are recognised in the Income Statement on an accrual basis.

### 3.12 Taxation

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

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

### 3.13 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 18.

### 3.14 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

4	<b>BANK BALANCES</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
			----- Rupees in '000 -----	
	Savings accounts	4.1	<u>15,902</u>	<u>14,593</u>
5	<b>INVESTMENTS</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
			----- Rupees in '000 -----	
	<b>At fair value through profit or loss</b>			
	Quoted equity securities	5.1	<u>148,169</u>	<u>401,731</u>

## 5.1 Quoted equity securities

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

Name of the Investee Company	As at July 01, 2022	Purchases during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2023	Carrying Value as at June 30, 2023	Market value as at June 30, 2023	Unrealized appreciation / (diminution) as at June	Market value as a percentage of		Holding as a percentage of Paid-up capital of investee	Paid up Capital
									Total market value of	Net assets of the		
						-----Rupees in '000'-----			----- (%) -----			
<b>Textile composite</b>												
Nishat Mills Limited	54,048	-	-	54,048	-	-	-	-	-	-	-	3,516,000.00
Kohinoor Textile Mills Limited	74,000	-	-	74,000	-	-	-	-	-	-	-	2,992.96
Interloop Limited	80,577	-	-	80,577	-	-	-	-	-	-	-	9,342.98
<b>Chemical</b>												
Descon Oxychem Limited	-	469,000	-	469,000	-	-	-	-	-	-	-	1,750,310.00
Engro Polymer & Chemicals Limited	101,000	206,000	-	307,000	-	-	-	-	-	-	-	9,089,230.00
ICI Pakistan Limited	-	4,500	-	4,500	-	-	-	-	-	-	-	923,590.00
<b>Cement</b>												
Cherat Cement Company Limited	-	175,500	-	123,500	52,000	6,256	6,255	(1)	4.22%	3.94%	0.03%	1,942,950.00
Attock Cement Pakistan Limited	242,400	10,500	-	252,900	-	-	-	-	-	-	-	1,374,270.00
D.G. Khan Cement Company Limited	-	520,301	-	445,331	74,970	3,924	3,846	(78)	2.60%	2.42%	0.02%	4,381,190.00
Fauji Cement Company Limited	-	1,622,000	64,000	1,361,000	325,000	4,044	3,822	(222)	2.58%	2.41%	0.01%	24,528,470.00
Kohat Cement Company Limited	-	82,809	-	82,809	-	-	-	-	-	-	-	2,008,610.00
Lucky Cement Limited	13,488	154,496	-	138,637	29,347	14,689	15,322	633	10.34%	9.66%	0.01%	3,133,750.00
Maple Leaf Cement Factory Limited	-	1,777,500	-	1,477,500	300,000	8,378	8,499	121	5.74%	5.36%	0.03%	10,733,460.00
Pioneer Cement Limited	-	339,677	-	302,677	37,000	3,245	3,205	(40)	2.16%	2.02%	0.02%	2,271,490.00
						40,536	40,949	413	27.64%	25.81%		
<b>Power generation &amp; distribution</b>												
The Hub Power Company Limited (note 5.1.1)	302,841	294,000	-	432,841	164,000	11,436	11,411	(25)	7.70%	7.19%	0.01%	12,971,540.00
Nishat Power Limited	-	120,000	-	120,000	-	-	-	-	-	-	-	3,540,890.00
						11,436	11,411	(25)	7.70%	7.19%		
<b>Pharmaceuticals</b>												
The Searle Company Limited (note 5.1.2) *	50,375	77,500	593	125,500	2,968	165	114	(51)	0.08%	0.07%	-	3,900,660.00
Highnoon Laboratories Limited	875	-	-	875	-	-	-	-	-	-	-	418,840.00
AGP Limited	-	89,000	-	89,000	-	-	-	-	-	-	-	-
Ferozsons Laboratories Limited	22,300	-	-	22,300	-	-	-	-	-	-	-	434,690.00
						165	114	(51)	0.08%	0.07%		
<b>Properties</b>												
TPL Properties Limited	303,000	325,000	-	628,000	-	-	-	-	-	-	-	5,648,070.00
<b>Miscellaneous</b>												
Pakistan Aluminium Beverage Cans Limited	-	23,000	-	23,000	-	-	-	-	-	-	-	3,611,080.00
<b>Balance carried forward</b>						<b>52,137</b>	<b>52,474</b>	<b>337</b>				



Name of the Investee Company	As at July 01, 2022	Purchases during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2023	Carrying Value as at June 30, 2023	Market value as at June 30, 2023	Unrealized appreciation / (diminution) as at June 30, 2023	Market value as a percentage of		Holding as a percentage of Paid-up capital of investee company
									Total market value of invest-	Net assets of the Fund	
						Rupees in '000'		%			
<b>Balance brought forward</b>						<b>52,137</b>	<b>52,474</b>	<b>337</b>			
<b>Oil &amp; gas exploration companies</b>											
Mari Petroleum Company Limited (note 5.1.1) *	10,929	11,600	-	16,360	6,169	9,930	9,344	(586)	6.31%	5.89%	-
Oil & Gas Development Company Limited (note 5.1.1) *	475,516	627,500	-	904,716	198,300	16,141	15,468	(673)	10.44%	9.75%	-
Pakistan Oilfields Limited	51,969	42,100	-	94,069	-	-	-	-	-	-	-
Pakistan Petroleum Limited (note 5.1.1) *	557,000	603,920	-	941,000	219,920	14,019	13,006	(1,013)	8.78%	8.20%	-
						40,090	37,818	(2,272)	25.52%	23.83%	
<b>Oil &amp; gas marketing companies</b>											
Attock Petroleum Limited	19,000	11,569	4,750	35,319	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited (note 5.1.1)	-	976,946	-	801,420	175,526	7,401	6,911	(490)	4.66%	4.36%	0.03%
Shell Pakistan Limited	-	33,500	-	33,500	-	-	-	-	-	-	-
Pakistan State Oil Company Limited (note 5.1.2) *	120,196	112,900	-	232,246	850	98	94	(4)	0.06%	0.06%	-
						7,499	7,005	(494)	4.73%	4.41%	
<b>Refinery</b>											
Attock Refinery Limited	92,949	121,000	-	192,449	21,500	3,551	3,690	139	2.49%	2.33%	0.02%
National Refinery Limited	56,100	11,100	-	67,200	-	-	-	-	-	-	-
						3,551	3,690	139	2.49%	2.33%	
<b>Commercial banks</b>											
BankIslami Pakistan Limited	1,057,500	922,000	-	1,718,500	261,000	4,352	4,635	283	3.13%	2.92%	0.02%
Faysal Bank Limited	-	455,091	-	455,091	-	-	-	-	-	-	-
Meezan Bank Limited (note 5.1.1)	349,151	270,170	15,427	502,672	132,076	12,269	11,407	(862)	7.70%	7.19%	0.01%
						16,621	16,042	(579)	10.83%	10.11%	
<b>Fertilizer</b>											
Engro Corporation Limited *	153,162	170,900	-	300,362	23,700	6,876	6,159	(717)	4.16%	3.88%	-
Engro Fertilizers Limited (note 5.1.1)	252,750	368,865	-	486,282	135,333	11,484	11,169	(315)	7.54%	7.04%	0.01%
						18,360	17,328	(1,032)	11.69%	10.92%	
<b>Technology &amp; communication</b>											
Octopus Digital Limited	-	60,000	-	60,000	-	-	-	-	-	-	-
Avanceon Limited	91,500	228,500	7,453	327,453	-	-	-	-	-	-	-
Systems Limited	-	58,000	-	41,341	16,659	7,644	6,719	(925)	4.53%	4.23%	0.01%
TPL Trakker Limited	79,000	714,000	-	137,000	656,000	5,912	5,799	(113)	3.91%	3.65%	0.35%
						13,556	12,518	(1,038)	8.45%	7.89%	
<b>Food &amp; personal care products</b>											
Unity Foods Limited	415,834	459,100	-	874,934	-	-	-	-	-	-	-
The Organic Meat Company Limited	594,485	145,015	-	739,500	-	-	-	-	-	-	-
AT-Tahur Limited	-	89,000	8,900	97,900	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Engineering</b>											
Mughal Iron & Steel Industries Limited	79,444	148,500	-	227,944	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Glass &amp; Ceramics</b>											
Tariq Glass Industries Ltd	-	85,500	-	66,500	19,000	1,327	1,294	(33)	0.87%	0.82%	0.01%
						1,327	1,294	(33)	0.87%	0.82%	
<b>Automobile assembler</b>											
Millat Tractors Limited	-	3,500	-	3,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Total as at June 30, 2023</b>						<b>153,141</b>	<b>148,169</b>	<b>(4,972)</b>	<b>100%</b>	<b>93%</b>	
<b>Total as at June 30, 2022</b>						<b>483,824</b>	<b>401,731</b>	<b>(82,093)</b>	<b>100%</b>	<b>98%</b>	
* Nil figures due to rounding off difference						180,453	166,034	(14,419)			
						(27,312)	(17,865)	9,447			

5.1.1 The above investments include shares of the following companies which have been pledged with National Clearing Company of Pakistan for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 of 2007 dated October 23, 2007 issued by the Securities & Exchange Commission of Pakistan. The details of shares which have been pledged are as follows

	2023	2022	2023	2022
	--- (Number of shares) ---		----- Rupees in '000 -----	
The Hub Power Company Limited	60,000	300,000	4,175	20,451
Lucky Cement Limited	-	13,162	-	6,042
Mari Petroleum Company Limited	3,150	5,000	4,771	8,699
Oil & Gas Development Company Limited	100,000	350,000	7,800	27,535
Pakistan Petroleum Limited	122,200	250,000	7,227	16,878
Pakistan State Oil Company Limited	-	40,000	-	6,874
Attock Cement Pakistan Limited	-	150,000	-	9,975
Sui Northern Gas Pipelines Limited	70,000	-	2,756	-
Engro Fertilizers Limited	38,798	-	3,202	-
Meezan Bank Limited	53,000	-	4,578	-
Mughal Iron And Steel Industries Limited	-	78,000	-	4,496
	<u>447,148</u>	<u>1,186,162</u>	<u>34,509</u>	<u>100,950</u>

5.1.2 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposit tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitutional petition had been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should also not be applicable on bonus shares received by CISs. A stay order had been granted by the High Court of Sindh (HCS) in favour of CISs.

During the year ended June 30, 2018, the Supreme Court of Pakistan passed a judgement on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the year ended June 30, 2019. Subsequent to the year ended June 30, 2019, the CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honourable High of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Further, the Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the year were not withheld by the investee companies.

As at June 30, 2023, the following bonus shares of the Fund have been withheld by certain companies at the time of declaration of bonus shares.

Name of the Company	2023		2022	
	----- Bonus shares -----			
	Number of shares withheld	Market value as at June 30, 2023	Number of shares withheld	Market value as at June 30, 2022
	Rupees in '000		Rupees in '000	
The Searle Company Limited	2,968	114	2,375	259
Pakistan State Oil Company Limited	850	94	850	146
	<u>3,818</u>	<u>208</u>	<u>3,225</u>	<u>405</u>

5.2	Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	Note	2023	2022
			----- Rupees in '000 -----	
	Market value of investments	5.1	148,169	401,731
	Less: carrying value of investments	5.1	(153,141)	(483,824)
			<u>(4,972)</u>	<u>(82,093)</u>
<b>6</b>	<b>DIVIDEND AND PROFIT RECEIVABLE</b>			
	Dividend receivable		38	29
	Profit receivable		263	839
			<u>301</u>	<u>868</u>
<b>7</b>	<b>ADVANCES AND DEPOSITS</b>			
	Security deposit with:			
	- National Clearing Company of Pakistan Limited		2,500	2,500
	- Central Depository Company of Pakistan Limited		100	100
	Advance tax	7.1	400	400
			<u>3,000</u>	<u>3,000</u>

7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profit on bank deposits paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholder. The tax withheld on dividends and profit on bank deposits amounts to Rs. 0.4 million (2022: Rs. 0.4 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividends and profit on bank deposits has been shown as other receivables as at June 30, 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded

**8 RECEIVABLE FROM HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**

As per SECP's direction No. SCD/PRDD/Direction/18/2016 all AMCs are required to calculate the TER in respect of each CIS to ensure the TER is not in breach of the required maximum percentage. The AMCs are required to adjust the NAV of the CIS on the basis of TER at the end of each Quarter during the financial year for the amount of expenses in excess of the TER limit prescribed in regulation 60(5) of the NBFC Regulations.

During the year ended June 30, 2023, the Fund was in breach of the TER ratio of maximum 4.5% as prescribed under NBFC Regulations for a CIS categorised as equity scheme. As a result the Fund has recorded receivable from Management Company to comply with the TER.

<b>9 PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
		----- Rupees in '000 -----	
Remuneration payable	9.1	256	739
Sindh Sales Tax payable on remuneration of the Management Company	9.2	33	96
Sales load payable		119	-
Allocated expenses related to registrar services, accounting, operation and valuation services payable	9.3	70	320
Selling and marketing expenses payable	9.4	417	1,643
		<u>895</u>	<u>2,798</u>

As per regulation 61 of the NBFC Regulations, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the offering document subject to the Total Expense Ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged remuneration of 2% (2022: 2%) per annum of the average daily net assets of the Fund during the year ended June 30, 2023. The remuneration payable to the Management Company monthly in arrears.

9.1 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

9.2 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

The Management has currently fixed a maximum capping of 0.55% (2022: 0.65% to 0.88%) of the average daily net assets of the scheme for allocation of such expenses to the Fund.

9.3 In accordance with Circular 11 dated July 5, 2019 with respect to charging selling and marketing expenses, the Management Company, based on its own discretion, has charged selling and marketing expenses at the rate of 1.05% (2022: 1.15% to 1.30%) during the year ended June 30, 2023 while keeping in view the overall return and Total Expense Ratio limit of the Fund as defined under the NBFC Regulations.

<b>10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	<b>Note</b>	<b>2023</b>	<b>2022</b>
		----- Rupees in '000 -----	
Trustee fee payable	10.1	26	74
Sindh Sales Tax payable on trustee fee	10.2	3	10
		<u>29</u>	<u>84</u>

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

The tariff structure applicable to the Fund for the year ended June 30, 2023 and June 30, 2022 is as follows:

Tariff structure	
Net assets (Rs.)	Fee
Up to Rs. 1,000 million	0.20% per annum of NAV
Exceeding Rs. 1,000 million	Rs. 2 million plus 0.10% per annum of NAV exceeding 1 billion.

10.2 The Sindh Provincial Government had levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011.

	Note	2023	2022
		----- Rupees in '000 -----	
<b>11</b>	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
	Annual fee payable	11.1	43      126

11.1 In accordance with the NBFC Regulations 2008, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP) at the rate of 0.02% (2022: 0.02%) of the daily net assets of the Fund.

	Note	2023	2022
		----- Rupees in '000 -----	
<b>12</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Charity payable	12.1	882      1,050
	Federal excise duty payable on Management Company's remuneration		6,785      6,785
	Withholding tax payable		33      8
	Auditors' remuneration		316      294
	Securities transaction costs payable		225      261
	Zakat Payable		104      104
	Others		53      19
			<u>8,398</u> <u>8,521</u>

12.1 According to the instructions of the Shariah Advisor, income earned by the Fund from prohibited sources should be donated to charitable purposes.

During the year ended June 30, 2023, non-Shariah compliant income amounting to Rs 0.881 million (2022: Rs 1.050 million) was charged as an expense in the books of the Fund. This will be distributed as charity after the approval of the Shariah Advisor. The dividend income is recorded net of amount given as charity.

12.2 The Finance Act, 2013 enlarged the scope of Federal excise duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and sales load with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs. 6.785 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the NAV of the Fund would have been higher by Rs. 3.33 (2022: Rs. 1.46) per unit.

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments at June 30, 2023 and June 30, 2022.

<b>14 AUDITORS' REMUNERATION</b>	<b>2023</b>	<b>2022</b>
	----- Rupees in '000 -----	
Annual audit fee	327	284
Half yearly review	51	45
Out of pocket	13	49
Sales tax	31	30
	<u>422</u>	<u>408</u>

**15 TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund as at June 30, 2023 is 5.36 % (2022: 4.86%) which includes 0.88% (2022: 0.36%) representing government levies on the Fund such as sales taxes, annual fee to the SECP etc. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Shariah Compliant Equity Scheme.

**16 TAXATION**

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Fund has incurred net loss during the year, therefore no provision for taxation has been made in these financial statements.

<b>17 NUMBER OF UNITS IN ISSUE</b>	<b>2023</b>	<b>2022</b>
	----- Numbers of units -----	
Total outstanding as of July 01	4,648,066	6,133,599
Add: Issued during the year	3,381,401	5,018,577
Less: Redeemed during the year	<u>(5,994,216)</u>	<u>(6,504,110)</u>
Total units in issue as of June 30	<u>2,035,251</u>	<u>4,648,066</u>

18 **LOSS PER UNIT**

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

19 **TRANSACTIONS AND BALANCES 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.

**Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations.**

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are also in the normal course of business, at contracted rates and at terms determined in accordance with market rates. The management considers that the transactions between the related parties / connected persons are executed in accordance with the parameters defined in the offering document, trust deed and the NBFC regulations and hence, the transactions are considered to be on an arm's length basis.

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

Accounting and operational expenses and selling and marketing expense are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.

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

19.1 Transactions during the year	2023	2022
	----- Rupees in '000 -----	
<b>HBL Asset Management Limited - Management Company</b>		
Management remuneration including Sales Tax thereon	<u>4,908</u>	<u>14,190</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>1,181</u>	<u>3,711</u>
Selling and marketing expenses	<u>2,294</u>	<u>6,845</u>
<b>MCBFSL Trustee - HBL Islamic Financial Planning Fund - Conservative Allocation Plan - Associate</b>		
Issue of 218 units (2022: 1,739 units)	<u>17</u>	<u>173</u>
Redemption of 102 units (2022: 129 units)	<u>9</u>	<u>12</u>
<b>Habib Bank Limited - Sponsor</b>		
Bank charges paid	<u>49</u>	<u>68</u>
Profit on bank deposits earned	<u>247</u>	<u>284</u>
Redemption of 1,319,805 units (2022: 1,219,609 units)	<u>119,943</u>	<u>109,000</u>
<b>Transactions during the year</b>	2023	2022
	----- Rupees in '000 -----	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration including Sales Tax thereon	<u>491</u>	<u>1,419</u>
Service charges	<u>91</u>	<u>84</u>



**19.2 Balances outstanding as at year end**

**HBL Asset Management Limited - Management Company**

Remuneration payable including Sales Tax thereon	289	835
Sales load payable	119	-
Selling and marketing expense payable	417	1,643
Allocation of expenses related to registrar services, accounting, operation and valuation services	70	320

**Habib Bank Limited - Sponsor**

Outstanding: Nil units (2022: 1,319,805 units)	-	116,713
Bank deposits	2,794	2,248
Profit receivable	19	12

**MCBFSL Trustee - HBL Islamic Financial Planning Fund  
- Conservative Allocation Plan - Associate**

Outstanding: 1,726 units (2022: 1,610 units)	135	142
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**Central Depository Company of Pakistan Limited - Trustee**

Remuneration payable including Sales Tax thereon	29	84
Security deposit	100	100

**Executives and their relatives**

Outstanding: 6,421 units (2022: 47,119 units)	501	4,167
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**Pak Qatar Family Takaful Limited**

Outstanding: 621,176 units (2022: 544,631 units)	48,432	48,163
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**Pak Qatar General Takaful Limited**

Outstanding: 293,086 units (2022: Nil units)	22,851	-
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**20 FINANCIAL INSTRUMENTS BY CATEGORY**

	2023		
	At amortised cost	At fair value through profit or loss	Total
	Rupees in '000		
<b>Financial assets</b>			
Bank balances	15,902	-	15,902
Investments	-	148,169	148,169
Dividend and profit receivable	301	-	301
Receivable against sale of investments	4,854	-	4,854
Receivable from HBL Asset Management Limited - Management Company	2,469	-	2,469
Deposits	2,600	-	2,600
	<u>26,126</u>	<u>148,169</u>	<u>174,295</u>
<b>Financial liabilities</b>			
Payable to HBL Asset Management Limited - Management Company	895	-	895
Payable to the Central Depository Company of Pakistan Limited - Trustee	29	-	29
Payable against purchase of investments	6,645	-	6,645
Accrued expenses and other liabilities	1,476	-	1,476
	<u>9,045</u>	<u>-</u>	<u>9,045</u>

	2022		Total
	At amortised cost	At fair value through profit or loss	
	Rupees in '000		
<b>Financial assets</b>			
Bank balances	14,593	-	14,593
Investments	-	401,731	401,731
Dividend and profit receivable	868	-	868
Receivable against sale of investments	4,376	-	4,376
Deposits	2,600	-	2,600
	<u>22,437</u>	<u>401,731</u>	<u>424,168</u>
<b>Financial liabilities</b>			
Payable to HBL Asset Management Limited - Management Company	2,798	-	2,798
Payable to the Central Depository Company of Pakistan Limited - Trustee	84	-	84
Payable against purchase of investments	2,000	-	2,000
Accrued expenses and other liabilities	1,625	-	1,625
	<u>6,507</u>	<u>-</u>	<u>6,507</u>

## 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

### 21.1 Market risk

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

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

Market risk comprises of three types of risk; Yield / Profit rate risk, currency risk and price risk.

#### (i) Yield / Profit rate risk

Yield / Profit rate is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2023, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

#### a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds balances with banks which expose the Fund to cash flow and profit rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net loss for the year and net assets of the Fund would have been lower / higher Rs. 0.159 million (2022: Rs. 0.145 million).

**b) Sensitivity analysis for fixed rate instruments**

As at June 30 2023, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value profit rate risk.

The composition of the Fund's investment portfolio and profit rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

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

The Fund's Profit rate sensitivity related to financial assets and financial liabilities as at June 30, 2023 can be determined as follows:

-----As at June 30, 2023-----					
Effective Yield / Profit rate %	Exposed to yield / profit rate risk			Not exposed to yield / profit rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
----- Rupees in '000 -----					
<b>On-balance sheet financial instruments</b>					
Financial assets					
Bank balances	4.5% to 19%	15,902	-	-	15,902
Investments		-	-	148,169	148,169
Dividend and profit receivable		-	-	301	301
Receivable from HBL Asset Management Limited - Management Company		-	-	2,469	2,469
Deposits		-	-	2,600	2,600
Receivable against sale of investments		-	-	4,854	4,854
		15,902	-	158,393	174,295
<b>Financial liabilities</b>					
Payable to HBL Asset Management Limited - Management Company		-	-	895	895
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	29	29
Payable against purchase of investments		-	-	6,645	6,645
Accrued expenses and other liabilities		-	-	1,476	1,476
		-	-	9,045	9,045
On-balance sheet gap (a)		15,902	-	149,348	165,250
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap (b)		-	-	-	-
Total profit rate sensitivity gap (a+b)		15,902	-	-	-
Cumulative profit rate sensitivity gap		15,902	15,902	15,902	-

As at June 30, 2022					
Effective Yield / Profit rate %	Exposed to yield / profit rate risk			Not exposed to yield / Profit rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
----- Rupees in '000 -----					
<b>On-balance sheet financial instruments</b>					
Financial assets					
Bank balances	4% to 15.75%	14,593	-	-	14,593
Investments		-	-	401,731	401,731
Dividend and profit receivable		-	-	868	868
Deposits		-	-	2,600	2,600
Receivable against sale of investments		-	-	4,376	4,376
		14,593	-	409,575	424,168
<b>Financial liabilities</b>					
Payable to HBL Asset Management Limited - Management Company		-	-	2,798	2,798
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	84	84
Payable against purchase of investments		-	-	2,000	2,000
Accrued expenses and other liabilities		-	-	1,625	1,625
		-	-	6,507	6,507
On-balance sheet gap (a)		14,593	-	403,068	417,661
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap (b)		-	-	-	-
Total profit rate sensitivity gap (a+b)		14,593	-	-	-
Cumulative profit rate sensitivity gap		14,593	14,593	14,593	-

**(ii) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

**(iii) Price risk**

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

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations, 2008 also limit individual equity securities to no more than 15% of net assets and issued capital of the investee company and sector exposure limit to 35% of the net assets.

In case of 1% increase / decrease in KMI 30 index on June 30, 2023, with all other variables held constant, the total comprehensive loss of the Fund for the year would decrease / increase by Rs. 1.482 million (2022: Rs. 4.017 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that the equity index had increased / decreased by 1% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI 30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI 30 index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KMI 30 Index.

## 21.2 Liquidity risk

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

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, 2008, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. However, no borrowing was required to be obtained by the Fund during the current year.

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

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, liabilities that are payable on demand have been included in the maturity grouping of one month:

	-2023-						Total
	Within 1 month	More than one month and upto three	More than three months and upto	More than one year and upto five years	More than 5 years	Financial instruments with no fixed	
----- Rupees -----							
<b>Financial assets</b>							
Bank balances	15,902	-	-	-	-	-	15,902
Investments	-	-	-	-	-	148,169	148,169
Deposits	-	-	-	-	-	2,600	2,600
Dividend and profit receivable	301	-	-	-	-	-	301
Receivable from HBL Asset Management Limited - Management Company	2,469	-	-	-	-	-	2,469
Receivable against sale of investments	4,854	-	-	-	-	-	4,854
	23,526	-	-	-	-	150,769	174,295
<b>Financial liabilities</b>							
Payable to HBL Asset Management Limited - Management Company	895	-	-	-	-	-	895
Payable to the Central Depository Company of Pakistan Limited - Trustee	29	-	-	-	-	-	29
Payable against purchase of investments	6,645	-	-	-	-	-	6,645
Accrued expenses and other liabilities	1,160	316	-	-	-	-	1,476
	8,729	316	-	-	-	-	9,045
<b>Net financial assets / liabilities</b>	14,797	(316)	-	-	-	150,769	165,250

-----2022-----						
Within 1 month	More than one month and upto three	More than three months and upto	More than one year and upto five years	More than 5 years	Financial instruments with no fixed	Total
----- Rupees -----						
<b>Financial assets</b>						
Bank balances	14,593	-	-	-	-	14,593
Investments	-	-	-	-	401,731	401,731
Deposits	-	-	-	-	2,600	2,600
Dividend and profit receivable	868	-	-	-	-	868
Receivable against sale of investments	4,376	-	-	-	-	4,376
	19,837	-	-	-	404,331	424,168
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company	2,798	-	-	-	-	2,798
Payable to the Central Depository Company of Pakistan Limited - Trustee	84	-	-	-	-	84
Payable against purchase of investments	2,000	-	-	-	-	2,000
Accrued expenses and other liabilities	1,331	294	-	-	-	1,625
	6,213	294	-	-	-	6,507
<b>Net financial assets / liabilities</b>	<b>13,624</b>	<b>(294)</b>	<b>-</b>	<b>-</b>	<b>404,331</b>	<b>417,661</b>

## 21.3 Credit risk

21.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk

	2023		2022	
	Balance as per statement of assets and	Maximum exposure to credit risk	Balance as per statement of assets and	Maximum exposure to credit risk
----- Rupees -----				
Bank balances	15,902	15,902	14,593	14,593
Investments	148,169	-	401,731	-
Dividend and profit receivable	301	301	868	868
Receivable against sale of investments	4,854	4,854	4,376	4,376
Receivable from HBL Asset Management Limited - Management Company	2,469	2,469	-	-
Deposits	2,600	2,600	2,600	2,600
	<u>174,295</u>	<u>26,126</u>	<u>424,168</u>	<u>22,437</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2023 is the carrying amount of the financial assets. The difference is because of investment in equity securities which are not exposed to credit risk.

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.

**21.3.2** Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon. The credit rating profile of balances with banks is as follows:

Rating category	% of financial assets exposed to credit risk	
	2023	2022
AAA	1.61%	0.53%
AA	0.12%	0.04%
AA-	7.45%	-
A+	0.09%	3.06%
	<u>9.27%</u>	<u>3.63%</u>

**21.3.3** Concentration of credit risk

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

The Fund does not have any collateral against any of the aforementioned assets.

**22** **FAIR VALUE MEASUREMENT**

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.

**Fair value hierarchy**

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).



As at June 30, 2023 and June 30, 2022, the Fund held the following financial instruments measured at fair values:

-----2023-----			
Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----			
<b>Financial assets 'at fair value through profit or loss'</b>			
Quoted equity securities	148,169	-	148,169
<hr/>			
-----2022-----			
Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----			
<b>Financial assets 'at fair value through profit or loss'</b>			
Quoted equity securities	401,731	-	401,731
<hr/>			

## 23 UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit Holders' Fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

## 24 UNIT HOLDING PATTERN OF THE FUND

Category	-----2023-----			
	Number of unit holders	Number of unit held	Investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	402	1,206,228	94,047	59.27%
Associated company	1	1,726	135	0.09%
Other Corporate	2	170	13	0.01%
Foreign investor (Individual)	2	193,888	15,117	9.53%
Insurance	2	633,239	49,373	31.10%
	<u>409</u>	<u>2,035,251</u>	<u>158,685</u>	<u>100%</u>

Category	-----2022-----			
	Number of unit holders	Number of unit held	Investment amount	Percentage investment
	Rupees in '000			
Individuals	365	2,274,262	201,119	48.93%
Associated company	2	1,321,414	116,855	28.43%
Retirement funds	2	19,205	1,698	0.41%
Others	2	9,870	873	0.21%
Foreign investor (Individual)	1	193,888	17,146	4.17%
Insurance	2	829,428	73,348	17.85%
	374	4,648,066	411,039	100.00%

**25 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

-----2023-----	-----2022-----
Name of broker	Name of broker
EFG Hermes Pakistan Limited	Taurus Securities Limited
KTrade Securities Limited	Sherman Securities (Private) Limited
(Formerly) Khadim Ali Shah B	AL Habib Capital Markets (Private) Limited
Intermarket Securities Limited	Next Capital Limited
Sherman (Private) Limited	Optimus Capital Management (Private) Limited
AL Falah CLSA Securities (Private) Limited	Vector Securities (Private) Limited
DJM Securities Limited	Aba Ali Habib Securities (Private) Limited
Ismail Iqbal Securities (Private) Limited	Pearl Securities Limited
Arif Habib Limited	Ismail Iqbal Securities (Private) Limited
Optimus Capital Management (Private) Limited	BMA Capital Management Limited
JS Global Capital Limited	

**26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE**

Following are the details in respect of members of the Investment Committee of the Fund:

S. No	Name	Designation	Qualification	Overall experience (in years)
1	Mir Adil Rashid	Chief Executive Officer	BSc	24 + years
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27 + years
3	Wamiq Sakrani	Head of Fixed Income	MBA	13 + years
4	Imad Ansari	Head of Risk	MBA	16 + years
5	Umair Naseer	Head of Research	MBA	10 + years
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15 years
7	Raza Abbas	Senior Fund Manager	M.Com	20 years
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7 + years

27 **MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Six meetings of the Board of Directors were held on August 29, 2022, October 19, 2022, January 16, 2023, January 23, 2023, February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of director	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29, 2022, January 16, 2023, January 23, 2023 and February 13, 2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19, 2022.

28 **GENERAL**

28.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosures.

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

28.3 Units have been rounded off to the nearest decimal place.

29 **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

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

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

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

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



**HBL** Islamic Income Fund

<b>NAME OF FUND</b>	<b>HBL ISLAMIC INCOME FUND</b>
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited
<b>NAME OF AUDITORS</b>	Yousuf Adil, Chartered Accountants
<b>NAME OF SHARIAH ADVISORS</b>	Al - Hilal Shariah Advisors (Pvt.) Limited
<b>NAME OF BANKERS</b>	Bank Islami Pakistan Limited Bank Al Baraka Limited Faysal Bank Limited Habib Bank Limited Dubai Islamic Bank Limited Askari Bank Limited Bank Al Habib Limited Soneri Al Tijarah MCB Islamic Bank Limited U Microfinance Bank National Bank Limited

**Type and Category of Fund**

Open end Shariah Compliant Income Fund

**Investment Objective and Accomplishment of Objective**

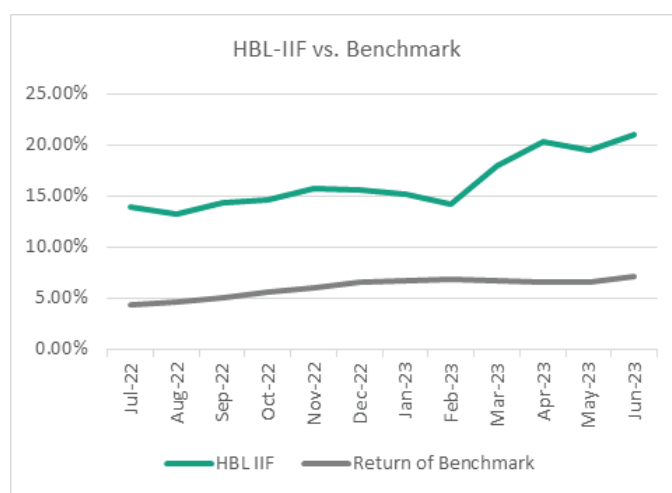
The objective of the Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations. The investment objective is achieved.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is average 6Month deposit rates of 3A Rated Islamic Banks or Islamic Windows of Conventional Banks as per MUFAP.

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

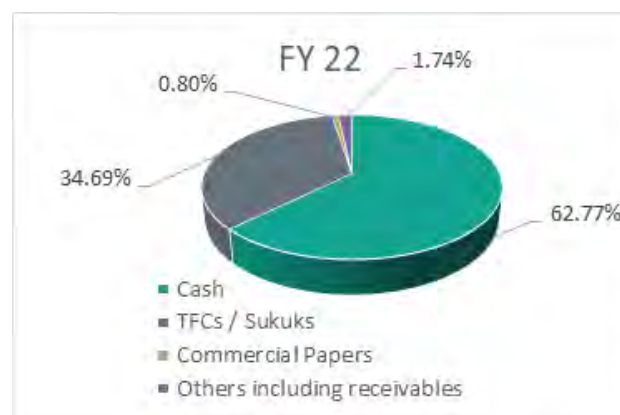
Month	HBL-IIF	Benchmark
Jun-23	20.97%	7.08%
May-23	19.49%	6.50%
Apr-23	20.28%	6.60%
Mar-23	17.95%	6.67%
Feb-23	14.21%	6.84%
Jan-23	15.13%	6.76%
Dec-22	15.63%	6.57%
Nov-22	15.65%	6.06%
Oct-22	14.58%	5.64%
Sep-22	14.34%	4.98%
Aug-22	13.18%	4.65%
Jul-22	13.97%	4.34%



**Strategies and Policies employed during the Year**

During the year, funds were majorly placed in the form of Corporate Sukuk, GoP Ijarah Sukuk and placements which yielded higher returns than Cash Deposits. During the year, fresh investments were initiated in short term Sukuk including the GOP Ijarah Sukuk to support bottom line. Owing to proactive changes in asset allocation, HBL Islamic Income Fund posted an annualized return of 17.55% compared to benchmark return of 6.06%.

**Asset Allocation**





## Fund Performance

The total income and net income of the Fund was Rs. 1.40 billion and Rs. 1.31 billion respectively during the year ended June 30, 2023. The Net Asset Value (NAV) of the Fund was Rs. 103.2208 per unit as on June 30, 2023 as compared to Rs. 102.7607 per unit as on June 30, 2022, after incorporating dividend of Rs. 17.50 per unit, thereby giving an annualized return of 17.55%. During the same year the benchmark return (6 Month bank deposit rates) was 6.06%. The size of Fund was Rs. 7.74 billion as on June 30, 2023 as compared to Rs. 4.67 billion at the start of the year.

## Money Market Review

Post-COVID, the SBP shifted its focus from catalyzing economic recovery toward sustaining it. Accordingly, Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

## Distribution

The Fund has distributed cash dividend up-to Rs. 17.50 per unit for the year ended June 30, 2023.

## Significant Changes in the State of Affairs

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

## Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	437	11,034
101 – 500	147	35,308
501 – 1,000	74	54,846
1,001 – 10,000	433	1,889,621
10,001 – 100,000	434	14,439,037
100,001 – 500,000	92	19,055,347
500,001 – 1,000,000	12	9,139,802
1,000,001 – 5,000,000	11	20,789,367
5,000,001 and above	1	9,528,904
<b>Total</b>	<b>1,641</b>	<b>74,943,266</b>



### **Unit Splits**

There were no unit splits during the year.

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

Investments are subject to market risk.

### **Soft Commission**

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

# PERFORMANCE TABLE - HBL ISLAMIC INCOME FUND

	2023	2022	2021	2020	2019	2018
Net assets at the period end (Rs'000)	7,735,701	4,670,836	1,020,180	1,417,621	3,103,484	4,041,526
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	103.2208	102.7607	101.7500	101.5299	101.4883	106.3013
Offer	104.9704	104.5025	103.4747	103.2508	103.2085	108.1031
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit - Class C	122.2475	114.6920	108.6293	113.8448	103.2085	108.1031
Lowest offer price per unit - Class C	104.6571	103.5054	103.2850	103.2321	102.6902	102.6902
Highest offer price per unit - Class D	122.2475	114.6920	108.6293	113.8448	110.9432	108.1031
Lowest offer price per unit - Class D	104.6571	103.5054	103.2850	103.2321	103.0902	102.6902
Highest redemption price per unit	120.2099	112.7804	106.8187	111.9473	109.0941	106.3013
Lowest redemption price per unit	102.9127	101.7802	101.5635	101.5115	101.3719	100.9786
<b>RETURN ( % )</b>						
Total return	17.55%	11.14%	5.45%	10.31%	7.85%	5.18%
Income distribution	17.03%	10.30%	5.30%	10.45%	7.75%	5.00%
Capital growth	0.52%	0.84%	0.15%	-0.14%	0.10%	0.18%
<b>DISTRIBUTION</b>						
First Interim dividend distribution (Rs)	-	-	-	-	-	-
Date of Income Distribution	-	-	-	-	-	-
Final Interim dividend distribution (Rs)	17.50	10.30	5.30	10.45	7.75	5.00
Date of Income Distribution	23-Jun-23	24-Jun-22	18-Jun-21	26-Jun-20	26-Jun-19	4-Jul-18
Total dividend distribution for the year (Rs)			5.30	10.45	7.75	5.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	17.55%	11.14%	5.45%	10.31%	7.85%	5.18%
Average annual return 2 year	14.30%	8.26%	7.85%	9.07%	6.50%	5.35%
Average annual return 3 year	11.27%	8.94%	7.85%	7.76%	6.18%	5.18%
<b>PORTFOLIO COMPOSITION - ( % )</b>						
Percentage of Net Assets as at 30 June:						
Bank Balances	25.97%	62.77%	53.31%	56.94%	68.98%	47.62%
GoP Ijarah Sukuks	-	-	-	-	-	-
TFCs /Sukuks	17.90%	34.69%	36.58%	31.89%	-	-
Commercial Paper	34.94%	0.80%	7.96%	-	-	-
Certificate of Modaraba	-	-	-	-	-	-
Placement with Banks and DFIs	17.77%	-	-	-	0.00%	17.43%
Corporate Sukuks	-	-	-	-	0	0
Others	3.42%	1.74%	2.15%	2.57%	2.70%	1.56%
Weighted average portfolio during (No. of days)		186	493	371	618	618

## **Note:**

The Launch date of the Fund is May 29, 2014

## **Disclaimer:**

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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Fax: (92-21) 34326021-23  
URL: www.cdc-pakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC INCOME FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Income Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2023



**STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

HBL Islamic Income Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2023. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 25, 2023

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

UAN (021) 111-425-262  
Fax (021) 35168455  
www.hblasasset.com

September 27, 2023

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على سيد الانبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Income Fund (HBL-IIF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

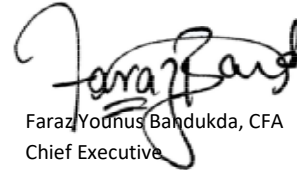
May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

والله أعلم بالصواب، وصلى الله على نبينا محمد وعلى آله وصحبه وبارك وسلم

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



Mufti Irshad Ahmad Alijaz  
Member Shariah Council

Faraz Yodnus Bahdukda, CFA  
Chief Executive

**INDEPENDENT AUDITOR’S REPORT**

To the unit holders of HBL Islamic Income Fund

**Report on the audit of the financial statements**

**Opinion**

We have audited the financial statements of **HBL Islamic Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders’ fund and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

**Basis for Opinion**

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

**Key Audit Matter**

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

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 6.1 and 6.2 to the financial statements respectively, investments held at fair value through profit or loss (FVTPL) amounted to Rs.4,164 million and investments held at amortised cost amounted to Rs. 1,411.76 million as at June 30, 2023, consisting of corporate sukuk bonds, GOP Ijara sukuk certificate and TDR, which represent a significant item on the statement of Assets and Liabilities of the Fund.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> <li>evaluated design and implementation of controls in place related to purchases and sales of investments;</li> <li>independently tested valuations to ensure that the investments are valued as per the valuation methodology disclosed in the accounting policies;</li> </ul>





S. No.	Key audit matter	How the matter was addressed in our audit
	We have identified the existence and valuation as the significant areas during our audit of investment.	<ul style="list-style-type: none"> <li>Independently matched securities held by the Fund with the securities appearing in the CDC account statement;</li> <li>Independently matched term deposit held by fund with the bank certificate</li> <li>tested purchases and sales on a sample basis to obtain evidence regarding movement of the securities</li> <li>independently verified existence of investments from the Investor Portfolio Services (IPS) account statement</li> </ul>

**Information Other than the Financial Statements and Auditor’s Report Thereon**

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

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

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

**Responsibilities of Management Company and Board of Directors of the Management Company for the Financial Statements**

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

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

Board of Directors of the Management Company are responsible for overseeing the Fund’s financial reporting process.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

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



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

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

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

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

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

#### Report on Other Legal and Regulatory Requirements

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

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



Chartered Accountants

Place: Karachi

Date: September 25, 2023

UDIN: AR202310057ZIKG11XY

## **Independent Reasonable Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles**

### **1. Introduction**

We were engaged by the Board of Directors of HBL Asset Management Company Limited, Management Company of HBL Islamic Income Fund (the Fund) to report on Fund's compliance with the as set out in the annexed statement prepared by the Management Company for the year ended June 30, 2023, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Fund's Compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

### **2. Applicable criteria**

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

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended June 30, 2023.

### **3. Responsibilities of the Management Company**

Management Company is responsible for the preparation of the annexed statement that is free from material misstatement and for the information contained therein.

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

### **4. Our independence and quality control**

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

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements professional standards and applicable legal and regulatory requirements.



**5. Our responsibilities**

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

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

The procedures performed included performing test of controls around making investments, maintaining bank accounts and transferring non-shariah compliant income to charity in accordance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

**6. Conclusion**

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

In our opinion, the annexed statement, for the year ended June 30, 2023, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

  
Chartered Accountants

**Date:** September 27, 2023  
**Place:** Karachi

# HBL ISLAMIC INCOME FUND

## Statement of Assets and Liabilities

As at June 30, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 -----
<b>ASSETS</b>			
Bank balances	5	2,045,477	2,966,406
Investments	6	5,575,761	1,668,893
Profit receivable	7	255,625	75,064
Deposits and Prepayments	8	319	310
<b>TOTAL ASSETS</b>		<b>7,877,182</b>	<b>4,710,673</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	14,248	5,280
Payable to the Trustee	10	1,095	327
Payable to Securities and Exchange Commission of Pakistan	11	1,557	425
Payable against redemption of units		-	4,601
Dividend payable		5,137	233
Accrued expenses and other liabilities	12	119,444	28,971
<b>TOTAL LIABILITIES</b>		<b>141,481</b>	<b>39,837</b>
<b>NET ASSETS</b>		<b>7,735,701</b>	<b>4,670,836</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND)</b>			
		<b>7,735,701</b>	<b>4,670,836</b>
<b>Contingencies and commitments</b>			
	13	----- (Number of Units) -----	
<b>Number of units in issue</b>	14	<b>74,943,266</b>	<b>45,453,539</b>
		----- (Rupees) -----	
<b>Net assets value per unit</b>		<b>103.2208</b>	<b>102.7607</b>

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

For HBL Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



# HBL ISLAMIC INCOME FUND

## Income Statement

For the year ended June 30, 2023

	2023	2022
Note	----- (Rupees in '000) -----	
<b>Income</b>		
Capital loss on sale of investments - net	(2,442)	(331)
Income from GOP Ijara sukuk certificates	288,428	11,208
Income from corporate sukuk bonds	383,389	75,861
Income from commercial papers and term deposit receipts	227,244	38,097
Profit on bank deposits	498,878	119,070
	<u>1,395,497</u>	<u>243,905</u>
Unrealised gain on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.3 3,267	9,706
	<u>1,398,764</u>	<u>253,611</u>
<b>Expenses</b>		
Remuneration of the Management Company	9.1 42,433	17,980
Sindh Sales Tax on remuneration of the Management Company	9.2 5,516	2,337
Remuneration of the Trustee	10.1 5,841	1,593
Sindh Sales Tax on remuneration of the Trustee	10.2 759	207
Annual fee to Securities and Exchange Commission of Pakistan	11.1 1,557	425
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3 15,727	2,277
Selling and marketing expense	9.4 15,727	2,755
Auditors' remuneration	15 300	238
Fee and subscription	288	318
Security transaction costs and settlement charges	1,011	679
Bank charges	418	295
Shariah advisory charges	242	203
	<u>89,819</u>	<u>29,307</u>
<b>Net income for the year from operating activities</b>	<u>1,308,945</u>	<u>224,304</u>
Reversal / (Provision) for Sindh Workers' Welfare Fund	-	16,683
<b>Net income for the year before taxation</b>	<u>1,308,945</u>	<u>240,987</u>
Taxation	16 -	-
<b>Net income for the year after taxation</b>	<u>1,308,945</u>	<u>240,987</u>
<b>Allocation of net income for the year</b>		
Net income for the year after taxation	1,308,945	240,987
Income already paid on units redeemed	(922,400)	(154,939)
	<u>386,545</u>	<u>86,048</u>
Accounting income available for distribution:		
Relating to capital gains	122	1,108
Excluding capital gains	386,423	84,940
	<u>386,545</u>	<u>86,048</u>
	<u>386,545</u>	<u>86,048</u>
<b>Earnings per unit</b>	17	

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

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

Chief Financial Officer

Chief Executive Officer

Director

	2023	2022
	----- (Rupees in '000) -----	
Net income for the year after taxation	1,308,945	240,987
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>1,308,945</u>	<u>240,987</u>

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

For HBL Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

**HBL ISLAMIC INCOME FUND**  
**Statement Of Movement In Unitholders' Fund**  
For the year ended June 30, 2023

	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
(Rupees in '000)						
<b>Net assets at beginning of the year</b>	4,605,667	65,169	4,670,836	966,294	53,885	1,020,179
<b>Issuance of 303,439,548 units (2022: 97,375,995 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	31,863,145	-	31,863,145	9,908,008	-	9,908,008
Element of income	2,104,817	-	2,104,817	710,903	-	710,903
<b>Total proceeds on issuance of units</b>	<b>33,967,962</b>	<b>-</b>	<b>33,967,962</b>	<b>10,618,911</b>	<b>-</b>	<b>10,618,911</b>
<b>Redemption of 273,949,821 units (2022: 61,948,793 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	(28,151,267)	-	(28,151,267)	(6,303,290)	-	(6,303,290)
Income already paid on redemption of units	-	(922,400)	(922,400)	-	(154,939)	(154,939)
Element of loss	(2,104,945)	-	(2,104,945)	(373,377)	-	(373,377)
<b>Total payments on redemption of units</b>	<b>(30,256,212)</b>	<b>(922,400)</b>	<b>(31,178,612)</b>	<b>(6,676,667)</b>	<b>(154,939)</b>	<b>(6,831,606)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,308,945</b>	<b>1,308,945</b>	<b>-</b>	<b>240,987</b>	<b>240,987</b>
<b>Interim distribution</b>						
Rs. 17.5 per unit declared on June 23, 2023 as cash dividend						
Refund of capital	(681,494)	-	(681,494)			
Distribution during the year	-	(351,936)	(351,936)			
<b>Interim distribution</b>						
Rs. 10.3 per unit declared on June 24, 2022 as cash dividend						
Refund of capital	-	-	-	(302,871)	-	(302,871)
Distribution during the year	-	-	-	-	(74,764)	(74,764)
	(681,494)	957,009	275,515	(302,871)	166,223	(136,648)
<b>Net assets at end of the year</b>	<b>7,635,924</b>	<b>99,778</b>	<b>7,735,701</b>	<b>4,605,667</b>	<b>65,169</b>	<b>4,670,836</b>
<b>Undistributed income brought forward</b>						
Realised income		55,463			52,705	
Unrealised gain		9,706			1,180	
		65,169			53,885	
<b>Accounting income available for distribution</b>						
Relating to capital		122			1,108	
Excluding capital gains		386,423			84,940	
		386,545			86,048	
<b>Distributions during the year:</b>						
Interim distribution of Rs 17.5 per unit declared on June 23, 2023 as cash dividend		(351,936)			-	
Interim distribution of Rs 10.3 per unit declared on June 24, 2022 as cash dividend		-			(74,764)	
		(351,936)			(74,764)	
Undistributed income carried forward		99,778			65,169	
<b>Undistributed income carried forward</b>						
Realised income		96,511			55,463	
Unrealised income / (loss)		3,267			9,706	
		99,778			65,169	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			<b>102.7607</b>			<b>101.7500</b>
<b>Net assets value per unit at end of the year</b>			<b>103.2208</b>			<b>102.7607</b>

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

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

Chief Financial Officer

Chief Executive Officer

Director



# HBL ISLAMIC INCOME FUND

## Statement of Cash Flow

For the year ended June 30, 2023

	2023	2022
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	1,308,945	240,987
Adjustments for:		
Capital loss on sale of investments - net	2,442	331
Income from GOP Ijara sukuk certificates	(288,428)	(11,208)
Income from corporate sukuk bonds	(383,389)	(75,861)
Income from commercial papers and term deposit receipts	(227,244)	(38,097)
Profit on bank deposits	(498,878)	(119,070)
Unrealised gain on re-measurement of investments classified as financial asset at fair value through profit or loss - net	(3,267)	(9,706)
	<b>(89,819)</b>	<b>(12,624)</b>
<b>(Increase) / Decrease in assets</b>		
Investments - net	(3,906,043)	(1,187,990)
Deposits and prepayments	(9)	37
	<b>(3,906,052)</b>	<b>(1,187,953)</b>
<b>Increase / (Decrease) in liabilities</b>		
Payable to the Management Company	8,968	3,108
Payable to the Trustee	768	248
Payable to Securities and Exchange Commission of Pakistan	1,132	164
Payable against redemption of units	(4,601)	(5,798)
Accrued expenses and other liabilities	90,473	3,722
	<b>96,740</b>	<b>1,444</b>
<b>Cash used in operations</b>	<b>(3,899,131)</b>	<b>(1,199,133)</b>
Income from GOP Ijara sukuk certificates	161,727	11,206
Income received from corporate sukuk bonds	351,363	46,696
Income received from commercial papers and term deposit receipts	227,244	38,097
Profit received on bank deposits	477,044	95,562
	<b>1,217,378</b>	<b>191,561</b>
<b>Net cash used in operating activities</b>	<b>(2,681,753)</b>	<b>(1,007,572)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	33,967,962	10,618,911
Amount paid on redemption of units	(31,178,612)	(6,831,606)
Dividend paid	(1,028,526)	(377,635)
Net cash generated from financing activities	1,760,824	3,409,670
Net (decrease) / increase in cash and cash equivalents during the year	(920,929)	2,402,098
Cash and cash equivalents at beginning of the year	2,966,406	564,308
Cash and cash equivalents at end of the year	<b>2,045,477</b>	<b>2,966,406</b>

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

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

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

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

\_\_\_\_\_  
Director

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

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

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

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

The Fund has been categorised as a Shariah Compliant Income Scheme as per the criteria laid down by the SECP for categorization of open-end Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited. The 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 objective of HBL Islamic Income Fund is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah compliant debt instruments while taking into account liquidity considerations.

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

VIS Credit Rating Company has upgraded a management quality rating to 'AM1' (Stable outlook) to the Management Company on December 31, 2022 and re-affirmed rating of A+(f) to the Fund as at December 29, 2022.

Pursuant to the enactment of the Sindh Trusts Act, 2020 (as amended vide Sindh Trusts (Amended) Act, 2021), the Trusts including Collective Investment Schemes, Private Funds, etc, being Specialized Trusts are required to be registered with the Assistant Directorate of Industries and Commerce (Trust Wing), Government of Sindh under Section 12 of the Sindh Trusts Act, 2020. In this regard, the Fund Manager submitted restated Trust Deed of the Fund which was duly registered on August 17, 2021.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and

- The NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'Non-Banking Finance Companies Regulations') and the requirements of the Trust Deed.

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

## 2.2 **Basis of measurement**

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

## 2.3 **Functional and presentation currency**

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

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

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the result of which from the basis of making the judgment about the company values of assets and liabilities that are not readily apparent from other sources and actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

- (a) classification and measurement of financial assets (Note 4.2.1.1)
- (b) impairment of financial assets (Note 4.2.1.3)
- (c) classification and measurement of financial liabilities (Note 4.2.2.1)
- (d) provisions (Note 4.3)
- (e) Contingencies and Commitments (Note 13)

## 3. **APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

### 3.1 **New amendments that are effective for the year ended June 30, 2023**

The following amendments are effective for the year ended June 30, 2023. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

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

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022

**3.2 New amendments that are not yet effective**

The following amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

**Effective for accounting periods  
beginning on or after:**

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IAS 12 'Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments disclosures' - Supplier Finance Arrangements	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied unless otherwise stated.

##### 4.1 Cash and cash equivalents

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

##### 4.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

##### 4.2.1 Financial Assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### 4.2.1.1 Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing them.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. For purposes of subsequent measurement, financial assets are classified in following categories:

##### **Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

##### **Financial assets at fair value through other comprehensive income (debt instruments)**

For debt instruments at fair value through other comprehensive income (FVOCI), interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is reclassified to the income statement.

Financial assets at fair value through profit or loss (debt instruments)

Debt instruments that do not meet the amortised cost criteria or the FVOCI criteria are classified as at fair value through profit or loss (FVTPL). In addition, debt instruments that meet either the amortised cost criteria or the FVOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

#### 4.2.1.2 Fair value measurement principles

The fair value of financial instruments is determined as follows:

##### **Basis of valuation of government debt securities:**

The government debt securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKISRV rates) which are based on the remaining tenor of the securities.

##### **Basis of valuation of debt securities:**

The fair value of debt securities (other than government debt securities) is based on the value determined and announced by Mutual Funds Association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

#### 4.2.1.3 Impairment of financial assets

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

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

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

#### 4.2.1.4 **Derecognition**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of assets and liabilities) when:

- the rights to receive cash flows from the asset have expired; or
- the Fund has transferred its rights to receive cash flows from the asset and substantially all the risks and rewards of the asset;

#### 4.2.2 **Financial liabilities**

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

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or the Fund has opted to measure them at fair value through profit or loss.

##### 4.2.2.2 **Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

##### 4.2.2.3 **Regular way contracts**

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

##### 4.2.2.4 **Offsetting of financial instruments**

Financial assets and financial liabilities are set off and the net amount is reported in the statement of assets and liabilities if the Fund has a legal right to set off the transaction and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 4.3 **Provisions**

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



#### 4.4 **Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by accumulated losses and capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by accumulated losses and capital gains, whether realised or unrealised, to its unit holders.

#### 4.5 **Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

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

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

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

#### 4.7 **Element of income**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

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

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

#### 4.9 **Revenue recognition**

- Capital gain / (loss) arising on sale of investments are included in the income statement on the date at which the transaction takes place.

- Profit / return on GoP Ijara sukuk and investment in debt securities are recognised at a time apportionment basis using the effective interest method.
- Unrealised gain / (loss) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.

4.10 Transactions with related parties / connected persons

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

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

4.11 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee fee and annual fee of the SECP are recognised in the income statement on an accrual basis

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
<b>5. BANK BALANCES</b>			
Balances with banks in:			
Savings accounts	5.1	2,045,427	2,965,999
Current accounts		50	407
		<u>2,045,477</u>	<u>2,966,406</u>

5.1 This represents bank accounts held with various banks. Profit rates on these accounts during the year ranging between 8.70% to 20.25% (June 30, 2022: 6.75% to 15.75%) per annum. This includes a balance held by Habib Bank Limited (a related party), amounting to Rs. 364.622 million (June 30, 2022: Rs. 303.294 million) on which return is earned ranging between 9.21% to 15% (June 30, 2022: 6.54% to 9.21% ) per annum.

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
<b>6. INVESTMENTS</b>			
Financial asset at fair value through profit or loss	6.1	4,164,005	1,529,706
Financial asset at amortised cost	6.2	1,411,756	139,187
		<u>5,575,761</u>	<u>1,668,893</u>
<b>6.1 Financial asset at fair value through profit or loss</b>			
Corporate sukuk bonds	6.1.1	1,302,865	1,529,706
GoP Ijara sukuk certificates	6.1.4	2,861,140	-
		<u>4,164,005</u>	<u>1,529,706</u>

Corporate sukuk bonds

Name of the investee company	As at July 1, 2022	Purchases made during the year	Sales / matured during the year	As at June 30, 2023	Market value as at June 30, 2023	Carrying value as at June 30, 2023	Un-realised gain / (loss)	Market value as a percentage of	
								Total investments	Net assets
				(Number of units)					
					(Rupees in '000)				
<b>Corporate sukuk bonds - listed</b>									
Agha Steel Industries Limited	95	-	22	73	48,841	52,056	(3,215)	0.88%	0.63%
	95	-	22	73	48,841	52,056	(3,215)	0.88%	0.63%
<b>Corporate sukuk bonds - unlisted</b>									
OBS AGP Private Limited	1,100	-	-	1,100	89,554	89,925	(371)	1.61%	1.16%
Dubai Islamic Bank Pakistan Limited	54	-	54	-	-	-	-	0.00%	0.00%
Ghani Gases Limited	1,330	-	-	1,330	15,295	13,521	1,774	0.27%	0.20%
Hub Power Company Limited - 190320	350	-	-	350	17,588	18,508	(920)	0.32%	0.23%
Hub Power Company Limited - 121120	-	1,050	-	1,050	107,762	105,000	2,762	1.93%	1.39%
Hub Power Company Limited - 270422	4,500	-	4,500	-	-	-	-	0.00%	0.00%
Pak Electron Limited	120	-	120	-	-	-	-	0.00%	0.00%
TPL Corporation Limited	750	-	600	150	15,000	15,000	-	0.27%	0.19%
Lucky Electric Power Company Limited	375	640	765	250	25,000	25,000	-	0.45%	0.32%
K-Electric Limited	150	4,627	607	4,170	957,026	957,000	26	17.16%	12.37%
China Power Generation Company Private Limited	-	666	666	-	-	-	-	0.00%	0.00%
TPL Trakker Limited	44	-	-	44	26,800	27,072	(273)	0.48%	0.35%
	8,773	6,983	7,312	8,444	1,254,024	1,251,026	2,998	22.49%	16.21%
<b>Total - as at June 30, 2023</b>	<b>8,868</b>	<b>6,983</b>	<b>7,334</b>	<b>8,517</b>	<b>1,302,865</b>	<b>1,303,082</b>	<b>(217)</b>	<b>23.37%</b>	<b>16.84%</b>
Total - as at June 30, 2022	4,140	7,180	2,452	8,868	1,529,706	1,520,000	9,706	91.66%	32.75%

6.1.2 These corporate sukuk bonds, during the year carry profit at the rates ranging from 11.90% to 24.94% (June 30, 2022: 7.85% to 18.03%) per annum.

6.1.3 Significant terms and conditions of corporate sukuk bonds as at June 30, 2023 are as follows:

Name of the investee company	Payment term	Remaining principal (per sukuk bond)	Profit rate (per annum)	Issue date	Maturity date
(Rupees in '000)					
<b>Corporate Sukuk Bonds - listed</b>					
Agha Steel Industries Limited	Quarterly	687,500	3 Month Kibor + 0.8%	October 9, 2018	October 9, 2025
<b>Corporate Sukuk Bonds - unlisted</b>					
OBS AGP Private Limited	Quarterly	81,250	3 Month Kibor + 1.55%	July 15, 2021	July 15, 2026
Ghani Gases Limited	Quarterly	12,500	3 Month Kibor + 1%	February 2, 2017	February 2, 2023
Hub Power Company Limited - 190320	Semi Annually	50,000	12 Month Kibor + 1.90%	March 19, 2020	March 19, 2024
Hub Power Company Limited - 021121	Semi Annually	100,000	6 Month KIBOR+2.5%	November 12, 2020	November 12, 2025
TPL Corporation Limited	Quarterly	611,111	3 Month Kibor + 3%	March 30, 2021	March 30, 2026
Lucky Electric Power Company Limited	Semi Annually	100,000	6 Month KIBOR+0.5%	March 29, 2023	September 19, 2023
K-Electric Limited	Quarterly	100,000	3 Month Kibor + 1.7%	November 23, 2022	November 23, 2029
TPL Trakker Limited	Quarterly	100,000	3 Month Kibor + 3%	March 30, 2021	March 30, 2026

6.1.4 GOP Ijara sukuk certificates

Issue details	Issue date	Face value				Market value as at June 30, 2023	Carrying value as at 30, 2023	Un-realised gain / (loss)	Market value as a percentage of total investments	Market value as a percentage of net assets
		As at July 1, 2022	Purchases during the year	Sales during the year	As at June 30, 2023					
(Rupees in '000)										
GOP IJARAH SUKUK	26-Oct-22	-	7,847,000	7,230,500	616,500	614,856	612,430	2,426	11.03%	7.95%
GOP IJARAH SUKUK	25-May-23	-	5,400,000	5,290,500	109,500	109,573	109,610	(37)	1.97%	1.42%
GOP IJARAH SUKUK	17-Apr-23	-	7,185,000	5,049,500	2,135,500	2,136,711	2,135,615	1,096	38.32%	27.62%
<b>Total - as at June 30, 2023</b>		<b>-</b>	<b>20,432,000</b>	<b>17,570,500</b>	<b>2,861,500</b>	<b>2,861,140</b>	<b>2,857,655</b>	<b>3,485</b>	<b>51.31%</b>	<b>36.99%</b>
Total - as at June 30, 2022		-	1,401,000	1,401,000	-	-	-	-	-	-

6.1.5 These GOP Ijara sukuk certificates, during the year carry profit at the rates ranging from 15.69% to 22.68% (June 30, 2022: nil)

	Note	2023 ----- (Rupees in '000) -----	2022 -----
<b>6.2 Financial assets at amortised cost</b>			
Commercial Papers	6.2.1	-	139,187
Term Deposit Receipts (TDRs)	6.2.3	<b>1,411,756</b>	-
		<b>1,411,756</b>	<b>139,187</b>

**6.2.1 Commercial papers**

Name of investee company	Issue date	As at July 1, 2022	Placement made during the year	Income accrued	Sales / matured during the year	As at June 30, 2023	Percentage of total of investments	Percentage of net assets
----- (Rupees in '000) -----								
Hub Power Holdings Limited		101,377	-	3,623	105,000	-	0%	0%
Mughal Iron & Steel Industries Limited		37,810	-	190	38,000	-	0%	0%
<b>Total - as at June 30, 2023</b>		<b>139,187</b>	<b>-</b>	<b>3,813</b>	<b>143,000</b>	<b>-</b>	<b>0%</b>	<b>0%</b>
Total - as at June 30, 2022		141,274	475,217	26,992	504,296	139,187	8%0	3%

6.2.2 These commercial papers carry profit rates ranging from 9.57% to 10.64%. The maturity date for commercial papers of Hub Power Holdings Limited and Mughal Iron & Steel Industries Limited is November 12, 2022 and July 21, 2022 respectively. Management believes that fair value of the commercial paper is equal to its amortised cost.

**6.2.3 Term deposit receipts**

Name of investee company	As at July 1, 2022	Placement made during the year	Income accrued	Sale / Matured during the year	As at June 30, 2023	Percentage of total of investments	Percentage of net assets
----- (Rupees in '000) -----							
UBL Ameen Islamic Banking	-	1,400,000	11,756	-	1,411,756	25.32%	18.25%
<b>Total - as at June 30, 2023</b>	<b>-</b>	<b>1,400,000</b>	<b>11,756</b>	<b>-</b>	<b>1,411,756</b>	<b>25.32%</b>	<b>18.25%</b>
Total - as at June 30, 2022	-	1,700,000	-	1,700,000	-	-	0%

6.2.4 This Term deposit receipts carry profit rates of 20.35% (June 30, 2022: nil)

	Note	2023 ----- (Rupees in '000) -----	2022 -----
<b>6.3 Unrealised gain / (loss) on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net</b>			
Market value of investments	6.1.1, 6.1.4	<b>4,164,005</b>	1,529,706
Carrying value of investments	6.1.1, 6.1.4	<b>(4,160,737)</b>	(1,520,000)
		<b>3,267</b>	<b>9,706</b>
<b>7. PROFIT / MARK-UP RECEIVABLE</b>			
Profit / markup receivable on:			
Bank deposits	7.1	<b>54,720</b>	32,886
Corporate sukuk bonds		<b>74,202</b>	42,176
GoP Ijara sukuk certificates		<b>126,703</b>	2
		<b>255,625</b>	<b>75,064</b>

7.1 This includes Rs. 2.082 million (June 30, 2022: Rs. 2.28 million) receivable from Habib Bank Limited, which is a related party.

		2023	2022
	Note	----- (Rupees in '000) -----	
<b>8. DEPOSITS AND PREPAYMENTS</b>			
Security deposits with:			
Central Depository Company of Pakistan Limited		100	100
		100	100
Prepaid rating fee		219	210
		319	310

<b>9. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration payable to the Management Company	9.1	5,042	1,931
Sindh Sales Tax payable on Management Company's remuneration	9.2	655	251
Sales load payable		1,582	704
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	1,483	772
Selling and marketing expense payable	9.4	5,486	1,622
		14,248	5,280

9.1 As per Regulation 61 of the amended NBFC regulation, the Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document, further subject to the guidelines as may be issued by the Commission from time to time. During the year, the fee is being charged at the rate ranging from 0.35% to 0.70% (2022: 0.5% to 1.385%) of the average annual net assets accordingly. The fee is payable monthly in arrears.

9.2 The Sindh Government has levied Sindh Sales Tax (SST) at the rate of 13% (June 30, 2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

9.3 As per Regulation 60(3)(s) of the amended NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS. During the year, the fee is being charged at the rate ranging from 0.2% to 0.25% of the average annual net assets accordingly.

9.4 As per Regulation 60(3)(v) of the amended NBFC Regulations, selling and marketing expenses is allowed on all categories of open end mutual funds, except fund of funds with no cap. During the year, the fee is being charged at the rate ranging from 0.2% to 0.25% (2022: 0% to 0.25%) of the average annual net assets accordingly.

		2023	2022
	Note	----- (Rupees in '000) -----	
<b>10. PAYABLE TO THE TRUSTEE</b>			
Trustee fee payable	10.1	969	290
Sindh Sales Tax payable on remuneration of the Trustee	10.2	126	37
		1,095	327

10.1 As per CDC vide notification CDC/CEO/L-112/02/2019, dated June 27, 2019, Trustee fee shall be charged at the rate of 0.075% of the average annual net assets of the Fund. During the year, Management Company has charged the Trustee fee accordingly.

10.2 Sindh Sales Tax at the rate of 13% (June 30, 2022: 13%) is applicable on Trustee fee as per Sindh Sales Tax on Services Act, 2011.

		2023	2022
	Note	----- (Rupees in '000) -----	-----
<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee payable	11.1	<u>1,557</u>	<u>425</u>

11.1 As per Regulation 62 of the amended NBFC Regulations, a Collective Investment Scheme (CIS) categorised as an income scheme is required to pay as annual fee to the SECP, an amount equal to 0.02% of the average net assets of the Scheme. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

		2023	2022
	Note	----- (Rupees in '000) -----	-----
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Federal Excise Duty	12.1	1,344	1,344
Withholding tax payable		117,492	27,003
Auditors' remuneration		195	171
Printing charges		-	85
Security transaction costs and settlement charges payable		100	71
Other payables		314	297
		<u>119,445</u>	<u>28,971</u>

12.1 The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified

On September 4, 2013, a Constitutional Petition was filed in the Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

On July 16, 2016, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

However, since the appeal filed by the tax authorities is pending in the Supreme Court of Pakistan, the Management Company, being prudent has retained a provision for FED on remuneration of Management Company, aggregating to Rs. 1.344 million (June 30, 2022: Rs. 1.344 million). Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2023 would have been higher by Re. 0.0179 per unit (June 30, 2022: Re. 0.0296 per unit ).

**13. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2023 (June 30, 2022: nil).

	2023	2022
	----- Number of Units -----	
<b>14. NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	45,453,539	10,026,337
Units issued during the year	303,439,548	97,375,995
Units redeemed during the year	(273,949,821)	(61,948,793)
Total units in issue at the end of the year	<u>74,943,266</u>	<u>45,453,539</u>

	2023	2022
	----- (Rupees in '000) -----	
<b>AUDITORS' REMUNERATION</b>		
Annual audit fee	229	167
Fee for half yearly review	71	71
	<u>300</u>	<u>238</u>

**16. TAXATION**

The Fund's income is exempt from income tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by accumulated losses and capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current period, as the Management Company has distributed atleast 90% of the Fund's accounting income as reduced by accumulated losses and capital gains (whether realised or unrealised) for the year ended June 30, 2023 to its unit holders.

**17. EARNINGS PER UNIT**

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

**18. FINANCIAL INSTRUMENTS BY CATEGORY**

	June 30, 2023		
	Fair value through profit or loss	Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Financial assets</b>			
Bank balances	-	2,045,477	2,045,477
Investments			
Corporate Sukuk Bonds	1,302,865	-	1,302,865
GoP Ijara sukuk certificates	2,861,140	-	2,861,140
Term deposit receipts	-	1,411,756	1,411,756
Profit receivable	-	255,625	255,625
Deposits	-	100	100
	<u>4,164,005</u>	<u>3,712,958</u>	<u>7,876,963</u>



	June 30, 2023		
	Fair value through profit or loss	Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Financial liabilities</b>			
Payable to the Management Company	-	13,593	13,593
Payable to the Trustee	-	969	969
Payable against redemption of units	-	-	-
Dividend payable	-	5,137	5,137
Accrued expenses and other liabilities	-	609	609
	-	<b>20,308</b>	<b>20,308</b>
	-----		
	June 30, 2022		
	Fair value through profit or loss	Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Financial assets</b>			
Bank balances	-	2,966,406	2,966,406
Investments			
Corporate Sukuk Bonds	1,529,706	-	1,529,706
Commercial Papers	-	139,187	139,187
Profit receivable	-	75,064	75,064
Deposits	-	100	100
	1,529,706	3,180,757	4,710,463
	-----		
	As at June 30, 2022		
	Fair value through profit or loss	Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Financial liabilities</b>			
Payable to the Management Company	-	5,029	5,029
Payable to the Trustee	-	290	290
Payable against redemption of units	-	4,601	4,601
Dividend payable	-	233	233
Accrued expenses and other liabilities	-	464	464
	-	<b>10,617</b>	<b>10,617</b>
	-----		

#### 19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

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

Details of the transactions with connected persons and balances with them are as follows:

		2023	2022
		----- (Rupees in '000) -----	
<b>19.1</b>	<b>Transactions during the year</b>		
	<b>HBL Asset Management Limited - Management Company</b>		
	Remuneration of the Management Company	42,433	17,980
	Sindh Sales Tax on remuneration of the Management Company	5,516	2,337
	Sales load	1,011	679
	Allocation of expenses related to registrar services, accounting, operation and valuation services	15,727	2,277
	Selling and marketing expense	15,727	2,755
		2023	2022
		----- (Rupees in '000) -----	
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Trustee remuneration	5,841	1,593
	Sindh Sales Tax payable on the Trustee fee	759	207
	Central Depository Service charges	487	27
	<b>Habib Bank Limited - Sponsors</b>		
	Bank charges	349	259
	Profit on bank deposit earned	4,512	10,241
	<b>Directors and executives of the Management Company</b>		
	Issue of 135,712 units (June 30, 2022: 143,295 units)	12,510	15,520
	Redemption of 159,305 units (June 30, 2022: 98,021 units)	17,656	10,873
	Dividend paid	132	59
	<b>HBL Asset Management Limited - Employees' Gratuity Fund</b>		
	Issue of Nil (June 30, 2022: 543) units	-	56
	Dividend Reinvestment 1,013 units	104	56
	<b>HBL Asset Management Limited - Employees' Provident Fund</b>		
	Issue of Nil (June 30, 2022: 2,920) units	-	299
	Dividend Reinvestment 5,445 units	560	299
	<b>Jubilee Life Insurance Company Limited</b>		
	Issue of Nil (June 30, 2022: 3,961,318) units	-	408,729
	Dividend Reinvestment 573,295 units	58,925	7,355
	<b>Archroma Pakistan Limited - Associate</b>		
	Issue of 653,084 (June 30, 2022: nil) units	67,288	-

	2023	2022
	----- (Rupees in '000) -----	
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Active Allocation Plan - Fund under common management</b>		
Issue of 998,776 (June 30, 2022: 2,449 units)	101,000	262
Redemption of 99,542 (June 30, 2022: 107,068) units	10,250	11,560
Dividend paid	1,654	-
<b>MCBFSL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Conservative Allocation Plan - Fund under common management</b>		
Issue of Nil (June 30, 2022: 26,227) units	-	2,797
Redemption of 1,093 (June 30, 2022: 442,668) units	198	45,118
Dividend paid	81	48
<b>Syed Fayez Asar</b>		
<b>Related party due to holding more than 10%</b>		
Issue of 803,311 (June 30, 2022: nil) units	123,264	-
Redemption of 379,779 (June 30, 2022: nil) units	91,024	-
<b>Zahid Rashid Soorty</b>		
<b>Related party due to holding more than 10%</b>		
Issue of Nil (June 30, 2022: 10,937,268) units	-	1,214,184
Redemption of 5,641,545 (June 30, 2022: 5,295,722) units	667,945	597,284
Dividend paid	-	52,803
	2023	2022
	----- (Rupees in '000) -----	
<b>Hamdard laboratories (Waqf) Pakistan</b>		
<b>Related party due to holding more than 10%</b>		
Issue of Nil (June 30, 2022: 28,536,861) units	-	3,167,826
Redemption of Nil (June 30, 2022: 13,629,770) units	-	1,537,734
Dividend paid	-	139,525
<b>Rohtas Associates (Pvt) Limited</b>		
<b>Related party due to holding more than 10%</b>		
Issue of 2,223,172 (June 30, 2022: nil) units	256,678	-
Redemption of 1,130,162 (June 30, 2022: nil) units	135,938	-
<b>HBL Islamic Money Market Fund</b>		
Sale of Kelectric Islamic Commercial Paper	-	40,000
Sale of Hub Power Holding Company Sukuk	-	160,000
<b>HBL Financial Sector Income Fund - I</b>		
Purchase of GOP Ijara Sukuk	2,100,000	-
Purchase of GOP Ijara Sukuk	400,000	-
Sale of GOP Ijara Sukuk	2,100,000	-
Sale of GOP Ijara Sukuk	400,000	-
<b>HBL Islamic Asset Allocation Fund</b>		
Purchase of OBS AGP Sukuk	-	20,000
Purchase of OBS AGP Sukuk	-	15,000
Purchase of TPL Trakker Sukuku	-	11,556
Purchase of Hub Power Holding Company Sukuk	-	40,000
<b>HBL Government Securities Fund</b>		
Sale of GOP Ijara Sukuk	492,000	-
Purchase of GOP Ijara Sukuk	400,000	-

**19.2 Balances outstanding as at year end**

**HBL Asset Management Limited - Management Company**

Remuneration payable to the Management Company	5,042	1,931
Sindh Sales Tax payable on Management Company's remuneration	655	251
Sales load payable	1,582	704
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,483	772
Selling and marketing expense payable	5,486	1,622

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

Trustee fee payable	969	327
Security deposit	126	100

**Habib Bank Limited - Sponsor**

Bank balances	364,622	306,175
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**HBL Asset Management Limited - Employees' Gratuity Fund**

Units held: 6,962 (June 30, 2022: 5,949)	719	611
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**HBL Asset Management Limited - Employees' Provident Fund**

Units held: 37,426 (June 30, 2022: 31,980)	3,863	3,286
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**Jubilee Life Insurance Company Limited**

Units held: 4,534,613 (June 30, 2022: 3,961,318)	468,066	407,068
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**Archroma Pakistan Limited - Associate**

Units held: 653,084 (June 30, 2022: Nil)	67,412	-
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2023                      2022  
----- (Rupees in '000) -----

**MCBFSL Trustee HBL Islamic Financial Planning Fund**

**Active Allocation Plan - Fund under common management**

Units held: 899,234 (June 30, 2022: Nil)	92,820	-
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**MCBFSL Trustee HBL Islamic Financial Planning Fund**

**Conservative Allocation Plan - Fund under common management**

Units held: 4,419 (June 30, 2022: 5,512)	456	566
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**Syed Fayez Asar**

**Related party due to holding more than 10%**

Units held: 423,532 (June 30, 2022: Nil)	43,717	5,449
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**Zahid Rashid Soorty**

**Related party due to holding more than 10%**

Units held: Nil (June 30, 2022: 5,641,545)	-	579,729
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**Rohtas Associates (Pvt) Ltd**

**Related party due to holding more than 10%**

Units held: 1,293,010 units (June 30, 2022: Nil) units	133,466	-
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**Directors and executives of the Management Company**

Units held: 24,570 units (June 30, 2022: 48,163) units	2,536	4,949
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## 20. FINANCIAL RISK MANAGEMENT

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

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

The Fund primarily invests in a portfolio of long, medium and short term Shariah compliant debt instruments and money market placements. These activities are exposed to a variety of financial risks i.e. market risks, credit risks and liquidity risks.

### 20.1 Market risk

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

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

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

#### 20.1.1 Currency risk

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

#### 20.1.2 Interest rate risk

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

##### a) Cash flow interest rate risk

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, during the year the interest rates on which range between 8.70% and 20.25% per annum.

In case of 100 basis points increase / decrease in interest rates on June 30, 2023, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 20.45 million (2022: Rs. 29.66 million).

##### b) Fair value interest rate risk

The Fund's investment in gop ijara sukuk certificates are expose to fair value interest rate risk.

In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan on June 30, 2023, with all other variables held constant, the net income for the period and the net assets would be lower by Rs. 28.61 million. In case of 100 basis points decrease in rates announced by the Financial Market Association of Pakistan on June 30, 2023, with all other variables held constant, the net income for the period and the net assets would be higher by Rs. 28.61 million.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2023 can be determined as

Particulars	----- As at June 30, 2023 -----					
	Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	8.70 - 20.25	2,045,427	-	-	50	2,045,477
Investments						
Corporate sukuk bonds	11.90 - 24.94	-	1,302,865	-	-	1,302,865
GoP Ijara sukuk certificates	15.69 - 22.68	-	2,861,140	-	-	2,861,140
Term deposit receipts	20.35	-	1,411,756	-	-	1,411,756
Profit receivable		-	-	-	255,625	255,625
Deposits		-	-	-	100	100
<b>Sub total</b>		<b>2,045,427</b>	<b>5,575,761</b>	<b>-</b>	<b>255,775</b>	<b>7,876,963</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	13,593	13,593
Payable to the Trustee		-	-	-	969	969
Dividend payable		-	-	-	5,137	5,137
Accrued expenses and other liabilities		-	-	-	609	609
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>20,308</b>	<b>20,308</b>
<b>On-balance sheet gap (a)</b>		<b>2,045,427</b>	<b>5,575,761</b>	<b>-</b>	<b>235,467</b>	<b>7,856,655</b>
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>2,045,427</b>	<b>5,575,761</b>	<b>-</b>	<b>235,467</b>	<b>7,856,655</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>2,045,427</b>	<b>5,575,761</b>	<b>-</b>		

Particulars	----- As at June 30, 2022 -----					
	Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	6.75 - 15.75	2,965,999	-	-	407	2,966,406
Investments						
Corporate Sukuk Bonds	7.85 - 18.03	-	1,529,706	-	-	1,529,706
Commercial Paper	9.57 - 10.64	139,187	-	-	-	139,187
Profit receivable		-	-	-	75,064	75,064
Deposits		-	-	-	100	100
		3,105,186	1,529,706	-	75,571	4,710,463

Particulars	----- As at June 30, 2022 -----					Total
	Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----						
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	5,029	5,029
Payable to the Trustee		-	-	-	290	290
Payable against redemption of units		-	-	-	4,601	4,601
Dividend payable		-	-	-	233	233
Accrued expenses and other liabilities		-	-	-	464	464
		-	-	-	10,617	10,617
<b>On-balance sheet gap (a)</b>		3,105,186	1,529,706	-	64,954	4,699,846
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		3,105,186	1,529,706	-	64,954	4,699,846
<b>Cumulative interest rate sensitivity gap</b>		3,105,186	1,529,706	-		

### 20.1.3 Price risk

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

### 20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to investment in debt securities, profit receivable and bank balances. Risk attributable to investments in securities issue by the GOP Ijara sukuk certificates is limited, while the bank balances are maintained with bank with a reasonably high credit rating and investment in corporate sukuk are made in good rating companies.

#### 20.2.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2023 and June 30, 2022:



Name of banks / institutions	Balances held by the Fund as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
------------------------------	---	---	---------------

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

**Bank balances and mark-up receivable thereon**

Bank Islami Pakistan Limited	149,333	A-1	PACRA
Al Baraka Bank Limited	1,510,021	A-1	JCR-VIS
Habib Bank Limited	364,653	A-1+	VIS
Soneri Bank Limited	623	A-1+	PACRA
Dubai Islamic Bank Pakistan Limited	211	A-1+	JCR-VIS
Faysal Bank Limited	713	A-1+	PACRA
Summit Bank Limited	125	Suspended	JCR-VIS
Bank Al Habib Limited	18,564	A-1+	PACRA
MCB Islamic Bank Limited	115	A-1	PACRA
United Bank limited	11	A-1+	JCR VIS
Bank Alfalah Limited	164	A-1+	PACRA
National Bank of Pakistan	27	A-1+	PACRA
U Micro Finance Bank	903	A-1	VIS
Bank of Khyber	14	A-1	PACRA
	<b>2,045,477</b>		

**Investments by rating category**

Name of investee company	Balances held by the Fund as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
--------------------------	---	---	---------------

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

**Corporate Sukuks - Listed**

Agha Steel Industries Limited	48,841	A+	JCR-VIS
	48,841		

**Corporate Sukuks - Unlisted**

OBS AGP Private Limited	89,554	A	JCR-VIS
Ghani Gases Limited	15,295	A	PACRA
Hub Power Company Limited 190320	17,588	AA+	PACRA
Hub Power Company Limited - 121120	107,762	AA+	PACRA
TPL Corporation Limited	15,000	AA-	PACRA
Lucky Electric Power Company	25,000	AA	PACRA
K-Electric Limited	957,026	AA+	JCR-VIS
TPL Trakker Limited	26,800	A+	PACRA
	<b>1,254,024</b>		

**Total Investments**

**1,302,865**

**Balances with banks by rating category**

Name of banks / institutions	Balances held by the Fund as at June 30, 2022	Latest available published rating as at June 30, 2022	Rating agency
------(Rupees in '000')-----			
<b>Balances with banks by rating category</b>			
Bank Islami Pakistan Limited	1,788	A-1	PACRA
Al Baraka Bank Limited	2,283,282	A-1	JCR-VIS
Habib Bank Limited	306,175	A-1+	JCR-VIS
Soneri Bank Limited	507	A-1+	PACRA
Dubai Islamic Bank Pakistan Limited	4,503	A-1+	JCR-VIS
Faysal Bank Limited	365,854	A-1+	PACRA
Summit Bank Limited	125	Suspended	JCR-VIS
Bank Al Habib Limited	3,903	A-1+	PACRA
MCB Islamic Bank Limited	115	A-1	PACRA
United Bank limited	11	A-1+	JCR VIS
Bank Alfalah Limited	100	A-1+	PACRA
National Bank of Pakistan	29	A-1+	PACRA
Bank of Khyber	13	A-1	PACRA
	2,966,406		

Name of investee company	Balances held by the Fund as at June 30, 2022	Latest available published rating as at June 30, 2022	Rating agency
------(Rupees in '000')-----			
Corporate Sukuks - Listed			
Agha Steel Industries Limited	85,557	A	JCR-VIS
	85,557		
Corporate Sukuks - Unlisted			
OBS AGP Private Limited	110,550	A+	JCR-VIS
Dubai Islamic Bank Pakistan Limited	55,809	AA-	JCR-VIS
Ghani Gases Limited	35,688	A	PACRA
Hub Power Company Limited 190320	36,008	AA+	PACRA
Hub Power Company Limited 270422	450,000	AA+	PACRA
Pak Electron Limited	119,244	A+	PACRA
TPL Corporation Limited	75,000	A	PACRA
Lucky Electric Power Company	375,000	AA	PACRA
Kelectric Sukuk	150,000	AA+	JCR-VIS
TPL Trakker Limited	36,850	A+	PACRA
	1,444,149		
Commercial Paper			
Mughal Iron & Steel Industries Limited	37,810	A+	JCR-VIS
Hub Power Holdings Limited	101,377	AA	PACRA
Total Investments	1,668,893		

20.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure in relation to balances with banks:

Rating by rating category	2023	2022
	----- (Percentage) -----	
A-1+	18.82	22.96
A-1	81.17	77.04

### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in privately placed corporate sukuks and bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the Government.

### 20.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund, through Management Company with prior approval of Trustee, has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to 15% of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings was made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. However, no such instances were witnessed by the Fund during the current year.

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

Particulars	----- As at June 30, 2023 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	----- (Rupees in '000) -----			
<b>Financial liabilities</b>				
Payable to the Management Company	13,593	-	-	13,593
Payable to the Trustee	969	-	-	969
Dividend payable	5,137	-	-	5,137
Accrued expenses and other liabilities	609	-	-	609
	<u>20,308</u>	<u>-</u>	<u>-</u>	<u>20,308</u>

Particulars	----- As at June 30, 2022 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	----- (Rupees in '000) -----			
<b>Financial liabilities</b>				
Payable to the Management Company	5,029	-	-	5,029
Payable to the Trustee	290	-	-	290
Payable against redemption of units	4,601	-	-	4,601
Dividend payable	233	-	-	233
Accrued expenses and other liabilities	464	-	-	464
	10,617	-	-	10,617

## 21. UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

## 22. FAIR VALUE 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 reporting date. The quoted market price used for financial assets held by the Fund is current bid price.

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

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

					June 30, 2023			
Particulars	Note	Carrying amount			Fair value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)						
<b>Financial assets measured at fair value</b>								
Corporate sukuk bonds	22.1	1,302,865	-	1,302,865	-	270,198	1,032,667	1,302,865
GoP Ijara sukuk certificates		2,861,140	-	2,861,140	2,861,140	-	-	2,861,140
		<u>4,164,005</u>	<u>-</u>	<u>4,164,005</u>	<u>2,861,140</u>	<u>270,198</u>	<u>1,032,667</u>	<u>4,164,005</u>
<b>Financial assets not measured at fair value</b>								
Bank balance	22.2	-	2,045,477	2,045,477				
Term deposit receipts		-	1,411,756	1,411,756				
Profit / markup receivable		-	255,625	255,625				
Deposits			100	100				
		<u>-</u>	<u>3,712,958</u>	<u>3,712,958</u>				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	22.2	-	13,593	13,593				
Payable to the Trustee		-	969	969				
Payable against redemption of units		-	-	-				
Dividend payable		-	5,137	5,137				
Accrued expenses and other liabilities		-	609	609				
		<u>-</u>	<u>20,308</u>	<u>20,308</u>				

					June 30, 2022			
Particulars	Note	Carrying amount			Fair value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)						
<b>Financial assets measured at fair value</b>								
Corporate sukuk bonds	22.1	1,529,706	-	1,529,706	-	1,324,905	204,801	1,529,706
		<u>1,529,706</u>	<u>-</u>	<u>1,529,706</u>	<u>-</u>	<u>1,324,905</u>	<u>204,801</u>	<u>1,529,706</u>
<b>Financial assets not measured at fair value</b>								
Bank balance	22.2	-	2,966,406	2,966,406				
Commercial paper		-	139,187	139,187				
Profit / markup receivable		-	75,064	75,064				
Deposits			100	100				
		<u>-</u>	<u>3,180,757</u>	<u>3,180,757</u>				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	22.2	-	5,029	5,029				
Payable to the Trustee		-	290	290				
Payable against redemption of units		-	4,601	4,601				
Dividend payable		-	233	233				
Accrued expenses and other liabilities		-	464	464				
		<u>-</u>	<u>10,617</u>	<u>10,617</u>				

## 22.1 Valuation techniques

For level 2 investments at fair value through profit or loss - investment in respect of corporate sukuk bonds, Fund uses rates which are prescribed by MUFAP at reporting date in accordance with the methodology prescribed by SECP vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012 at reporting date.

or level 3 investments at fair value through profit or loss - investment in respect of corporate sukuk bonds, Fund uses Discretionary rates at reporting date in accordance with the methodology prescribed by SECP vide its circular no. 33 of 2012 dated October 24, 2012 at reporting date.

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

**22.3 Transfers during the year**

During the year ended June 30, 2023, there is a transfer between levels of fair value measurements of corporate sukuk bond of Agha Steel Industries Limited, as management has applied Discretionary rates at reporting date in accordance with the methodology prescribed by SECP vide its circular no. 33 of 2012 dated October 24, 2012 at reporting date.

**23. LIST OF BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

**Brokers during the year ended June 30, 2023**

- 1 Al Falah CLSA Securities (Pvt) Ltd
- 2 JS Global Capital Limited
- 3 Continental Exchange (Pvt) Ltd
- 4 AKD Securities Limited
- 5 Invest One Markets Ltd
- 6 Next Capital Limited
- 7 Summit Capital (Pvt) Ltd
- 8 Currency Market Associates (Pvt) Ltd
- 9 Magenta Capital (Pvt) Ltd
- 10 Arif Habib Limited

**Brokers during the year ended June 30, 2022**

- 1 Icon Securities (Private) Limited
- 2 Next Capital Limited
- 3 Invest One Markets Limited
- 4 BIPL Securities Limited
- 5 Summit Capital (Private) Limited

**24. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	24+
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27+
3	Wamiq Sakrani	Head of Fixed Income	MBA	13+
4	Imad Ansari	Head of Risk	MBA	16+
5	Umair Naseer	Head of Research	MBA	10+
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
7	Raza Abbas	Senior Fund Manager	M.Com	20
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7+

**25. PATTERN OF UNIT HOLDING**

Pattern of unit holding as at June 30, 2023 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000'				
Individuals	2,306	40,222,217	4,151,769	53.67%
Associated company	3	44,388	4,582	0.06%
Insurance companies	9	12,986,660	1,340,493	17.33%
Retirement funds	20	3,856,325	398,053	5.15%
Trust	4	1,721,691	177,714	2.30%
Foreign investors	7	111,031	11,459	0.15%
Others	15	16,000,954	1,651,631	21.35%
	<b>2,364</b>	<b>74,943,266</b>	<b>7,735,701</b>	<b>100.00%</b>

Pattern of unit holding as at June 30, 2022 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000'				
Individuals	965	18,605,166	1,911,880	40.93%
Associated Companies	3	37,930	3,898	0.08%
Insurance Companies	10	8,656,453	889,543	19.04%
Trust	2	6,840	703	0.02%
Retirement Funds	21	2,534,468	260,444	5.58%
Other corporate	11	15,588,667	1,601,900	34.30%
Individual Foreign	5	24,016	2,468	0.05%
	<b>1,017</b>	<b>45,453,539</b>	<b>4,670,836</b>	<b>100.00%</b>

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

Six meetings of the Board of Directors were held on August 29, 2022 , October 19, 2022, January 16, 2023 ,January 23, 2023 ,February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29,2022, January 16,2023, January 23, 2023, February 13, 2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19, 2022.



27. **TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2023 is 1.15% (June 30, 2022: 1.38%) which includes 0.10% (June 30, 2022: 0.14%) representing Government levy and SECP fee.

28. **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

29. **CORRESPONDING FIGURES**

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

30. **GENERAL**

30.1 Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

For HBL Asset Management Limited  
(Management Company)

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Chief Financial Officer

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Chief Executive Officer

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Director



**HBL** Islamic Equity Fund

<b>NAME OF FUND</b>	<b>HBL ISLAMIC EQUITY FUND</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF AUDITORS</b>	<b>BOD Ebrahim &amp; Co. Chartered Accountants</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>AI - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Bank Islami Pakistan Limited Bank Al Baraka Limited MCB Bank Limited Faisal Bank Limited Habib Bank Limited</b>

**Type and Category of Fund**

Open end Equity Fund

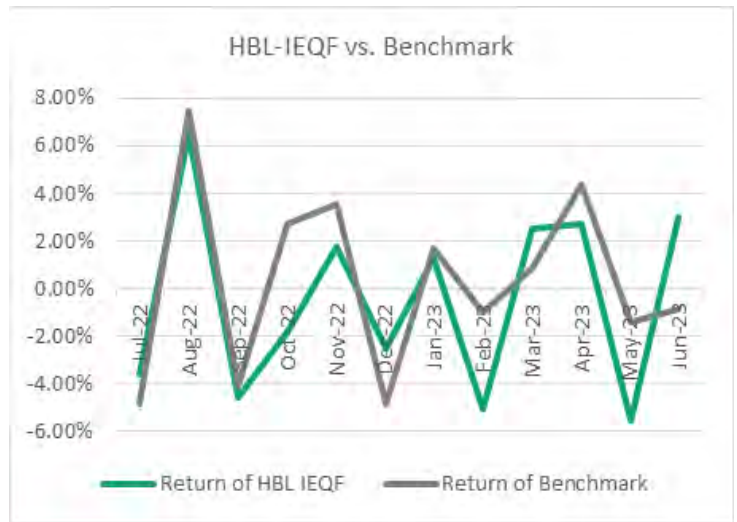
**Investment Objective and Accomplishment of Objective**

The objective of the Fund is to provide maximum total return to the unit holders from investment in shariah compliant equity investments for the given level of risk.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KMI 30 Index.

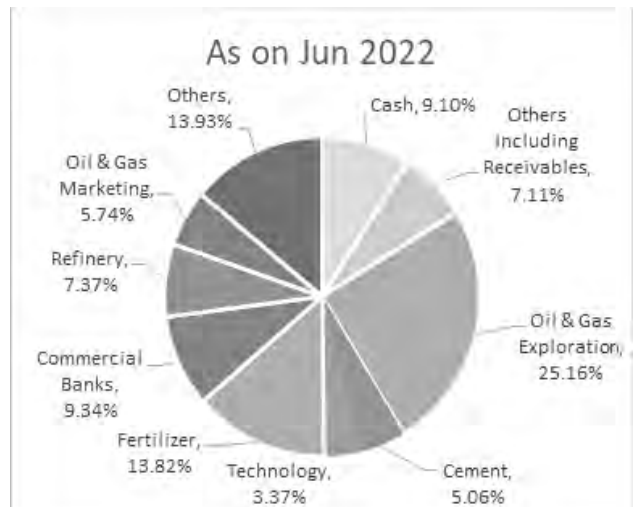
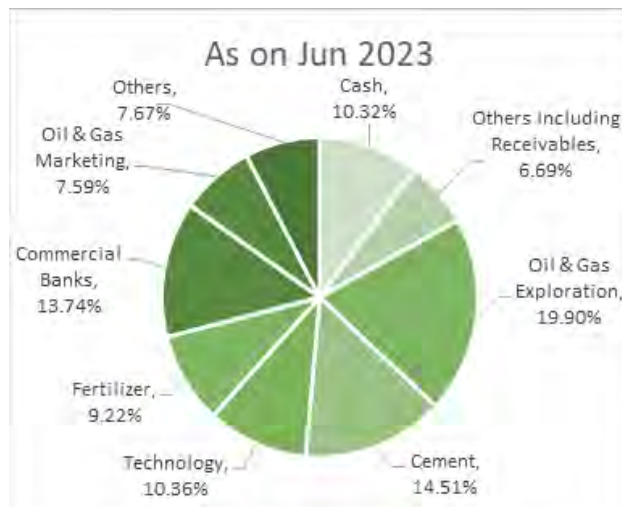
Month	Return of Fund	
	HBL-IEQF	Benchmark
Jun-23	3.03%	-0.83%
May-23	-5.55%	-1.40%
Apr-23	2.73%	4.35%
Mar-23	2.49%	0.84%
Feb-23	-5.05%	-0.97%
Jan-23	1.26%	1.70%
Dec-22	-2.48%	-4.86%
Nov-22	1.76%	3.55%
Oct-22	-1.78%	2.74%
Sep-22	-4.54%	-4.10%
Aug-22	6.54%	7.49%
Jul-22	-3.61%	-4.83%



**Strategies and Policies employed during the Year**

During the year under review, the Fund decreased its exposure in equity from 84% of total assets as on June 2022 to 83% as on June 2023. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in commercial banks, technology and cement was increased, while exposure in oil & gas exploration, and fertilizer was decreased.

**Asset Allocation**



## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2022 and June 30, 2023:

Sector Name	As on Jun 2023	As on Jun 2022
Cash	10.32%	9.10%
Others Including Receivables	6.69%	7.11%
Oil & Gas Exploration	19.90%	25.16%
Cement	14.51%	5.06%
Technology	10.36%	3.37%
Fertilizer	9.22%	13.82%
Commercial Banks	13.74%	9.34%
Refinery	-	7.37%
Oil & Gas Marketing	7.59%	5.74%
Others	7.7%	13.9%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The total and net loss of the Fund was Rs. 3.41 million and Rs. 9.53 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) of the Fund was Rs. 65.8671 per unit as on June 30, 2023 as compared to Rs. 69.9797 per unit as on June 30, 2022, thereby giving a negative return of 5.88% during the year, against the benchmark return (KMI 30 Index) of 2.88%. The size of Fund was Rs. 0.11 billion as on June 30, 2023 as compared to Rs. 0.15 billion at the start of the year.

## Market Review

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2023.

## Significant Changes in the State of Affairs

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

### Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	40	1,598
101 – 500	27	6,353
501 – 1,000	17	11,310
1,001 – 10,000	44	174,563
10,001 – 100,000	16	578,394
100,001 – 500,000	2	321,802
500,001 – 1,000,000	1	531,947
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	<b>147</b>	<b>1,625,967</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE - HBL ISLAMIC EQUITY FUND

	2023	2022	2021	2020	2019	2018
Net assets at the period end(Rs'000)	107,097.73	145,938.56	624,585	228,586	265,464	1,317,899
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	65.8671	69.9797	105.0735	77.5699	76.7854	92.4834
Offer	67.3557	71.5612	107.4482	79.3230	78.5208	94.5735
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	75.1178	108.2545	111.7666	100.1572	98.3553	109.3377
Lowest offer price per unit	62.952	70.9656	81.1602	61.1836	75.3913	85.5229
Highest redemption price per unit	73.4577	105.862	109.2965	97.9437	96.1816	106.9213
Lowest redemption price per unit	61.5607	69.3972	79.3665	59.8314	73.7251	83.6328
<b>RETURN ( % )</b>						
Total return	-5.88%	-33.40%	35.46%	1.15%	-16.97%	-12.32%
Income distribution	0.00%	0.00%	0.00%	0.10%	0.00%	0.00%
Capital growth	-5.88%	-33.40%	35.46%	1.05%	-16.97%	-12.32%
<b>DISTRIBUTION</b>						
Final dividend distribution- Cash	-	-	-	-	-	-
Date of Income Distribution	-	-	-	-	-	-
Final dividend distribution- Bonus	-	-	-	0.10	-	-
Date of Income Distribution	-	-	-	26-Jun-20	-	-
Total dividend distribution for the year/ period	-	-	-	0.10	-	-
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-5.88%	-33.40%	35.46%	1.15%	-16.97%	-12.32%
Average annual return 2 year	-20.83%	-5.02%	17.05%	-8.36%	-14.68%	4.45%
Average annual return 3 year	-5.31%	-3.00%	4.39%	-9.70%	-3.24%	6.58%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Net Assets as at 30 June:						
Bank Balances	10.32%	9.10%	6.45%	4.22%	8.72%	11.91%
GoP Ijarah Sukuks	-	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	-	-
Corporate Sukuks	-	-	-	-	-	-
Stock / Equities	82.99%	83.79%	88.99%	94.24%	87.76%	87.46%
Others	6.69%	7.11%	4.56%	1.54%	3.52%	0.63%

**Note:**

The Launch date of the Fund is May 29, 2014

**Disclaimer:**

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



# PROXY VOTING DISCLOSURE

As at June 30, 2023

## Summary of Actual Proxy voted by CIS

HBL Islamic Equity Fund	Meetings	Resolutions	For	Against
Number	0	0	0	-
(%ages)			100%	-

(h) AMC did not participate in shareholders' meetings

Scrip	AGM Meeting Dt	EOGM Meeting Dt
Attock Cement Pakistan Ltd	19-Oct-22	27-May-23
Attock Petroleum Ltd	20-Sep-22	
Attock Refinery Ltd	20-Sep-22	
Avanceon Limited		
BankIslami Pakistan Limited		10/10/2022 10 MAY 2023
Cherat Cement Company Ltd.	12-Oct-22	
D G Khan Cement Co.Ltd.		20-Jun-23
Descon Oxychem Ltd	20-Oct-22	28-Oct-23
Engro Corporation Ltd	30-Mar-23	
Engro Fertilizers Limited	28-Mar-23	
Engro Polymer & Chemicals Ltd		
Fauji Cement Company Limited		
Faysal Bank Limited		
Hub Power Company Ltd	29/09/2022 4-Oct-2022	20-Oct-23
Interloop Limited		
International Steels Limited	29-Sep-22	
Kohat Cement Ltd		21-Feb-23
Kohinoor Textile Mills Ltd		3-Mar-23
Lotte Chemical Pakistan Ltd		
Lucky Cement Ltd		20-Sep-22
Lucky Core Industries Limited	27-Sep-22	
Maple Leaf Cement Factory Ltd		30-Dec-22
Mari Petroleum Company Ltd		
Meezan Bank Ltd	29-Mar-23	
Millat Tractors Ltd		29-Aug-22
Mughal Iron & Steel Inds Ltd	31-Oct-22	
National Refinery Ltd	19-Oct-22	
Nishat Chunian Power Ltd	6-Sep-22	
Nishat Mills Ltd		31 MARCH 2023 28/11/2022
Oil & Gas Development Co Ltd		30-11-22
Pakistan Oilfields Ltd	20-Sep-22	12-Jun-23
Pakistan Petroleum Ltd		30-11-22
Pakistan State Oil Company Ltd		
Pioneer Cement Limited		
Sui Northern Gas Pipeline Ltd	29-Jul-22	
Systems Limited		
Tariq Glass Industries Ltd		
The Organic Meat Company Limited		20-Jun-23
The Searle Company Ltd		

Scrip	AGM Meeting Dt	EOGM Meeting Dt
TPL Properties Limited		
TPL Trakker Limited		
Unity Foods Limited		
The Searle Company Ltd		
TPL Properties Limited		
TPL Trakker Limited	24-Oct-22	
United Bank Limited		
Unity Foods Limited		

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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Email: info@cdcpak.com



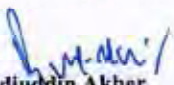
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ISLAMIC EQUITY FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Equity Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 25, 2023





ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٲٲ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Equity Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2023. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 25, 2023

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

UAN (021) 111-425-262  
Fax (021) 35168455  
www.hblasset.com

September 25, 2023



الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Equity Fund (HBL-IEF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

والله أعلم بالصواب، وصلى الله على نبيينا محمد وعلى آله وصحبه وبارك وسلم

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



Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HBL ISLAMIC EQUITY FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of HBL Islamic Equity Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

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

#### Key Audit Matters

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

Following is the Key audit matter:

S.NO.	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Existence and valuation of investments</p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2023, the investments held by the Fund comprise of listed equity securities which represent 82.96% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We evaluated the design and implementation of key controls of investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li> </ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. Further, the Fund is required to be compliant with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) with respect to investments.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange Limited as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>

**Information other than the financial statements and auditor's report thereon**

The Management Company ("HBL Asset Management Limited") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

**Responsibilities of the Management Company and its Board of Directors**

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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





The Management Company is responsible for overseeing the Fund's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

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



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

**Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: 25 SEP 2023

UDIN : AR202310166ufjkJFDdk

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## INDEPENDENT ASSURANCE REPORT TO THE UNITHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

### Scope of our Work

We have performed an independent assurance engagement of HBL Islamic Equity Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2023. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### Applicable Criteria

The criteria for the assurance engagement against which the underlying statement (the subject matter) is assessed comprises of compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). Therefore, the underlying subject matter may not be suitable for another purpose. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### Management Company's responsibility

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation and fair presentation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### Our Independence and Quality Control

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. The firms apply International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, And Other Assurance and Related Services Engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Responsibility of independent assurance providers

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor and is free from material misstatement.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

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BDO Ebrahim & Co. Chartered Accountants

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



The procedures performed included:

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2023 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

#### Conclusion

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2023.

KARACHI

DATED: SEPTEMBER 25, 2023

  
BDO EBRAHIM & CO  
CHARTERED ACCOUNTANTS

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BDO Ebrahim & Co. Chartered Accountants

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

	2023	2022
	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Bank balances	5	11,548
Investments	6	92,808
Dividend and profit receivable	7	667
Receivable against sale of investments - net		1,831
Other receivable		2,392
Advances, deposits and prepayments	8	2,600
<b>TOTAL ASSETS</b>		<u>111,846</u>
<b>LIABILITIES</b>		
Payable to the Management Company	9	486
Payable to the Trustee	10	18
Payable to Securities and Exchange Commission of Pakistan	11	24
Payable against redemption of units		-
Accrued expenses and other liabilities	12	4,220
<b>TOTAL LIABILITIES</b>		<u>4,748</u>
<b>NET ASSETS</b>		<u>107,098</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>107,098</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13	
		-----Number of units-----
<b>Number of units in issue</b>	14	<u>1,625,967</u>
		<u>2,085,441</u>
		----- (Rupees) -----
<b>Net assets value per unit</b>		<u>65.8671</u>
		<u>69.9797</u>

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

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

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

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

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

		2023	2022
	Note	----- (Rupees in '000) -----	-----
<b>Income</b>			
Capital (loss) on sale of investments - net		(10,883)	(103,727)
Dividend income		8,340	9,893
Profit on bank deposits		1,703	1,773
		<u>(840)</u>	<u>(92,061)</u>
Unrealised diminution appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.1.3	(2,568)	(31,293)
		<u>(3,408)</u>	<u>(123,354)</u>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	2,434	6,659
Sindh Sales Tax on remuneration of the Management Company	9.2	316	866
Remuneration of the Trustee	10.1	244	655
Sindh Sales Tax on remuneration of the trustee	10.2	31	98
Annual fee to Securities and Exchange Commission of Pakistan	11.1	24	67
Allocation of fee and expenses related to registrar services, accounting, operation and valuation services	9.3	670	1,514
Selling and marketing expenses	9.4	1,279	2,934
Auditors' remuneration	15	273	236
Fee and subscription		149	194
Securities transaction costs and settlement charges		2,739	2,784
Bank charges		46	66
Printing Charges		68	-
Shariah advisory services		242	205
Reversal of selling and marketing expenses		(2,392)	-
		<u>6,123</u>	<u>16,278</u>
<b>Net loss for the year from operations</b>		<u>(9,531)</u>	<u>(139,632)</u>
Reversal of provision for Sindh Workers' Welfare Fund			5,543
<b>Net loss for the year before taxation</b>		<u>(9,531)</u>	<u>(134,089)</u>
Taxation	16	-	-
<b>Net loss for the year after taxation</b>		<u>(9,531)</u>	<u>(134,089)</u>
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		-	-
Accounting income available for distribution:			
Relating to capital gains		-	-
Excluding capital gains		-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Earnings per unit	17		

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

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

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

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

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

	2023	2022
	----- (Rupees in '000) -----	
Net loss for the year after taxation	(9,531)	(134,089)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(9,531)</u>	<u>(134,089)</u>

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

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

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

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

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





	2023	2022
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year before taxation	(9,531)	(134,089)
Adjustments for:		
Capital loss on sale of investments - net	10,883	103,727
Dividend income	(8,340)	(9,893)
Profit on bank deposits	(1,703)	(1,773)
Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net	2,568	31,293
	(6,123)	(10,735)
<b>Decrease / (increase) in assets</b>		
Investments - net	42,530	343,525
Other receivable	(2,392)	-
Advances, deposits and prepayments	456	6,392
	40,594	349,917
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	160	(2,036)
Payable to the Trustee	(10)	(90)
Payable to Securities and Exchange Commission of Pakistan	(43)	(12)
Accrued expenses and other liabilities	211	(7,346)
	318	(9,484)
Cash generated from operations	34,789	329,698
Dividend received	8,600	13,740
Profit received on bank deposits	1,952	1,727
	10,552	15,467
Net cash flows from operating activities	45,341	345,165
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	122,424	464,729
Payment against redemption of units	(171,720)	(838,761)
Dividend paid	-	-
Net cash (used in) from financing activities	(49,296)	(374,032)
Net (decrease) in cash and cash equivalents during the year	(3,955)	(28,867)
Cash and cash equivalents at beginning of the year	15,503	44,370
Cash and cash equivalents at end of the year	5 11,548	15,503

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

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

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

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

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

## 1 LEGAL STATUS AND NATURE OF BUSINESS

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

The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on August 24, 2021, the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

Effective from September 1, 2016, HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund For Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

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

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

The objective of HBL Islamic Equity Fund is to provide the maximum total return to the unit holders from investment in 'Shariah Compliant' equity investments for the given level of risk.

VIS Credit Rating Agency has assigned a management quality rating of 'AM1' (Stable outlook) to the Management Company and a stability rating of AA+(f) to the Fund as at December 30, 2022 and December 29, 2022, respectively.

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

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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

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

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, unless otherwise stated.

**2.3 Functional and presentation currency**

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

**2.4 Use of judgments and estimates**

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

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

**Classification and valuation of investment**

For details please refer notes 4.2.1.1 and 6 to these financial statements.

**Impairment of investment**

For details please refer note 4.2.1.2 to these financial statements.

**3 APPLICATION OF NEW STANDARDS, AMENDSMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

**3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023**

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

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

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

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

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1 First Time Adoption of International Financial Reporting Standards

IFRS 17 Insurance Contracts

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied, unless otherwise stated.

##### 4.1 Cash and cash equivalents

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

##### 4.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### 4.2.1 Financial assets

##### 4.2.1.1 Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified and measured at: amortised cost or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model on which a financial asset is managed and its contractual cash flow characteristics.

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

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

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

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

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

**Financial assets at FVTPL** These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.

**Financial assets at amortised cost** These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income, foreign exchange gains and losses and impairment are recognised in income statement.

#### 4.2.1.2 Impairment of financial assets

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

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly deposits, dividend and profit receivable, receivable against sale of investment and bank balances.

#### 4.2.1.3 Regular way purchase and sale of financial asset

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

#### 4.2.1.4 Derecognition

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

#### 4.2.2 Financial liabilities

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

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

#### 4.2.3 Offsetting of financial assets and liabilities

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

#### 4.3 Provisions

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

#### 4.4 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.



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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

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

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

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

#### **4.7 Element of income**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

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

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

#### **4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income from equity securities is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on a time apportionment basis using effective interest rate.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

#### **4.10 Transactions with related parties / connected persons**

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

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

**2023**                      **2022**  
----- Rupees in '000 -----

**5 BANK BALANCES**

Cash at bank

In current accounts

In savings accounts

						1		10	
5.1						11,547		15,493	
						11,548		15,503	

5.1. These carry profit at the rate ranging from 14.5% to 19.75% (2022: 6.5% to 15.75% ) per annum. This includes an amount held in Habib Bank Limited (a related party) amounting to Rs. 2.09 million (2022: Rs. 2.75 million) which carry profit at rates ranging between 9.5% to 14.5% (2022: 6.5% to 9% ) per annum.

**6 INVESTMENTS**

Financial assets at fair value through profit or loss

Listed equity securities

						92,808		142,750	

**6.1 Financial assets at 'fair value through profit or loss' - Listed equity securities**

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

Name of investee companies (Sector wise)	Number of shares					Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution) on re-measurement of	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, 2022	Purchases during the year	Bonus issue during the year	Sales during the year	As at June 30, 2023						
-----Rupees in 000-----											
<b>TEXTILE COMPOSITE</b>											
Nishat Mills Limited	14,551	-	-	14,551	-	-	-	-	0.00%	0.00%	0.00%
Kohinoor Textile Mills Limited	17,623	-	-	17,623	-	-	-	-	0.00%	0.00%	0.00%
Interloop Limited	16,500	-	-	16,500	-	-	-	-	0.00%	0.00%	0.00%
	48,674	-	-	48,674	-	-	-	-	0.00%	0.00%	
<b>CEMENT</b>											
Attock Cement Pakistan Limited	129,700	-	-	129,700	-	-	-	-	0.00%	0.00%	0.00%
D G Khan Cement Co.Limited	-	633,600	-	633,600	-	-	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement Factory Limited(6.1.1)	-	2,001,300	-	1,619,300	382,000	10,371	10,822	451	11.66%	10.10%	0.04%
Pioneer Cement Limited	-	316,000	-	316,000	-	-	-	-	0.00%	0.00%	0.00%
Lucky cement	-	34,288	-	32,000	2,288	1,173	1,195	21	1.29%	1.12%	0.00%
Fauji Cement Company Limited	-	283,000	-	283,000	-	-	-	-	0.00%	0.00%	0.00%
Kohat Cement Limited	-	35,000	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
Cherat Cement Company Limited	-	220,504	-	185,504	35,000	4,192	4,210	17	4.54%	3.93%	0.02%
	129,700	3,523,692	-	3,234,104	419,288	15,736	16,227	489	17.48%	15%	0%
<b>POWER GENERATION &amp; DISTRIBUTION</b>											
Hub Power Company Limited (6.1.1)	74,300	434,700	-	410,000	99,000	6,879	6,888	9	7.42%	6.43%	0.01%
Nishat Chunian Power Limited	53,500	-	-	53,500	-	-	-	-	0.00%	0.00%	0.00%
	127,800	434,700	-	463,500	99,000	6,879	6,888	9	7.42%	6.43%	0.01%
<b>ENGINEERING</b>											
Mughal Iron & Steel Inds Limited	33,213	90,000	-	89,893	33,320	1,801	1,614	(187)	1.74%	1.51%	0.01%
International Steels Limited	-	156,500	-	156,500	-	-	-	-	0.00%	0.00%	0.00%
	33,213	246,500	-	246,393	33,320	1,801	1,614	(187)	1.74%	1.51%	0
<b>PHARMACEUTICALS</b>											
The Searle Company Limited	16,088	-	397	14,500	1,588	173	76	(97)	0.08%	0.07%	0.00%
	16,088	-	397	14,500	1,588	173	76	(97)	0.08%	0%	
<b>FOOD &amp; ALLIED INDUSTRIES</b>											
The Organic Meat Company Limited	121,292	15,000	-	136,292	-	-	-	-	0.00%	0.00%	0.00%
	121,292	15,000	-	136,292	-	-	-	-	-	-	-
<b>MISCELLANEOUS</b>											
TPL Properties Limited	78,000	783,000	-	861,000	-	-	-	-	0.00%	0.00%	0.00%
	78,000	783,000	-	861,000	-	-	-	-	-	-	-
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>											
Pakistan Oilfields Limited	19,899	14,950	-	34,849	-	-	-	-	0.00%	0.00%	0.00%
Mari Petroleum Company Limited	3,916	6,045	-	9,816	145	243	220	(23)	0.24%	0.21%	0.00%
Oil & Gas Development Co Limited(6.1.1)	177,244	652,600	-	688,344	141,500	11,636	11,037	(599)	11.89%	10.31%	0.00%
Pakistan Petroleum Limited(6.1.1)	207,640	822,718	-	844,358	186,000	12,705	11,000	(1,705)	11.85%	10.27%	0.01%
	408,699	1,496,313	-	1,577,367	327,645	24,584	22,257	(2,327)	0	0	0

	Number of shares					Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution) on re-measurement of investments	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, 2022	Purchases during the year	Bonus issue during the year	Sales during the year	As at June 30, 2023						
-----Rupees in 000-----											
<b>OIL &amp; GAS MARKETING COMPANIES</b>											
Pakistan State Oil Company Limited(6.1.1)	38,078	112,100	-	111,329	38,849	4,356	4,313	(43)	4.65%	4.03%	0.01%
Attock Petroleum Limited	10,100	-	2,525	12,625	-	-	-	-	0.00%	0.00%	0.00%
Sui Northern Gas Pipeline Limited	-	1,137,655	-	1,031,655	106,000	4,497	4,173	(323)	4.50%	3.90%	0.02%
	48,178	1,249,755	2,525	1,155,609	142,324	8,853	8,486	(366)	0	0	0
<b>REFINERY</b>											
Attock Refinery Limited	38,100	154,061	-	192,161	-	-	-	-	0.00%	0.00%	0.00%
National Refinery Limited	23,170	29,280	-	52,450	-	-	-	-	0.00%	0.00%	0.00%
	61,270	183,341	-	244,611	-	-	-	-	-	-	-
<b>COMMERCIAL BANKS</b>											
Meezan Bank Limited	126,957	430,542	7,345	564,844	(7,345)	-	-	-	0.00%	0.00%	0.00%
BankIslami Pakistan Limited	130,500	1,010,000	-	275,500	865,000	14,489	15,362	874	16.55%	14.34%	0.08%
Faysal Bank Limited	-	450,000	-	450,000	-	-	-	-	0.00%	0.00%	0.00%
	257,457	1,890,542	7,345	1,290,344	857,655	14,489	15,362	874	0	0	0
<b>FERTILIZER</b>											
Engro Corporation Limited	52,266	181,584	-	233,850	-	-	-	-	0.00%	0.00%	0.00%
Engro Fertilizers Limited (6.1.1)	114,027	326,082	-	315,109	125,000	10,630	10,316	(313)	11.12%	9.63%	0.01%
	166,293	507,666	-	548,959	125,000	10,630	10,316	(313)	0	0	0
<b>CHEMICAL</b>											
Engro Polymer & Chemicals Limited	39,000	72,000	-	111,000	-	-	-	-	0.00%	0.00%	0.00%
Lotte Chemical Pakistan Limited	-	41,000	-	41,000	-	-	-	-	0.00%	0.00%	0.00%
Lucky Core Industries Limited	-	2,400	-	2,400	-	-	-	-	0.00%	0.00%	0.00%
Descon Oxychem Limited	-	147,000	-	147,000	-	-	-	-	0.00%	0.00%	0.00%
	39,000	262,400	-	301,400	-	-	-	-	-	-	-
<b>TECHNOLOGY &amp; COMMUNICATION</b>											
Avanceon Limited	26,873	406,127	-	433,000	-	-	-	-	0.00%	0.00%	0.00%
Systems Limited	6,898	73,848	-	73,848	6,898	3,264	2,782	(481)	3.00%	2.60%	0.00%
TPL Trakker Limited	157,500	1,230,500	-	392,500	995,500	8,969	8,800	(169)	9.48%	8.22%	0.53%
	191,271	1,710,475	-	899,348	1,002,398	12,233	11,582	(650)	0	0	0
<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>											
Unity Foods Limited	194,962	306,038	-	501,000	-	-	-	-	0.00%	0.00%	0.00%
	194,962	306,038	-	501,000	-	-	-	-	-	-	-
<b>AUTOMOBILE ASSEMBLER</b>											
Millat Tractors Limited	-	2,200	-	2,200	-	-	-	-	0.00%	0.00%	0.00%
	-	2,200	-	2,200	-	-	-	-	-	-	-
-----Rupees in 000-----											
<b>GLASS &amp; CERAMICS</b>											
Tariq Glass Industries Limited	-	59,000	-	59,000	-	-	-	-	0.00%	0.00%	0.00%
	-	59,000	-	59,000	-	-	-	-	-	-	-
As at June 30, 2023	1,921,897	12,670,622	10,267	11,584,301	3,008,218	95,378	92,808	(2,568)	100%	87%	
As at June 30, 2022	8,565,426	7,940,679	131,957	14,716,165	1,921,897	174,043	142,750	(31,293)	100%	98%	

6.1.1 As at June 30 2023, the Fund has pledged shares with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the SECP of following companies :

- Maple Leaf Cement Factory Limited (94,000 shares having market value of Rs. 2.663 million).
- The Hub Power Company Limited (6.000 shares having market value of Rs. 0.417 million).
- Oil & Gas Development Company Limited (35,000 shares having market value of Rs. 2.730 million).
- Pakistan Petroleum Limited (40,000 shares having market value of Rs. 2.366 million).
- Pakistan State Oil Company Limited (6,600 shares having market value of Rs. 0.733 million).
- Engro Fertilizers Limited (28,000 shares having market value of Rs. 2.311 million).

6.1.2 These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5% is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan (MUFAP) has filed a petition in Honourable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honourable Sindh High Court has granted stay order till the final outcome of the case. However, the investee companies have withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 3.161 million at June 30, 2023 (2022: Rs.2.829 million) and not yet deposited on CDC account of department of Income tax. The final outcome of the case is pending, however Management Company is of the view that the decision will be in the favour and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

These bonus shares include the following shares

The Searle Company Ltd (1,985 bonus shares having market value of Rs 0.0761 million)

Mari Petroleum Company Ltd (145 bonus shares having market value of Rs 0.2196 million)

Pakistan State Oil Company Ltd (749 bonus shares having market value of Rs 0.0831 million)

Systems Limited (6,898 bonus shares having market value of Rs 2.7822 million)

During the year ended June 30, 2018, the Honourable Supreme Court of Pakistan passed a judgment on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued/entertained on the condition that a minimum of 50% of the tax calculated by the tax authorities is deposited with the authorities. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically during the previous year.

Subsequent to the year ended June 30, 2019, the CISs had have filed a fresh constitutional petition via CP4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honourable High Court of Sindh has issued notices to the relevant parties and has ordered that no 3rd party interest on bonus shares issued to the Funds in lieu of their investments be created in mean time. The matter is still pending at Jurisdiction and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitution petition will be in favour of the CISs.

Finance Act, 2018 effective from July 01, 2018 has omitted Section 236M of the Income Tax Ordinance (the ordinance), 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold 5% of the bonus shares to be issued. Accordingly, post July 01, 2018 shares are not being withheld at the time of bonus issue.

		2023	2022
		----- Rupees in '000 -----	
<b>6.1.3</b>	<b>Net unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss'</b>		
	Market value of investments	92,808	142,750
	Less: Carrying value of investments	<u>(95,378)</u>	<u>(174,043)</u>
		<u>(2,570)</u>	<u>(31,293)</u>
<b>7</b>	<b>DIVIDEND AND PROFIT RECEIVABLE</b>		
	Dividend receivable	582	842
	Profit receivable on savings accounts	7.1 <u>85</u>	<u>333</u>
		<u>667</u>	<u>1,175</u>

7.1 This includes an amount receivable from Habib Bank Limited (a related party) amounting to Rs. Nil (2022:0.0218 million) on which profit is earned at 14.5% (2022: 9.5%) per annum.

## 8 ADVANCES, DEPOSITS AND PREPAYMENTS

Security deposit with:		2,500	2,500
National Clearing Company of Pakistan Limited	7.1	<u>100</u>	<u>100</u>
Central Depository Company of Pakistan Limited		2,600	2,600
Advance tax	8.1	-	279
Advance against IPO	8.2	-	56
Prepaid listing fee		-	121
		<u>2,600</u>	<u>3,056</u>

8.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001.

The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol. II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 150 of ITO 2001.

8.2 This represents the advance paid in prior year for participation in the book building process of Pakistan Aluminium Beverage Cans Limited. The advance has been settled during the year against the purchase of shares of the company in the initial public offering.

	Note	2023 ----- Rupees in '000 -----	2022 -----
<b>9 PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration payable to the Management Company	9.1	160	250
Sindh Sales Tax payable on Management Company's remuneration	9.2	21	32
Allocation of fee and expenses related to registrar, accounting, operation and valuation services	9.3	44	1
Selling and marketing expenses payable	9.4	261	28
Sales load payable		-	15
		<u>486</u>	<u>326</u>

9.1 As per the amendment in Regulation 61 of the NBFC Regulation, the Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document. The maximum limit disclosed in the offering document is 3% per annum of average annual net assets. During the year, the fee is being charged at the rate of 2% of the average annual net assets. The fee is payable monthly in arrears.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.

9.3 As per Regulation 60(3)(s) of the amended NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS. During the year, the fee is being charged at the rate of 0.55% of the average annual net assets.

9.4 According to the amendment in NBFC regulations 2008, selling and marketing expenses is allowed on all categories of open end mutual funds, except fund of funds with no cap. During the year, the fee is being charged at an average rate of 0.0% of the average annual net assets.

	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
<b>10</b>	<b>PAYABLE TO THE TRUSTEE</b>		
Trustee fee payable	10.1	16	25
Sindh Sales Tax payable on Trustee Fee	10.2	<u>2</u>	<u>3</u>
		<u>18</u>	<u>18</u>

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

Earlier the tariff structure applicable to the Fund were as follows:

Average Net asset Value	Tariff per annum
Up to Rs. 1 billion	Rs 0.7 million or 0.20% per annum of net assets whichever is higher
Over Rs. 1 billion	Rs 2.0 million plus 0.10% per annum of net assets, on amount exceeding Rs 1 billion

The CDC vide notification CDC/CEO/L-112/02/2019, dated June 27, 2019, has revised the rates of the Trustee fee, with effect from July 1, 2019, according to which, Trustee fee shall be charged by permanently eliminating the minimum fee component as mentioned in the offering documents.

10.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

**11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Annual fee payable	11.1	<u>24</u>	<u>67</u>
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11.1 Under the regulation 62 of the NBFC Regulations, an Asset Management Company managing a CIS, shall pay SECP an annual fee of 0.02% of the average annual net assets. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
<b>12</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Provision for Federal Excise Duty (FED)	12.1	3,268	3,268
Donation payable		607	437
Withholding tax payable		45	15
Auditors' remuneration		110	74
Printing charges		-	21
Brokerage payable		156	164
Others		34	30
		<u>4,220</u>	<u>4,009</u>

12.1 The legal status of applicability of Federal Excise Duty is the same ever since in June 30, 2020. However, since the appeal filed by the tax authorities is pending in the Honourable Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained a provision for FED on remuneration of Management Company, aggregating to Rs. 3.268 million (2022: Rs. 3.268 million). Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2023 would have been higher by Re. 2.01 per unit (2022: Re. 1.567 per unit).

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2023 (2022: Nil) other than those already disclosed in the financial statements.

**14 NUMBER OF UNITS IN ISSUE**

	2023 ----- Number of units '-----	2022 -----
Total units in issue at the beginning of the year	2,085,441	5,944,266
Add: Units issued during the year	1,765,967	5,285,759
Less: Units redeemed during the year	(2,225,441)	(9,144,584)
Total units in issue at the end of the year	<u>1,625,967</u>	<u>2,085,441</u>

-----Rupees in '000-----

**15 AUDITORS' REMUNERATION**

Annual audit fee	156	135
Fee for half yearly review	69	60
Shariah compliance audit fee	-	5
Other certifications and out of pocket expenses	47	36
	<u>273</u>	<u>236</u>

**16 TAXATION**

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

**17 EARNINGS PER UNIT**

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

**18 FINANCIAL INSTRUMENTS BY CATEGORY**

Particulars	As at June 30, 2023		
	Fair value	Amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial assets</b>			
Bank balances	-	11,548	11,548
Investments	92,808	-	92,808
Dividend and profit receivable	-	667	667
Receivable against sale of investments - net	-	4,222	4,222
Deposits	-	2,600	2,600
	<u>92,808</u>	<u>19,037</u>	<u>111,845</u>



Particulars	As at June 30, 2023		
	Fair value	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	465	465
Payable to the Trustee	-	16	16
Payable against redemption of units	-	-	-
Accrued expenses and other liabilities	-	894	894
	<u>-</u>	<u>1,375</u>	<u>1,375</u>

Particulars	As at June 30, 2022		
	Fair value	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
Bank balances	-	15,503	15,503
Investments	142,750	-	142,750
Dividend and profit receivable	-	1,175	1,175
Receivable against sale of investments - net	-	7,870	7,870
Deposits	-	2,600	2,600
	<u>142,750</u>	<u>27,149</u>	<u>169,898</u>

Particulars	As at June 30, 2022		
	Fair value	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	294	294
Payable to the Trustee	-	25	25
Payable against redemption of units	-	19,986	19,986
Accrued expenses and other liabilities	-	713	713
	<u>-</u>	<u>21,017</u>	<u>21,017</u>

## 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

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

Details of the transactions with connected persons and balances with them are as follows:

	2023	2022
	----- Rupees in '000 -----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	2,434	6,659
Sindh Sales Tax on remuneration of the Management Company	316	866
Allocation of expenses related to registrar services, accounting, operation and valuation services	670	1,514
Selling and marketing expenses	1,279	2,934
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	244	655
Sindh Sales Tax on remuneration of the Trustee	31	98
CDS charges	66	90
	2023	2022
	----- Rupees in '000 -----	
<b>Habib Bank Limited - Sponsor</b>		
Profit on Bank Deposits	84	260
Bank charges	32	54
<b>Director and Executives of the Management Company</b>		
Issue of 64,728 (2022:144,220 ) units	4,503	12,620
Redemption of 152,369 (2022:49,494) units	10,330	4,150
<b>DCCL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Active Allocation Plan - Fund under common management</b>		
Issue of 154,558 (2022: 30,775 ) units	10,000	2,718
Redemption of NIL (2022: 438,915 ) units	-	34,639
Dividend paid		-
<b>DCCL Trustee HBL Islamic Financial Planning Fund</b>		
<b>Conservative Allocation Fund - Fund under common management</b>		
Issue of 292 (2022: 39,672 ) units	19	3,493
Redemption of NIL (2022: 135,096 ) units	-	11,763
Dividend paid		-
<b>CDC Trsuttee HBL Income Fund - Fund under common</b>		
Sale of Equity Shares - ACPL	-	13,676
<b>CDC Trsuttee HBL Stock Fund - Fund under common</b>		
Purchase of Equity Shares - GATM	-	988

**19.2 Balance outstanding as at the year end**

**HBL Asset Management Limited - Management Company**

Remuneration payable to the Management Company	160	250
Sindh Sales Tax payable on Management Company's remuneration	21	32
Allocation of expenses related to registrar services, accounting, operation and valuation services	44	1
Sales load payable	-	15
Selling and marketing expenses	261	28

**2023**                      **2022**  
----- Rupees in '000 -----

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

Trustee fee payable	16	25
Sindh Sales Tax on remuneration of the Trustee	2	
Security deposit held	100	100

**Habib Bank Limited - Sponsor**

Bank balances	2,029	2,761
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**Director and Executives of the Management Company**

Units held: 7,727 (2022:95,369)	847	6,674
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**DCCL Trustee HBL Islamic Financial Planning Fund**

**Active Allocation Plan - Fund under common management**

Units held: 154,588 (2022: NIL)	10,000	-
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**DCCL Trustee HBL Islamic Financial Planning Fund**

**Conservative Allocation Plan - Fund under common management**

Units held: 292 (2022: NIL: )	20	-
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**Muhammad Farhan Fancy - Connected Person due to holding more than 10% units:**

Units held: (2022: 281,371 )	-	19,690
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**Munira Amir Vasi - Connected Person due to holding more than 10% units:**

Units held: 531,947 (2022: 531,947 )	35,038	37,225
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**Muhammad Arshad- Connected Person due to holding more than 10% units:**

Units held: 316,745 (2022: NIL)	23,020	-
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## 20 FINANCIAL RISK MANAGEMENT

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

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

The Fund primarily invests in a portfolio of Islamic equity securities. These activities are exposed to a variety of financial risks: market risks, credit risks and liquidity risks.

### 20.1 Market risk

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

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

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

#### 20.1.1 Currency risk

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

#### 20.1.2 Interest rate risk

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

##### a) Cash flow interest rate risk

The Fund is exposed to cash flow interest rate risk for balances in certain savings account, the interest rates on which range between 14.5% to 19.75% per annum.

In case of 100 basis points increase / (decrease) in interest rates on June 30, 2023 with all other variable held constant, the net income for the year and the net assets would have been higher / lower by Re. 0.01703 million (2022: Re. 0.0177 million)

##### b) Fair value interest rate risk

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk. Yield / Interest rate sensitivity position for financial instrument is as follows:

Particulars	As at June 30, 2023					
	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	14.5 - 19.75	11,547	-	-	1	11,548
Investments						
Listed equity securities		-	-	-	92,808	92,808
Dividend and profit receivable		-	-	-	667	667
Receivable against sale of investment - net		-	-	-	1,831	1,831
Deposits		-	-	-	2,600	2,600
<b>Sub total</b>		<b>11,547</b>	<b>-</b>	<b>-</b>	<b>97,907</b>	<b>109,454</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	465	465
Payable to the Trustee		-	-	-	16	16
Payable against redemption of units		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	894	894
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,375</b>	<b>1,375</b>
<b>On-balance sheet gap(a)</b>		<b>11,547</b>	<b>-</b>	<b>-</b>	<b>96,932</b>	<b>108,079</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap(b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap(a) + (b)</b>		<b>11,547</b>	<b>-</b>	<b>-</b>	<b>96,932</b>	<b>108,079</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>11,547</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Particulars	As at June 30, 2022					
	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
		Rupees in '000				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	6.50 - 15.75	15,493	-	-	10	15,503
Investments						
Listed equity securities		-	-	-	142,750	142,750
Dividend and profit receivable		-	-	-	1,175	1,175
Receivable against sale of investments - net		-	-	-	7,870	7,870
Deposits		-	-	-	2,600	2,600
<b>Sub total</b>		<b>15,493</b>	<b>-</b>	<b>-</b>	<b>154,405</b>	<b>169,898</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	294	294
Payable to the Trustee		-	-	-	25	25
Payable against redemption of units		-	-	-	19,986	19,986
Accrued expenses and other liabilities		-	-	-	713	713
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>21,018</b>	<b>21,018</b>
<b>On-balance sheet gap (a)</b>		<b>15,493</b>	<b>-</b>	<b>-</b>	<b>133,387</b>	<b>148,880</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>15,493</b>	<b>-</b>	<b>-</b>	<b>133,387</b>	<b>148,880</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>15,493</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**20.1.3 Other price risk**

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

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified as financial assets at 'fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document and NBFC Regulations also limit investment in individual equity securities to no more than 15% of net assets of the fund, or issued capital of the investee company respectively.

In case of 5% increase / decrease in price of all shares held by Fund at the year end, net income for the year would increase / decrease by Rs 4.640 million (2022: Rs 7.137 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

**20.2 Credit risk**

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable bank balances and credit exposure arising as a result of dividend receivable on equity securities.

**Management of credit risk**

For banks, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

**20.2.1 The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2023 and June 30, 2022:**

Bank	Balances held by the Fund as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
------	---	---	---------------

(Rupees in '000')

**Balances with banks by rating category**

MCB Bank Limited	1	A-1+	PACRA
Habib Bank Limited	2,020	A-1+	VIS
Bank Islami Pakistan Limited	9,236	A-1	PACRA
AlBaraka Bank Limited	282	A-1	VIS
	<u>11,539</u>		

Bank	Balances held by the Fund as at June 30, 2022	Latest available published rating as at June 30, 2022	Rating agency
------	---	---	---------------

(Rupees in '000')

**Balances with banks by rating category**

MCB Bank Limited	1	A-1+	PACRA
Habib Bank Limited	2,752	A-1+	VIS
Bank Islami Pakistan Limited	2,243	A-1	PACRA
AlBaraka Bank Limited	10,498	A-1	VIS
	<u>15,494</u>		

20.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure:

Rating by rating category	2023	2022
	----- (Percentage) -----	
A-1+	17.51	17.77
A-1	82.49	82.23

#### Concentration of credit risk

Concentration of credit risk exists when change in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the Government.

#### 20.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of the unitholders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to 15% of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings were made by the Fund (2022: None).

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. However, no such instance were witnessed by the Fund during the current year.

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

Particulars	----- As at June 30, 2023 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
	----- Rupees in '000 -----			
<b>Financial liabilities</b>				
Payable to the Management Company	465	-	-	465
Payable to the Trustee	16	-	-	16
Payable against redemption of units	-	-	-	-
Accrued expenses and other liabilities	894	-	-	894
	<u>1,375</u>	<u>-</u>	<u>-</u>	<u>1,375</u>



Particulars	As at June 30, 2022			
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	294	-	-	294
Payable to the Trustee	25	-	-	25
Payable against redemption of units	19,986	-	-	19,986
Accrued expenses and other liabilities	713	-	-	713
	<u>21,017</u>	<u>-</u>	<u>-</u>	<u>21,018</u>

## 21 UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

## 22 FAIR VALUE 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 amount and the fair value estimates.

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

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

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

- As per the requirements of IFRS 13 ( Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

Particulars	Note	June 30, 2023						
		Carrying amount			Fair value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		Rupees in '000'						
<b>Financial assets measured at fair value</b>								
Listed equity securities	22.1	92,808	-	92,808	92,808	-	-	92,808
<b>Financial assets not measured at fair value</b>								
Bank balances	22.2	-	11,548	11,548				
Dividend and profit receivable		-	667	667				
Receivable against sale of investments - net		-	4,222	4,222				
Deposits - net		-	2,600	2,600				
		-	19,037	19,037				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	22.2	-	465	465				
Payable to the Trustee		-	16	16				
Payable against redemption of units		-	-	-				
Dividend payable		-	-	-				
Accrued expenses and other liabilities		-	894	894				
		-	1,375	1,375				

Particulars	Note	June 30, 2022						
		Carrying amount			Fair value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
		Rupees in '000'						
<b>Financial assets measured at fair value</b>								
Listed equity securities	22.1	142,750	-	142,750	142,750	-	-	142,750
<b>Financial assets not measured at fair value</b>								
Bank balances	22.2	-	15,503	15,503				
Dividend and profit receivable		-	1,175	1,175				
Receivable against sale of investments - net		-	7,870	7,870				
Deposits		-	2,600	2,600				
		-	27,149	27,149				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	22.2	-	294	294				
Payable to the Trustee		-	25	25				
Payable against redemption of units		-	19,986	19,986				
Dividend payable		-	-	-				
Accrued expenses and other liabilities		-	713	713				
		-	21,017	21,017				

## 22.1 Valuation techniques

For level 1 investments at fair value through profit or loss - Investment in respect of equity securities, the Fund uses daily quotation rates which are taken from Pakistan Stock Exchange Limited at the reporting date.

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

## 22.3 Transfers during the year

No transfer were made between various levels of fair value hierarchy during the year.

**23 LIST OF TOP TEN BROKERS / DEALERS**

Top ten brokers during the year ended June 30, 2023

- 1 Ismail Iqbal Securities (Pvt) Limited
- 2 DJM Securities Limited
- 3 Habib Metropolitan Financial Services Ltd
- 4 EFG Hermes Pakistan Limited
- 5 AL Falah CLSA Securities (Pvt) Ltd.
- 6 Sherman Securities (Pvt) Ltd
- 7 Taurus Securities Ltd.
- 8 Shajar Capital Pakistan (Pvt) Ltd
- 9 WE Financial Services Ltd
- 10 Spectrum Securities (Pvt) Ltd

Top ten brokers during the year ended June 30, 2022

- 1 Ismail Iqbal Securities (Private) Limited
- 2 DJM Securities Limited
- 3 Habib Metropolitan Financial Services Limited
- 4 EFG Hermes Pakistan Limited
- 5 AL Falah CLSA Securities (Private) Limited
- 6 Sherman Securities (Private) Limited
- 7 Taurus Securities Limited
- 8 Shajar Capital Pakistan (Private) Limited
- 9 WE Financial Services (Private) Limited
- 10 Spectrum Securities (Private) Limited

**24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follow:

Name	Designation	Qualification	Experience
Mir Adil Rashid	Chief Executive Officer	BSc	24.2
Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27.9
Wamiq Sakrani	Head of Fixed Income	MBA	13.9
Imad Ansari	Head of Risk	MBA	16.2
Umair Naseer	Head of Research	MBA	10.4
Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
Raza Abbas	Senior Fund Manager	M.Com	20
Abdul Samad Khanani	Senior Fund Manager	BBA	7.8

**25 PATTERN OF UNITHOLDING**

Pattern of unit holding at June 30, 2023 is as follows:

Category	-----As at June 30, 2023-----			
	No. of unit holders	Number of units held	Investment amount	Percentage of total
	Rupees in '000			
Individuals	242	1,403,091	92,418	86.29%
Trust	2	154,851	10,200	9.52%
Insurance companies	1	40,167	2,646	2.47%
Foreign Investors	1	27,859	1,835	1.71%
	<b>246</b>	<b>1,625,968</b>	<b>107,098</b>	<b>100%</b>

Pattern of unit holding at June 30, 2022 is as follows:

Category	-----As at June 30, 2022-----			
	No. of unit holders	Number of units held	Investment amount	Percentage of total
	Rupees in '000			
Individuals	248	3,035,496	212,423	51.07%
Trust	2	503,563	35,239	8.47%
Insurance companies	2	2,395,495	167,636	40.30%
Other corporate	1	9,711	680	0.16%
	<u>253</u>	<u>5,944,266</u>	<u>415,978</u>	<u>100%</u>

## 26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Six meetings of the Board of Directors were held on August 29,2022 , October 19, 2022, January 16,2023 ,January 23,2023 ,February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29,2022, January 16,2023,January 23,2023, February 13,2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19,2022.

27 **TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2023 is 5.03% (2022: 4.89% ) which includes 0.53% (2022: 0.40%) representing government levy and SECP fee.

28 **DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

29 **CORRESPONDING FIGURES**

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

30 **GENERAL**

30.1 Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



**HBL** Islamic Financial Planning Fund

<b>NAME OF FUND</b>	<b>HBL ISLAMIC FINANCIAL PLANNING FUND</b>
<b>NAME OF TRUSTEE</b>	<b>Digital Custodian Company Limited</b>
<b>NAME OF AUDITORS</b>	<b>KPMG Taseer Hadi &amp; Co., Chartered Accountants</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Dubai Islamic Bank Limited Bank Islami Pakistan Limited</b>



**FUND MANAGER'S REPORT – HBL ISLAMIC FINANCIAL PLANNING FUND**

**Category of Fund**

Open end Shariah Compliant Fund of Funds Scheme

**Investment Objective**

The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the Investor.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark for Conservative Allocation Plan and Active Allocation Plan are as follows:

**Conservative Allocation Plan**

- a. 20% KMI 30 index
- b. Six(6) months average deposit rates of three(3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- c. Three(3) months average deposit rates of three(3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

B and c will be based on actual proportion of investment in Islamic Income and Islamic Money Market Funds / Cash and near cash instruments.

**Active Allocation Plan**

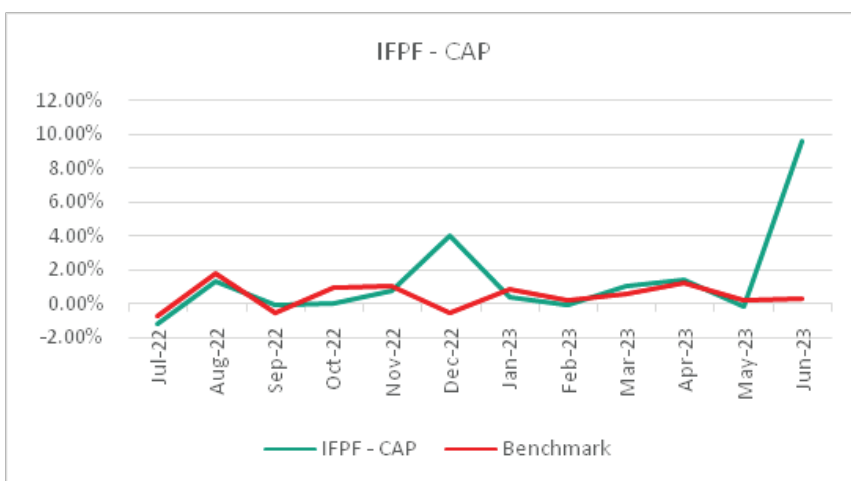
- a. KMI 30 index
- b. Six(6) months average deposit rates of three(3) AA- rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP
- c. Three(3) months average deposit rates of three(3) AA rated scheduled Islamic banks or Islamic windows of conventional banks as selected by MUFAP

Based on actual proportion in Equity Fund and Income / Money Market Funds and/or in cash And/or near cash instruments in each allocation plan.

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

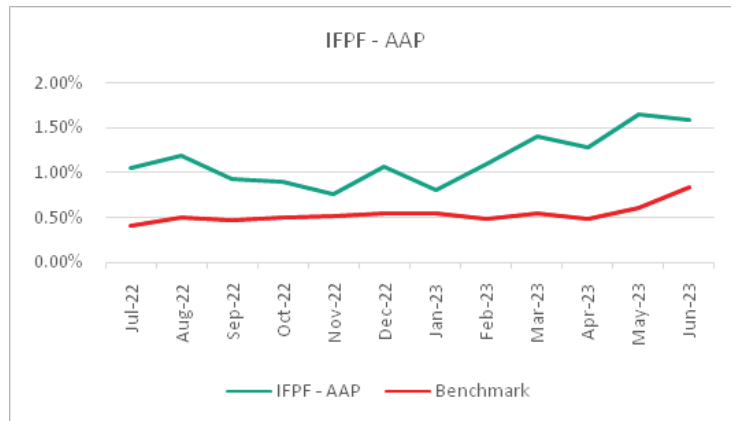
**Conservative Allocation Plan**

Month	Return of Fund	Benchmark
Jun-23	9.62%	0.32%
May-23	-0.25%	0.20%
Apr-23	1.36%	1.27%
Mar-23	1.03%	0.63%
Feb-23	-0.13%	0.24%
Jan-23	0.38%	0.85%
Dec-22	4.01%	-0.53%
Nov-22	0.73%	1.12%
Oct-22	-0.04%	0.94%
Sep-22	-0.12%	-0.50%
Aug-22	1.25%	1.82%
Jul-22	-1.23%	-0.69%



## Active Allocation Plan

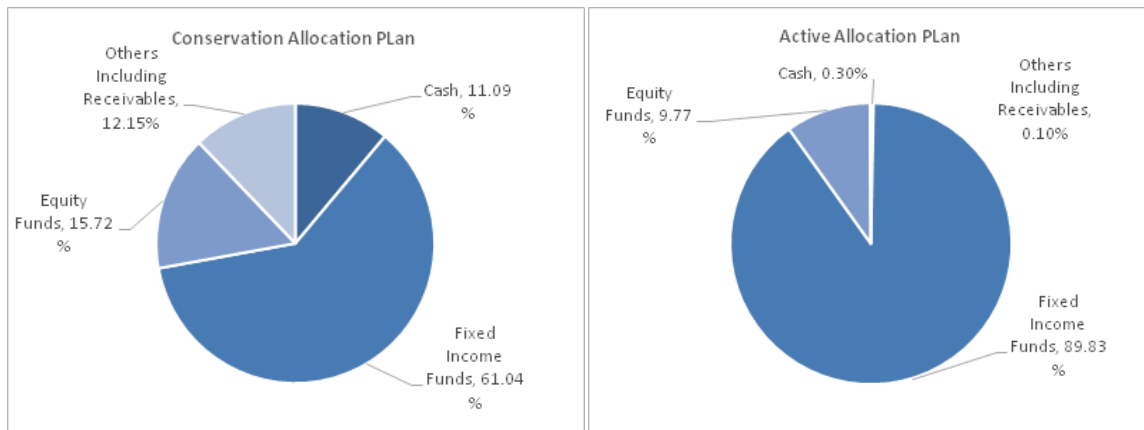
Month	Return of Fund	Benchmark
Jun-23	1.59%	0.84%
May-23	1.65%	0.61%
Apr-23	1.28%	0.49%
Mar-23	1.40%	0.54%
Feb-23	1.10%	0.49%
Jan-23	0.81%	0.56%
Dec-22	1.07%	0.55%
Nov-22	0.77%	0.52%
Oct-22	0.91%	0.50%
Sep-22	0.94%	0.48%
Aug-22	1.19%	0.50%
Jul-22	1.05%	0.42%



## Strategies and Policies employed during the Year

As at June 30, 2023, Active Allocation Plan asset allocation remained 10% and 90% invested in equities and in fixed Income funds. Conservative allocation plan remained invested in fixed income fund, equities and cash to the tune of 61%, 16% and 11% respectively.

## Asset Allocation as at June 30, 2023



## Fund Performance

HBL Islamic Financial Planning Fund comprises of two sub funds (plans) namely Active allocation plan and Conservative allocation plan.

The Fund as a whole earned a total and net income of Rs. 13.32 million and Rs. 12.14 million respectively during the year under review. The fund size of the fund stood at Rs. 0.10 billion. Performance review for plan is given below:

### Active Allocation Plan

During the year under review, the Active allocation plan earned a total and net income of Rs. 13.20 million and Rs. 12.03 million respectively. The net assets of the Active allocation plan stood at Rs. 102 million representing Net Asset Value (NAV) of Rs. 87.5441 per unit as at June 30, 2023 as compared to Rs. 87.1696 as at June 30, 2022 (after incorporating dividend of Rs. 12.35 per unit). The plan earned a return of 14.65% for the year under review against the benchmark return of negative 6.68%. The plan is invested to the extent of 90% in fixed income funds.

## Conservative Allocation Plan

During the year under review, the Conservative allocation plan earned a total income and net income of Rs. 0.12 million and Rs. 0.11 million respectively. The net assets of the Conservative allocation plan stood at Rs. 0.75 million representing Net Asset Value (NAV) of Rs. 93.8604 per unit as at June 30, 2023 as compared to Rs. 90.9171 as at June 30, 2022 (after incorporating dividend of Rs. 12.50 per unit). The plan earned a return of 17.43% for the year under review against the benchmark return of 5.79%. The plan is invested to the extent of 61% in fixed income funds.

## Money Market Review

Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

## Stock Market Review

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## Distribution

The Board of Directors approved dividend of up to Rs. 12.35 and Rs. 12.50 per unit distribution respectively from Islamic Active Allocation and Islamic Conservation Allocation to the unit holders for the year ended June 30, 2023.

## Significant Changes in the State of Affairs

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

## Breakdown of Unit Holding by Size

From – To (Number of units)	Active Allocation Plan		Conservative Allocation Plan	
	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held
1 – 100	8	250	7	236
101 – 500	2	230	1	150
501 – 1,000	2	1,436	-	-
1,001 – 10,000	9	39,332	2	7,596
10,001 – 100,000	4	139,315	-	-
100,001 – 500,000	1	194,703	-	-
500,001 – 1,000,000	1	793,941	-	-
1,000,001 – 5,000,000	-	-	-	-
5,000,001 and above	-	-	-	-
<b>Total</b>	<b>27</b>	<b>1,169,207</b>	<b>10</b>	<b>7,982</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

	2023		2022		2021		2020			2019				2018		
	Active Allocation Plan	Conservative Allocation Plan	Active Allocation Plan	Conservative Allocation Plan	Active Allocation Plan	Conservative Allocation Plan	Active Allocation Plan	Conservative Allocation Plan	Islamic Capital Preservation Plan	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Islamic Capital Preservation Plan	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan
Net assets at the period end (Rs'000)	102,357	749	123,336	724	53,519	50,915	93,567	6,692	349,769					246,911	36,546	4,282,358
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>																
Redemption Offer	87.5441 89.5226	93.8604 95.9816	87.1696 89.1396	90.9171 92.9718	115.8209 118.4385	114.9507 117.5486	95.302 97.4558	109.3637 111.8353	104.5929 N/A	93.3275 95.4367	101.4641 103.7572	100.7694 N/A	98.4892 N/A	100.4143 102.6837	101.4151 103.7071	100.9863 N/A
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>																
Highest offer price per unit	101.796	102.8286	120.7886	120.2904	122.1632	118.2134	112.141	114.3264	100.0445	105.7171	109.1321	N/A	N/A	106.4147	104.4465	N/A
Lowest offer price per unit	89.2749	91.5491	88.095	91.7567	98.5692	112.3724	89.3647	101.5362	N/A	92.8399	100.6227	N/A	N/A	98.6755	99.7455	N/A
Highest redemption price per unit	99.5463	100.556	118.1191	117.6319	119.4633	115.6008	109.6626	111.7997	N/A	104.1190	106.7202	103.3382	102.3361	104.0629	102.1382	104.0473
Lowest redemption price per unit	87.3019	89.5258	86.1481	89.7288	96.3908	109.8889	87.3897	99.2922	N/A	90.7881	100.2364	97.8498	96.6742	96.4947	97.5411	96.6515
<b>RETURN (%)</b>																
Total return	14.65%	17.43%	-24.74%	-20.91%	21.53%	5.11%	6.21%	9.86%	12.50%	-7.06%	2.07%	-0.71%	-0.52%	0.40%	1.40%	1.36%
Income distribution	14.17%	-3.63%	-4.36%	-8.82%	13.61%	7.46%	-0.64%	5.89%	5.79%	-3.40%	1.73%	0.32%	N/A	0.29%	0.87%	0.93%
Capital growth	0.48%	3.68%	-24.74%	-20.91%	21.53%	5.11%	2.41%	7.76%	5.70%	-7.06%	0.02%	-0.71%	-0.52%	0.40%	1.40%	1.36%
<b>DISTRIBUTION</b>																
Final dividend distribution- Rs	-	-	-	-	-	-	3.80	3.80	6.80	-	2.05	-	-	-	-	-
Date of Income Distribution	-	-	-	-	-	-	26-Jun-20	26-Jun-20	26-Jun-20	-	28-Jun-19	-	-	-	-	-
Total dividend distribution for the year (Rs)	12.35	12.50	-	-	-	-	3.80	3.80	6.80	-	2.05	-	-	-	-	-
<b>AVERAGE RETURNS (%)</b>																
Average annual return 1 year	14.65%	17.43%	-24.74%	-20.91%	21.53%	5.11%	6.21%	9.86%	12.50%	-7.06%	2.07%	-0.71%	-0.52%	0.40%	1.40%	1.36%
Average annual return 2 year	-7.11%	-3.63%	-4.36%	-8.82%	13.61%	7.46%	-0.64%	5.89%	5.79%	-3.40%	1.73%	0.32%	N/A	0.29%	0.87%	0.93%
Average annual return 3 year	1.60%	-0.80%	-0.96%	-2.98%	6.26%	5.63%	-0.30%	4.37%	NA	-2.22%	1.27%	0.38%	N/A	N/A	N/A	N/A
<b>PORTFOLIO COMPOSITION - (%)</b>																
Percentage of Total Assets as at 30 June:																
Bank Balances	0.30%	11.09%	2.19%	25.46%	1.45%	1.13%	0.48%	3.33%	91.75%	0.51%	0.30%	0.11%	73.40%	0.71%	0.54%	0.02%
Equity Funds	9.77%	15.72%	0.00%	14.44%	78.79%	19.45%	49.28%	19.46%	7.70%	40.79%	18.81%	0.00%	25.57%	59.85%	19.90%	49.38%
Income Funds	89.83%	61.04%	97.72%	58.18%	19.56%	79.35%	50.11%	76.80%	0.00%	58.65%	79.32%	99.89%	0.03%	39.40%	79.45%	50.53%
Others	0.10%	12.15%	0.09%	1.92%	0.20%	0.07%	0.13%	0.41%	0.55%	0.05%	1.57%	0.00%	1.00%	0.04%	0.11%	0.07%

**Note:**

The Launch date of the Active, Conservative & Strategic Allocation Plan is June 19, 2017 whereas the launch date of Islamic Capital Preservation Plan is October 02, 2018.

**Disclaimer:**

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



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REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

HBL ISLAMIC FINANCIAL PLANNING FUND

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

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

1. HBL Asset Management Company Limited, the Management Company of HBL Islamic Financial Planning Fund has, in all material respects, managed HBL Islamic Financial Planning Fund during the year ended June 30, 2023 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement.
2. Statement on the shortcoming(s) that may have impact on the decision of the existing or the potential unit holders remaining or investing in the Collective Investment Scheme; and

**Statement**

No short coming has been addressed during the period ended June 30, 2023.

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MANAGING YOUR ASSETS

- 4 Disclosure of the steps taken to address the shortcoming(s) or to prevent the recurrence of the shortcoming(s).

**Disclosure of the steps**

We have critically examine the fund in accordance with circular, directives, NBFC Regulations 2008 and its constitutive documents. However, no shortcoming has been addressed.

- 1 Trustee's opinion regarding the calculation of the management fee, CIS Monthly Fee Payable to the Commission and other expenses in accordance with the applicable regulatory framework.

**Trustee Opinion**

"The Management fee, CIS monthly fee payable to the Commission and other expenses has been accurately calculated in accordance with the NBFC Regulations, 2008 and its constitutive documents".

Dabeer Khan  
Manager Compliance  
Digital Custodian Company Limited

Karachi; September 25, 2023

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ASSET MANAGEMENT LTD.  
ايسيت مينجمنت لميٹڈ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Financial Planning Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2023. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 25, 2023

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

UAN (021) 111-425-262  
Fax (021) 35168455  
www.hblasset.com

September 25, 2023



الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Financial Planning Fund (HBL-IFPF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

والله أعلم بالصواب، وصلى الله على نبينا محمد وعلى آله وصحبه وبارك وسلم

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



Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive



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## INDEPENDENT AUDITORS' REPORT

**To the Unit holders of HBL Islamic Financial Planning Fund**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of **HBL Islamic Financial Planning Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### **Basis for Opinion**

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

#### **Key Audit Matter**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

#### **Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023 but does not include the financial statements and our auditors' report thereon.

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

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

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

Board of Directors are responsible for overseeing the Fund's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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

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



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The engagement partner on the audit resulting in this independent auditors' report is Zeeshan Rashid.

Date: 27 September 2023

Karachi

UDIN: AR202310188Zsgxipfcd

A handwritten signature in black ink, appearing to read 'Zeeshan Rashid', written over a horizontal line.

KPMG Taseer Hadi & Co.  
Chartered Accountants



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### **Independent Reasonable Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles**

We were engaged by the Board of Directors of HBL Asset Management Limited, Management Company of **HBL Islamic Financial Planning Fund** (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the Management Company for the year ended June 30, 2023, in the form of an independent reasonable assurance opinion about whether the annexed statement presents fairly the status of the Fund's compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

#### **Applicable Criteria**

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

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended June 30, 2023.

#### **Responsibilities of the Management Company**

The Management Company is responsible for preparation of the annexed statement that is free from material misstatement and for the information contained therein.

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

#### **Our Independence and Quality Control**

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

The firm applies International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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### **Our Responsibilities**

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

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

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

### **Opinion**

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

In our opinion, the annexed statement, for the year ended June 30, 2023, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

**Date: 27 September 2023**

**Karachi**

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

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Assets and Liabilities

As at June 30, 2023

	Note	2023			2022		
		Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
----- (Rupees in '000) -----							
<b>ASSETS</b>							
Bank balances	4	311	91	402	2,709	247	2,956
Bank balances of matured plan	12	-	-	4,642	-	-	4,256
Investments	5	103,815	752	104,567	120,934	705	121,639
Profit receivable		-	1	1	8	1	9
Preliminary expenses and flotation costs	6	-	-	-	-	-	-
Advances and other receivable	7	107	136	243	102	18	120
<b>TOTAL ASSETS</b>		<b>104,233</b>	<b>980</b>	<b>109,855</b>	<b>123,753</b>	<b>971</b>	<b>128,980</b>
<b>LIABILITIES</b>							
Payable to the Management Company	8	17	-	17	22	-	22
Payable to the Trustee	9	9	-	9	10	-	10
Payable to Securities and Exchange Commission of Pakistan	10	17	-	17	9	5	14
Accrued expenses and other liabilities	11	1,833	230	2,063	374	241	615
Accrued expenses and other liabilities of matured plan	12	-	-	1,137	-	-	1,137
Payable to unitholders'	12	-	-	3,505	-	-	3,119
<b>TOTAL LIABILITIES</b>		<b>1,876</b>	<b>230</b>	<b>6,748</b>	<b>415</b>	<b>246</b>	<b>4,917</b>
<b>NET ASSETS</b>		<b>102,357</b>	<b>750</b>	<b>103,107</b>	<b>123,338</b>	<b>725</b>	<b>124,063</b>
<b>UNIT HOLDER'S FUND (AS PER STATEMENT ATTACHED)</b>		<b>102,357</b>	<b>750</b>	<b>103,107</b>	<b>123,338</b>	<b>725</b>	<b>124,063</b>
<b>CONTINGENCIES AND COMMITMENTS</b>							
	13	----- (Units) -----			----- (Units) -----		
Number of units in issue	14	1,169,207	7,982		1,414,900	7,961	
		----- (Rupees) -----			----- (Rupees) -----		
Net assets value per unit		87.5441	93.8604		87.1696	90.9171	

The annexed notes from 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Income Statement

For the year ended June 30, 2023

	2023			2022		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
Note ----- (Rupees in '000) -----						
<b>Income</b>						
Profit on bank deposits calculated using the effective interest rate method	240	18	258	98	62	160
Realised gain / (loss) on sale of investment	19	10	29	(10,310)	250	(10,060)
Dividend income	12,525	91	12,616	1,602	28	1,630
	12,784	119	12,903	(8,610)	340	(8,270)
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	413	5	418	-	(37)	(37)
	13,197	124	13,321	(8,610)	303	(8,307)
<b>Expenses</b>						
Remuneration of the Management Company	42	-	42	12	7	19
Sindh sales tax on remuneration of the Management Company	8.2 6	-	6	2	1	3
Remuneration of the Trustee	9.1 84	1	85	47	26	73
Annual fee to the Securities and Exchange Commission of Pakistan	10.1 17	-	17	9	5	14
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3 -	-	-	-	-	-
Amortisation of preliminary expenses and flotation costs	6 166	1	167	92	51	143
Auditors' remuneration	15 -	-	-	16	9	25
Printing charges	452	10	462	299	96	395
Bank charges	123	1	124	91	20	111
Fees and subscription	16 16	12	28	15	33	48
Shariah advisory fee	25	-	25	98	97	195
Reimbursement of expense from Management Company	7.2 239	4	243	136	48	184
	-	(18)	(18)	-	-	-
	1,170	11	1,181	817	393	1,210
<b>Net income / (loss) from operating activities</b>	12,027	113	12,140	(9,427)	(90)	(9,517)
Provision for Sindh Workers' Welfare Fund	11.1 -	-	-	541	49	590
<b>Net income / (loss) for the year before taxation</b>	12,027	113	12,140	(8,886)	(41)	(8,927)
Taxation	16 -	-	-	-	-	-
<b>Net income / (loss) for the year after taxation</b>	12,027	113	12,140	(8,886)	(41)	(8,927)
<b>Allocation of net income for the year after taxation</b>						
Net income for the year after taxation	12,027	113		-	-	
Income already paid on redemption of units	(3,403)	(1)		-	-	
	8,624	112		-	-	
<b>Accounting income available for distribution</b>						
Relating to capital gains	432	15		-	-	
Excluding capital gains	8,192	97		-	-	
	8,624	112		-	-	
Earnings per unit	17					

The annexed notes from 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Comprehensive Income

For the year ended June 30, 2023

	2023			2022		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
	(Rupees in '000)					
Net income / (loss) for the year	12,027	113	12,140	(8,886)	(41)	(8,927)
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	<u>12,027</u>	<u>113</u>	<u>12,140</u>	<u>(8,886)</u>	<u>(41)</u>	<u>(8,927)</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2023

	Active Allocation Plan					
	2023			2022		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
	(Rupees in '000)					
Net assets at beginning of the year	133,704	(10,366)	123,338	55,000	(1,480)	53,520
Issuance of 2,742,238 units (2022: 2,329,035 units)						
Capital value (at net asset value per unit at the beginning of the year)	243,654	-	243,654	269,751	-	269,751
Element of income / (loss)	(257)	-	(257)	(67,805)	-	(67,805)
Total proceeds on issuance of units	243,397	-	243,397	201,946	-	201,946
Redemption of 2,987,931 units (2022: 1,376,220 units)						
Capital value (at net asset value per unit at the beginning of the year)	(260,457)	-	(260,457)	(159,395)	-	(159,395)
Element of income	269	(3,403)	(3,134)	36,153	-	36,153
Total payments on redemption of units	(260,188)	(3,403)	(263,591)	(123,242)	-	(123,242)
Total comprehensive income for the year	-	12,027	12,027	-	(8,886)	(8,886)
Final distribution for the year ended 30 June 2023 Rs. 12.35 per unit declared on June 23, 2023 (2022: Nil)	(4,614)	(8,200)	(12,814)			
Total Distribution during the year	(4,614)	(8,200)	(12,814)	-	-	-
Net assets at end of the year	112,299	(9,942)	102,357	133,704	(10,366)	123,338
Undistributed income brought forward						
Realised income		(10,366)			(6,745)	
Unrealised loss		-			5,265	
		(10,366)			(1,480)	
Accounting Income available for distribution						
- Relating to capital gains		432			-	
- Excluding capital gains		8,192			-	
		8,624			-	
Net loss for the year after taxation		-			(8,886)	
Final distribution for the year ended 30 June 2023 Rs. 12.35 per unit declared on June 23, 2023 (2022: Nil)		(8,200)				
Accumulated loss carried forward		(9,942)			(10,366)	
Accumulated loss carried forward comprises of						
Realised (loss) / income		(10,355)			(10,366)	
Unrealised income / (loss)		413			-	
		(9,942)			(10,366)	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			87.1696			115.8209
Net assets value per unit at end of the year			87.5441			87.1696

The annexed notes from 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2023

	Conservative Allocation Plan					
	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	(302)	1,027	725	49,849	1,068	50,917
Issuance of 2,416 units (2022: 44,815 units)						
Capital value (at net asset value per unit at the beginning of the year)	221	-	221	5,150	-	5,150
Element of income	2	-	2	80	-	80
<b>Total proceeds on issuance of units</b>	<b>223</b>	<b>-</b>	<b>223</b>	<b>5,230</b>	<b>-</b>	<b>5,230</b>
Redemption of 2,395 units (2022: 479,784 units)						
Capital value (at net asset value per unit at the beginning of the year)	(218)	-	(218)	(55,152)	-	(55,152)
Element of loss	(2)	(1)	(3)	(229)	-	(229)
<b>Total payments on redemption of units</b>	<b>(220)</b>	<b>(1)</b>	<b>(221)</b>	<b>(55,381)</b>	<b>-</b>	<b>(55,381)</b>
Total comprehensive income for the year	-	113	113	-	(41)	(41)
Final distribution for the year ended 30 June 2023 Rs. 12.50 per unit declared on June 23, 2023 (2022: Nil)	(1)	(89)	(90)	-	-	-
<b>Total Distribution during the year</b>	<b>(1)</b>	<b>(89)</b>	<b>(90)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at end of the year</b>	<b>(300)</b>	<b>1,050</b>	<b>750</b>	<b>(302)</b>	<b>1,027</b>	<b>725</b>
Undistributed income brought forward						
Realised income		1,064			1,128	
Unrealised loss		(37)			(60)	
		<u>1,027</u>			<u>1,068</u>	
Accounting Income available for distribution						
- Relating to capital gains		15			-	
- Excluding capital gains		97			-	
		<u>112</u>			<u>-</u>	
Final distribution for the year ended 30 June 2023 Rs. 12.50 per unit declared on June 23, 2023 (2022: Nil)		(89)			(41)	
<b>Undistributed income carried forward</b>		<b><u>1,050</u></b>			<b><u>1,027</u></b>	
Undistributed income carried forward comprises of						
Realised income		1,045			1,064	
Unrealised income / (loss)		5			(37)	
		<u>1,050</u>			<u>1,027</u>	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			<u>90.9171</u>			<u>114.9507</u>
Net assets value per unit at end of the year			<u>93.8604</u>			<u>90.9171</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

# HBL ISLAMIC FINANCIAL PLANNING FUND

## Cash Flow Statement

For the year ended June 30, 2023

	2023			2022		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
(Rupees in '000)						
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net income / (loss) for the year / period before taxation	12,027	113	12,140	(8,886)	(41)	(8,927)
Adjustments for:						
Profit on bank deposits calculated using the effective interest rate method	(240)	(18)	(258)	(98)	(62)	(160)
Realised loss / (gain) on sale of investment - net	(19)	(10)	(29)	10,310	(250)	10,060
Unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	(413)	(5)	(418)	-	37	37
Amortisation of preliminary expenses and flotation costs	-	-	-	16	9	25
<b>Cash generated from / (used in) operations before working capital changes</b>	<b>11,355</b>	<b>80</b>	<b>11,435</b>	<b>1,342</b>	<b>(307)</b>	<b>1,035</b>
<i>(Increase) / decrease in assets</i>						
Investments	17,551	(32)	17,519	(77,714)	50,433	(27,281)
Advance and other receivables	(5)	(118)	(123)	(10)	-	(10)
	17,546	(150)	17,396	(77,724)	50,433	(27,291)
<i>(Decrease) / increase in liabilities</i>						
Payable to the Management Company	(5)	-	(1,865)	-	(365)	(2,225)
Payable to the Trustee	(1)	-	(1)	6	(3)	3
Payable to Securities and Exchange Commission of Pakistan	8	(5)	(15)	(7)	4	(21)
Accrued expenses and other liabilities	1,459	(11)	3,712	(496)	(16)	(345)
	1,461	(16)	1,831	(497)	(380)	(2,588)
	30,362	(86)	30,662	(76,879)	49,746	(28,844)
Profit received on bank deposits	248	18	266	95	68	163
<b>Net cash generated from / (used in) from operating activities</b>	<b>30,610</b>	<b>(68)</b>	<b>30,928</b>	<b>(76,784)</b>	<b>49,814</b>	<b>(28,681)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from issuance of units	243,397	223	243,620	201,946	5,230	207,176
Payment on redemption of units	(263,591)	(221)	(263,812)	(123,242)	(55,381)	(178,623)
Dividend paid	(8,200)	(89)	(8,289)	-	-	-
Net cash (used in) / generated from financing activities	(28,394)	(87)	(28,481)	78,704	(50,151)	28,553
Net (decrease) / increase in cash and cash equivalents	2,216	(155)	2,447	1,920	(337)	(128)
Cash and cash equivalents at the beginning of the year	2,709	247	7,212	789	584	7,340
Cash and cash equivalents at the end of the year	4,925	92	9,659	2,709	247	7,212
Cash and cash equivalents at the end of the year includes:						
Bank balances	311	91	5,044	2,709	247	7,212
	311	91	5,044	2,709	247	7,212

The annexed notes from 1 to 31 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



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

- 1.1 HBL Islamic Financial Planning Fund (the "Fund"), was established under the Trust Deed dated March 22, 2017, executed between HBL Asset Management Limited as the Management Company and Digital Custodian Company Limited (DCCL) as the Trustee. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) as a Unit trust on May 4, 2017.
- 1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3 The Fund is an open ended shariah compliant fund of fund scheme and is listed on Pakistan Stock Exchange Limited. The Fund has four different plans namely Conservative Allocation Plan, Active Allocation Plan, Strategic Allocation Plan and Islamic Capital Preservation Plan (collectively referred as 'Plans'). The units of Conservative Allocation and Active Allocation Plan were initially offered to public (IPO) on June 16, 2016 whereas units of Strategic Allocation Plan were offered from June 15, 2016 to June 16, 2016 and units of Capital Preservation Plan were offered from July 01, 2018 to October 01, 2018. The units are transferable and can be redeemed by surrendering them to the Fund at the option of unit holder. The duration of the Fund is perpetual however the Allocation Plans may have a set time frame. Each Allocation Plan announce separate NAVs which rank pari passu inter se according to the number of units of the respective Allocation Plans. Units are offered for public subscription on a continuous basis. However, term-based plans, may be offered for a limited subscription period.
- 1.4 The objective of the Fund is to generate return on Investments as per the respective Allocation Plan by investing in Shariah Compliant Mutual Funds in line with the risk tolerance of the investor. The investment policy for each of the Plans are as follows;
- The "Conservative Allocation Plan" is an Allocation Plan under the Fund and primarily aims to provide stable returns with some capital appreciation through a pre-determined mix of shariah compliant investments in equity, income and money market funds. This Allocation Plan is suitable for investors who have moderate risk tolerance and have a short to medium term investment horizon. The plan will exist till perpetuity.
  - The "Active Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active asset allocation between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market scheme(s) based on the Fund Manager's outlook on the asset classes. The plan will exist till perpetuity.
  - The "Strategic Allocation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through active allocation of funds between Islamic Equity scheme(s), Islamic Income scheme(s) and Islamic Money Market scheme(s) based on fundamental analysis of economic indicators, underlying asset values and a strategy of risk aversion to market volatility. Fund Manager takes a medium term strategic view of the portfolio assets to deliver competitive returns to investors. The duration of the Strategic Allocation Plan ('the Plan') was twenty-four months. HBL Islamic Financial Planning Fund - Strategic Allocation Plan has matured on June 16, 2020 and its remaining assets and liabilities are shown in note 12.
  - The "Islamic Capital Preservation Plan" is an Allocation Plan under the Fund with an objective to earn a potentially high return through dynamic asset allocation between Shariah Compliant Equities and Shariah Compliant Money Market based Collective Investment Schemes. Shariah compliant saving accounts and term deposits while aiming providing capital preservation on the initial amount excluding front end load upon maturity of the allocation plan. The duration of this plan was 24 months (Two Years). Islamic Capital Preservation Plan has matured on October 1, 2021 and its remaining assets and liabilities are shown in note 12.
- 1.5 VIS Credit Rating Company has upgraded a management quality rating to 'AM1' (Stable outlook) of the Management Company on December 31, 2022 (2022: AM2++ dated on December 31, 2021).

1.6 Title to the assets of the Fund are held in the name Digital Custodian Company Limited (DCCL), formerly known as MCB Financial Services Limited, as a trustee of the Fund.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

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

### **2.3 Standards and amendments effective during the year**

There are number of new standards and amendments that are effective from July 01, 2022 however these do not have a significant effect on the Fund's financial statements.

### **2.4 Standards, interpretations and amendments to accounting and reporting standards, that are not yet effective**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 1 July 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after January 1, 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the fund must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, funds will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. These amendments also specify the transition requirements for funds that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help companies provide useful accounting policy disclosures. The key amendments to IAS 1 include:
  - Requiring funds to disclose their material accounting policies rather than their significant accounting policies;
  - Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a fund’s financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after January 1, 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.

- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) introduce two new disclosure objectives for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the fund's liabilities and cash flows, and the fund's exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a funds might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. The amendments are effective for periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.
- International Tax Reform – Pillar Two Model Rules (amendments to IAS 12 ) introduce following new disclosure requirements:
- Once tax law is enacted but before top-up tax is effective: disclose information that is known or can be reasonably estimated and that helps users of its financial statements to understand its exposure to Pillar Two income taxes at the reporting date. If information is not known or cannot be reasonably estimated at the reporting date, then a company discloses a statement to that effect and information about its progress in assessing the Pillar Two exposure.
- After top-up tax is effective: disclose current tax expense related to top-up tax.

The above amendment and improvement have no impact on the financial statements of the Fund.

The fair value of financial assets are determined as follows:

## **2.5 Basis of valuation of units of mutual funds**

Investments in the units of open end funds are re-measured at fair value with reference to redemption prices and the resultant gain or loss on remeasurement of value of investment is recognised in the income statement.

### **iii. Reclassifications**

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

### **iv. Impairment of financial assets**

#### **Financial assets at amortised cost**

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012, issued by SECP which are recently relaxed by the SECP amid ongoing situation of COVID-19. However, the circular does not cover impairment requirements for government debt securities. Based on the past performance management considers that there is no probability of default as in any adverse situation State Bank of Pakistan has the right to discharge government obligations by issuance of currency notes. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

## **2.6 Financial liabilities**

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

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

### **2.7 Derecognition**

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

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

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

### **2.9 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchange and other expenses. These costs are amortised over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and NBFC regulations, 2008.

### **3.0 Unitholders' fund**

Unitholders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

### **3.1 Issuance and redemption of units**

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

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

### **3.2 Revenue recognition**

Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.

Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.

Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

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

### **3.3 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net assets value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

### **3.4 Provisions**

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

### **3.5 Net assets value per unit**

The net assets value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

### **3.6 Zakat Payable**

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

### **3.7 Earnings per unit**

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

### **3.8 Regular way contracts**

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

### **3.9 Distributions**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the year in which such distributions are declared and approved by the Board of Directors of the Management Company.

### 3.10 Other assets

Other assets are stated at cost less impairment losses, if any.

### 3.11 Taxation

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders' every year.

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

### 3.12 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the Income Statement on an accrual basis

## 4. BANK BALANCES

	Note	2023			2022		
		Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
							(Rupees in '000)
Savings accounts	4.1	311	91	402	2,709	247	2,956

4.1 This represents bank balances held with different banks. Mark-up rates on these accounts range between 3.00% and 7.00% per annum (2022: between 3.00% and 7.00% per annum).

## 5. INVESTMENTS

	Note	2023			2022		
		Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
							(Rupees in '000)
<b>Investments by category at fair value through profit or loss</b>							
Units of mutual funds	5.1	103,815	752	104,567	120,934	705	121,639

### 5.1 Units of mutual funds

Name of Investee Funds	As at July 1, 2022	Purchased during the year	Redeemed during the year	As at June 30, 2023	Total carrying value as at June 30, 2023	Total market value as at June 30, 2023	Appreciation/ (diminution) as at June 30, 2023	Market value as a percentage of net assets	Market value as a percentage of total value of Investment
<b>Active Allocation Plan</b>									
HBL Islamic Money Market Fund	1,195,301	2,324,594	3,510,230	9,665	978	978	-	0.01	0.01
HBL Islamic Equity Fund	-	154,559	-	154,559	10,000	10,187	187	-	0.10
HBL Islamic Income Fund	-	998,776	99,542	899,234	92,424	92,650	226	0.91	0.89
	1,195,301	3,477,929	3,609,772	1,063,458	103,402	103,815	413	0.92	1.00



# HBL ISLAMIC FINANCIAL PLANNING FUND

## Notes to the financial statements

For the year ended June 30, 2023

Name of Investee Funds	As at July 1, 2022	Purchased during the year	Redeemed during the year	As at June 30, 2023	Total carrying value as at June 30, 2023	Total market value as at June 30, 2023	Appreciation/ (diminution) as at June 30, 2023	Market value as a percentage of net assets	Market value as a percentage of total value of Investment
<b>Conservative Allocation Plan</b>	<b>Number of Units</b>				<b>(Rupees in '000')</b>			<b>%</b>	
HBL Islamic Stock Fund	1,584	243	102	1,725	151	135	(16)	0.18	0.18
HBL Islamic Equity Fund	-	292	-	292	20	20	-	0.03	0.03
HBL Islamic Income Fund	5,285	1,011	1,878	4,418	434	455	21	0.61	0.60
HBL Islamic Money Market Fund	212	1,692	496	1,408	142	142	-	0.18	0.19
	<u>7,081</u>	<u>3,238</u>	<u>2,476</u>	<u>7,843</u>	<u>747</u>	<u>752</u>	<u>5</u>	<u>1.00</u>	<u>1.00</u>
<b>Total as at June 30, 2023</b>	<b><u>1,202,382</u></b>	<b><u>3,481,167</u></b>	<b><u>3,612,248</u></b>	<b><u>1,071,301</u></b>	<b><u>104,149</u></b>	<b><u>104,567</u></b>	<b><u>418</u></b>		

### 6. PRELIMINARY EXPENSES AND FLOTATION COSTS

	2023			2022		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
	(Rupees in '000)					
Opening balance	-	-	-	16	9	25
Cost incurred during the year / period	-	-	-	-	-	-
Less: amortised during the year / period	-	-	-	(16)	(9)	(25)
Closing balance	-	-	-	-	-	-

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortized over a period of five years for Active Allocation Plan and Conservative Allocation Plan and two years for Islamic Capital Preservation Plan commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and the NBFC Rules.

### 7. ADVANCES AND OTHER RECEIVABLE

	2023			2022		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
	(Rupees in '000)					
Advance tax	7.1	107	18	125	102	18
Receivable from Management Company	7.2	-	18	18	-	-
Receivable against sale of units	-	-	100	100	-	-
	<u>107</u>	<u>136</u>	<u>243</u>	<u>102</u>	<u>18</u>	<u>120</u>

7.1 This pertains to tax collected by bank which will be claimed upon filing of tax return of the Fund.

7.2 As per SECP's direction No. SCD/PRDD/Direction/18/2016 "The Asset Management Companies (AMCs) shall adjust the Net Asset Value (NAV) of the Collective Investment Scheme (CIS) on the basis of Total Expense Ratio (TER) at the end of each quarter during the financial year for the amount of expenses in excess of TER limit prescribed in regulation 60 (5) Non-Banking Finance Companies and Notified Entities Regulations, 2008 ("the Regulations") for that CIS by booking liability against AMC. Moreover, the reimbursement (if any) by an AMC to CIS shall be made on the basis of annual TER calculated at the end of each financial year and NAV shall be adjusted accordingly.

During the year ended June 30, 2023 the HBL Islamic Financial Planning Fund - Conservative Allocation Plan was in breach of TER ratio of 2.5% as prescribed under the Regulations for the CIS categorised as "Fund of Fund Scheme". As a result the fund has recorded the reimbursement of expense during the last month of the current financial year and has recognised a receivable from the Management Company accordingly.

### 8. PAYABLE TO THE MANAGEMENT COMPANY

	2023			2022		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
	(Rupees in '000)					
Remuneration to the Management company	8.1	-	-	-	2	2
Sindh Sales Tax on Management Company's remuneration	8.2	-	-	-	-	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	17	-	17	20	20
Sales load payable	-	-	-	-	-	-
	<u>17</u>	<u>-</u>	<u>17</u>	<u>22</u>	<u>-</u>	<u>22</u>

- 8.1 As per SECP S.R.O. 639 (I)/2019 dated June 20, 2019, there has been amendment in NBFC regulation No. 61, in which limits over management fee had been removed and directed that the asset management company shall disclose in the Offering document the maximum rate of management fee chargeable to Collective Investment Scheme within allowed expense ratio limit. Further, the asset management company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document and such actual rate shall be disclosed in fund manager report. The management fee expense charged by the asset management company varied between 1.5% to 2.00% (2022: 1.5% to 2.00%) during the year. As per the offering document of the Fund, the Management Company shall charge a fee at the rate of 1% of the average annual net assets on daily basis of the Scheme. However, no Management Fee is charged on that part of the net assets which have been invested in mutual funds managed by the Management Company. The fee is payable monthly in arrears.
- 8.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (June 30, 2022: 13%) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.
- 8.3 As per SECP S.R.O. 639 (I)/2019 dated 20 June 2019, there has been amendment in NBFC regulation no. 60 (3) point (s) and (v), in which limits to allocate fee and expenses pertaining to registrar services, accounting, operation, valuation services and selling and marketing expenses had been removed.

**9. PAYABLE TO THE TRUSTEE**

	2023			Active Allocation Plan	Conservative Allocation Plan	Total	
	Active Allocation Plan	Conservative Allocation Plan	Total				
Note	(Rupees in '000)						
Remuneration payable to the Trustee	9.1	9	-	9	10	-	10
		9	-	9	10	-	10

- 9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified there in, based on the daily Net Asset Value (NAV) of the Fund.
- 9.2 Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2023, is as follows:

Net assets	Tariff per annum
Up to Rs. 1 billion	0.09% per annum of the daily average net assets
Over Rs. 1 billion	Rs 0.9 million plus 0.065% per annum of the daily average net assets exceeding one billion

- 9.3 The Provisional Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

**10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

	2023			Active Allocation Plan	Conservative Allocation Plan	Islamic Capital Preservation Plan	
	Active Allocation Plan	Conservative Allocation Plan	Total				
Note	(Rupees in '000)						
Annual fee payable	10.1	17	-	17	9	5	14
		17	-	17	9	5	14

- 10.1 Under the provisions of the NBFC Regulations a collective investment scheme categorised as a fund of fund scheme is required to pay as annual fee to the SECP, an amount equal to 0.02 percent of the average annual net assets of the scheme. The fee is payable annually in arrears.

11.	ACCRUED EXPENSES AND OTHER LIABILITIES	2023			2022		
		Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
		(Rupees in '000)					
	Withholding tax	1,069	23	1,092	-	-	-
	Shariah advisory fee	21	-	21	34	1	35
	Printing charges	93	-	93	74	-	84
	Auditors' remuneration	318	4	322	200	43	243
	Others	-	-	-	-	12	2
	Dividend Payable	292	-	292	26	-	26
	Payable against redemption of units	-	203	203	-	185	185
	Zakat Payable	40	-	40	40	-	40
		<u>1,833</u>	<u>230</u>	<u>2,063</u>	<u>374</u>	<u>241</u>	<u>615</u>

11.1 The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014 (SWWF 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.

During the recent year, SRB through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Companies (AMCs) are covered under the term "financial institution" as per SWWF Act, 2014 and are therefore subject to SWWF charge whereas as the Mutual Funds / Pension Funds managed by those AMCs do not qualify as "financial institution" as per Sindh SWWF Act, 2014. Consequently, AMCs would be subject to SWWF charge and no provision for SWWF would need to be recorded in the books of the fund.

In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB and accordingly, the Fund have reversed the provision for SWWF on 13 August 2021.

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12. Bank Balances of matured plans includes amount of Rs. 2.222 million (2022: Rs. 2.037) pertaining to Strategic Allocation Plan matured on June 16, 2020 and Rs. 2.420 million (2022: Rs. 2.219 million) pertaining to Islamic Capital Preservation Plan matured on October 01, 2021. Contingency regarding SWWF has been materialized and reclassified as payable to unitholders' from accrued expenses and other liabilities of matured plans. Furthermore, the remaining amount of Rs. 0.088 million and Rs. 1.049 million pertaining to Strategic Allocation Plan and Islamic Capital preservation Plan respectively, will be reversed and the amounts will be refunded to the unitholders, if not materialized.

### 13. CONTINGENCIES AND COMMITMENTS

Other than already disclosed in these financial statements, there are no contingencies and commitments outstanding as at June 30, 2023.

### 14. NUMBER OF UNITS IN ISSUE

	2023			2022		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
	(Number of Units)					
Total units in issue at the beginning of the year	1,414,900	7,961	1,422,861	462,085	442,930	905,015
Units issued during the year	2,742,238	2,416	2,744,654	2,329,035	44,815	2,373,850
Less: units redeemed during the year	(2,987,931)	(2,395)	(2,990,326)	(1,376,220)	(479,784)	(1,856,004)
Total units in issue at the end of the year	<u>1,169,207</u>	<u>7,982</u>	<u>1,177,189</u>	<u>1,414,900</u>	<u>7,961</u>	<u>1,422,861</u>

### 15. AUDITORS' REMUNERATION

	2023			2022		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
	(Rupees in '000)					
Annual Audit Fee	233	5	238	157	50	207
Fee for half year review	85	2	87	57	18	75
Other certifications and out of pocket	134	3	137	85	28	113
	<u>452</u>	<u>10</u>	<u>462</u>	<u>299</u>	<u>96</u>	<u>395</u>

### 16. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. 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 to the unit holders. Accordingly, no provision has been made in the financial statements for the year ended June 30, 2023.

### 17. EARNINGS PER UNIT

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

18. FINANCIAL INSTRUMENTS BY CATEGORY

	2023						Total
	Active Allocation Plan			Conservative Allocation Plan			
	At fair value through profit or loss	Amortized cost	Sub Total	At fair value through profit or loss	Amortized cost	Sub Total	
(Rupees in '000)							
<b>Financial assets</b>							
Bank balances	-	311	311	-	91	91	402
Investments - net	103,815	-	103,815	752	-	752	104,567
Advances and other receivable	-	107	107	-	136	136	243
Profit receivable	-	-	-	-	1	1	1
	<u>103,815</u>	<u>418</u>	<u>104,233</u>	<u>752</u>	<u>228</u>	<u>980</u>	<u>105,213</u>
<b>Financial liabilities</b>							
Payable to the Management Company	-	17	17	-	-	-	17
Payable to the Trustee	-	9	9	-	-	-	9
Accrued expenses and other liabilities	-	724	724	-	207	207	931
	<u>-</u>	<u>750</u>	<u>750</u>	<u>-</u>	<u>207</u>	<u>207</u>	<u>957</u>
2022							
	Active Allocation Plan			Conservative Allocation Plan			Total
	At fair value through profit or loss	Amortized cost	Sub Total	At fair value through profit or loss	Amortized cost	Sub Total	
(Rupees in '000)							
<b>Financial assets</b>							
Bank balances	-	2,709	2,709	-	247	247	2,956
Investments - net	120,934	-	120,934	705	-	705	121,639
Advances and other receivable	-	102	102	-	18	18	120
Profit receivable	-	8	8	-	1	1	9
	<u>120,934</u>	<u>2,819</u>	<u>123,753</u>	<u>705</u>	<u>266</u>	<u>971</u>	<u>124,724</u>
<b>Financial liabilities</b>							
Payable to the Management Company	-	22	22	-	-	-	22
Payable to the Trustee	-	10	10	-	-	-	10
Accrued expenses and other liabilities	-	334	334	-	241	241	575
	<u>-</u>	<u>366</u>	<u>366</u>	<u>-</u>	<u>241</u>	<u>241</u>	<u>607</u>

19. RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units			Payable against redemption of units		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
(Rupees in '000)						
Opening balance as at July 1, 2022	-	-	-	-	-	-
Receivable against issuance of units	238,783	222	239,005	201,946	5,230	207,176
Payable against redemption of units	-	-	-	-	-	-
Amount received on issuance of units	(238,783)	(222)	(239,005)	(201,946)	(5,230)	(207,176)
Amount paid on redemption of units	-	-	-	-	-	-
Closing balance as at June 30, 2023	-	-	-	-	-	-

20. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

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

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

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

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

	2023			2022		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
<b>20.1 Transactions during the year</b>	----- (Rupees in '000) -----					
<b>HBL Asset Management Limited - Management Company</b>						
Remuneration of the Management Company	37	-	37	12	7	19
Sindh Sales Tax on remuneration of the Management Company	5	-	5	2	1	3
Allocation of expenses related to registrar services, accounting, operation and valuation services	166	1	167	92	51	143
Issue of 702,919 units (2022: Nil units)	65,000	-	65,000	-	-	-
Issue of Nil units (2022: 42,808 units)	-	-	-	-	5,000	5,000
Redemption of Nil units (2022: 183,374 units)	-	-	-	18,616	-	18,616
Redemption of Nil units (2022: 477,878 units)	-	-	-	-	55,165	55,165
Dividend on 48,369 units (2022: Nil units)	4,218	-	4,218	-	-	-
Refund of capital of 42,653 units (2022: Nil units)	-	-	-	-	-	-
<b>HBL Asset Management Limited Employees Provident Fund</b>						
Issue of 158,508 units (2022: Nil units)	14,500	-	14,500	-	-	-
Redemption of Nil units (2022: Nil units)	-	-	-	-	-	-
Dividend on 16,339 units (2022: Nil units)	1,425	-	1,425	-	-	-
Refund of capital 7,816 units (2022: Nil units)	-	-	-	-	-	-
<b>HBL Asset Management Limited Employees Gratuity Fund</b>						
Issue of 49,192 units (2022: Nil units)	4,500	-	4,500	-	-	-
Redemption of Nil units (2022: Nil units)	-	-	-	-	-	-
Dividend on 4,542 units (2022: Nil units)	608	-	608	-	-	-
Refund of capital 2,426 units (2022: Nil units)	-	-	-	-	-	-
<b>Amjad Maqsood - Connected Person due to 10% or more holding</b>						
Dividend on 193 units (2022: Nil units)	-	18	18	-	-	-
<b>Muhammad Ashraf - Connected Person due to 10% or more holding</b>						
Dividend on 504 units (2022: Nil units)	-	46	46	-	-	-
<b>Habib Bank Limited - Sponsor</b>						
Profit on deposits with bank	245	16	261	98	61	159
Bank Charges	16	13	29	15	33	48
<b>Digital Custodian Company Limited - Trustee</b>						
Remuneration of the Trustee	74	1	75	42	23	65
Sindh Sales Tax on remuneration of the trustee	10	-	10	5	3	8
<b>HBL Islamic Income Fund</b>						
Purchase of 869,559 units (2022: 2,449)	102,654	-	102,654	262	-	262
Purchase of 784 units (2022: 25,999)	-	77	77	-	2,774	2,774
Bonus / Right issue of 227 units (2022: Nil units)	-	22	22	-	-	-
Conversion out of 97,114 units (2022: Nil units)	10,000	-	10,000	-	-	-
Conversion out of 52 units (2022: Nil units)	-	6	6	-	-	-
Redemption of 2,428 units (2022: 107,067 units units)	250	-	250	11,560	-	11,560
Redemption of 1,878 units (2022: 422,668 units)	-	187	187	-	45,118	45,118
Dividend	1,654	-	1,654	-	48	48
<b>HBL Islamic Equity Fund</b>						
Purchase of Nil units (2022: 30,775 )	-	-	-	2,718	-	2,718
Conversion in of 154,559 units (2022: Nil)	10,000	-	10,000	-	-	-
Purchase of 292 units (2022: 39,641)	-	20	20	-	3,493	3,493
Redemption of Nil units (2022: 438,915)	-	-	-	34,639	-	34,639
Redemption of Nil units (2022: 135,064)	-	-	-	-	11,761	11,761
<b>HBL Islamic Money Market Fund</b>						
Purchase of 2,324,590 units (2022: 1,195,301)	235,189	-	235,189	120,934	-	120,934
Purchase of 1,692 units (2022: 901)	-	171	171	-	91	91
Redemption of 3,510,230 units (2022: Nil units)	355,145	-	355,145	-	-	-
Redemption of 496 units (2022: 689 units)	-	50	50	-	70	70
Dividend	-	10	1,605	1,602	3	1,605
<b>HBL Islamic Stock Fund</b>						
Bonus / Right issue of 25 units (2022: Nil units)	-	2	2	-	-	-
Purchase of 218 units (2022: 1,714 units)	-	17	17	-	170	170
Redemption of 102 units (2022: 130)	-	9	9	-	12	12

	2023			2022		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
----- (Rupees in '000) -----						
<b>20.2</b>	<b>Balances outstanding as at year end</b>					
<b>HBL Asset Management Limited - Management Company</b>						
Remuneration payable to the Management Company	-	-	-	2	-	2
Sindh Sales Tax payable on remuneration of the management company	-	-	-	-	-	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	17	-	17	20	-	20
Investment held in the fund : 793,941 (June 30, 2022: Nil)	69,505	-	69,505	-	-	-
<b>Habib Bank Limited - Sponsor</b>						
Mark-up receivable on deposits with bank	1	2	3	8	1	9
Bank Balance	295	78	373	2,695	223	2,918
<b>Digital Custodian Company Limited - Trustee</b>						
Remuneration payable to the Trustee	8	-	8	10	-	10
Sindh Sales Tax	1	-	1	-	-	-
<b>Amjad Maqsood - Connected Person due to 10% or more holding</b>						
Investment held in the fund : 1,849 units held (June 30, 2022: 1,655)	-	174	174	-	150	150
<b>Muhammad Ashraf - Connected Person due to 10% or more holding</b>						
Investment held in the fund : 5,747 units (June 30, 2022: 5,243)	-	539	539	-	477	477
<b>HBL Asset Management Limited Employees Gratuity Fund</b>						
Investment held in the fund : 56,160 units (June 30, 2022: Nil units)	4,916	-	4,916	-	-	-
<b>HBL Asset Management Limited Employees Provident Fund</b>						
Investment held in the fund : 194,703 units (June 30, 2022: 12,039 units)	17,045	-	17,045	1,049	-	1,049
<b>HBL Islamic Income Fund</b>						
Investment held in the fund 899,234 (June 30, 2022: 5285 units)	92,423	-	92,423	-	-	-
Investment held in the fund 4,417 (June 30, 2022: 5285 units)	-	433	433	-	544	544
<b>HBL Islamic Equity Fund</b>						
Investment held in the fund : 292 (June 30, 2022: Nil units)	-	20	20	-	-	-
Investment held in the fund :154,559 (June 30, 2022: Nil units)	10,000	-	10,000	-	-	-
<b>HBL Islamic Money Market Fund</b>						
Investment held in the fund : 9,661 (June 30, 2022: 1,195,301 units)	977	-	977	120,934	-	120,934
Investment held in the fund : 1,408 (June 30, 2022: 212 units)	-	142	142	-	21	21
<b>HBL Islamic Stock Fund</b>						
Investment held in the fund : 1,726 (June 30, 2022: 1,585 units)	-	150	150	-	140	140

\* Investors who were reported as Connected Persons due to holding more than 10% units of Fund in the comparative year but does not hold at least 10% units of the Fund at the end of current year are not reported as related party.

## 21. FINANCIAL RISK MANAGEMENT

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

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

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



## 21.1 Market risk

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

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

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

### 21.1.1 Currency risk

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

### 21.1.2 Profit rate risk

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

#### a) Cash flow profit rate risk

The Fund is exposed to cash flow profit rate risk for balances in certain savings account, the profit rates on which range between 3.00% to 7.00% per annum.

#### b) Fair value profit rate risk

The Fund currently does not have any fixed rate instruments that are measured at Fair value, therefore, it is not exposed to fair value profit rate risk.

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

Particulars	2023					2022						
	Effective yield / profit rate	Exposed to Yield / Profit rate risk			Not exposed to Yield / Profit rate risk	Total	Effective yield / profit rate	Exposed to Yield / Profit rate risk			Not exposed to Yield / Profit rate risk	Total
		Upto three months	More than three months and upto one year	More than one year				Upto three months	More than three months and upto one year	More than one year		
	%	(Rupees in '000)				%	(Rupees in '000)					
<b>On-balance sheet financial instruments</b>												
<b>Financial assets</b>												
Bank balances	3.00 - 7.00	311	-	-	-	311	3.00 - 7.00	2,709	-	-	-	2,709
Investments		-	-	-	103,815	103,815		-	-	-	120,934	120,934
Profit receivable		-	-	-	-	-		-	-	-	8	8
Advances and other receivable		-	-	-	107	107		-	-	-	-	-
<b>Sub total</b>		<b>311</b>	<b>-</b>	<b>-</b>	<b>103,922</b>	<b>104,233</b>		<b>2,709</b>	<b>-</b>	<b>-</b>	<b>120,942</b>	<b>123,651</b>
<b>Financial liabilities</b>												
Payable to the Management Company		-	-	-	17	17		-	-	-	22	22
Payable to the Trustee		-	-	-	9	9		-	-	-	10	10
Accrued expenses and other liabilities		-	-	-	724	724		-	-	-	334	374
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>750</b>	<b>750</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>366</b>	<b>406</b>
<b>On-balance sheet gap (a)</b>		<b>311</b>	<b>-</b>	<b>-</b>	<b>103,172</b>	<b>103,483</b>		<b>2,709</b>	<b>-</b>	<b>-</b>	<b>120,536</b>	<b>123,245</b>
<b>Off-balance sheet financial instruments</b>												
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total profit rate sensitivity gap (a) + (b)</b>		<b>311</b>	<b>-</b>	<b>-</b>	<b>103,172</b>	<b>103,483</b>		<b>2,709</b>	<b>-</b>	<b>-</b>	<b>120,536</b>	<b>123,245</b>
<b>Cumulative profit rate sensitivity gap</b>		<b>311</b>	<b>-</b>	<b>-</b>	<b>103,172</b>	<b>103,483</b>		<b>2,709</b>	<b>-</b>	<b>-</b>	<b>120,536</b>	<b>123,245</b>

Particulars	Conservative Allocation Plan											
	2023					2022						
	Effective yield / Profit rate	Exposed to Yield / Profit rate risk			Not exposed to Yield / Profit rate risk	Total	Effective yield / Profit rate	Exposed to Yield / Profit rate risk			Not exposed to Yield / Profit rate risk	Total
	Upto three months	More than three months and upto one year	More than one year			Upto three months	More than three months and upto one year	More than one year				
	%(Rupees in '000)											
<b>On-balance sheet financial instruments</b>												
<b>Financial assets</b>												
Bank balances	3.00 - 7.00	91	-	-	-	91	3.00 - 7.00	247	-	-	-	247
Investments		-	-	-	752	752		-	-	-	705	705
Profit receivable		-	-	-	1	1		-	-	-	1	1
Receivable against sale of investment		-	-	-	-	-		-	-	-	-	-
Advances and other receivable		-	-	-	136	136		-	-	-	-	-
<b>Sub total</b>		<b>91</b>	<b>-</b>	<b>-</b>	<b>889</b>	<b>980</b>		<b>247</b>	<b>-</b>	<b>-</b>	<b>706</b>	<b>953</b>
<b>Financial liabilities</b>												
Payable to the Management Company		-	-	-	-	-		-	-	-	-	-
Payable to the Trustee		-	-	-	-	-		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	207	207		-	-	-	241	241
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>207</b>	<b>207</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>241</b>	<b>241</b>
<b>On-balance sheet gap (a)</b>		<b>91</b>	<b>-</b>	<b>-</b>	<b>682</b>	<b>773</b>		<b>247</b>	<b>-</b>	<b>-</b>	<b>465</b>	<b>712</b>
<b>Off-balance sheet financial instruments</b>												
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total profit rate sensitivity gap (a) + (b)</b>		<b>91</b>	<b>-</b>	<b>-</b>	<b>682</b>	<b>773</b>		<b>247</b>	<b>-</b>	<b>-</b>	<b>465</b>	<b>712</b>
<b>Cumulative profit rate sensitivity gap</b>		<b>91</b>	<b>-</b>	<b>-</b>	<b>682</b>	<b>773</b>		<b>247</b>	<b>-</b>	<b>-</b>	<b>465</b>	<b>712</b>

### 21.1.3 Price risk

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

Presently, the HBL Islamic Financial Planning Fund - Active Allocation Plan (HBL IFPF - AAP) and Conservative Allocation Plan (HBL IFPF - CAP) are exposed to price risk due to their investment in the units of mutual funds. In case of 5% increase / (decrease) in the net asset value per unit of the investee funds, the total impact net asset value of HBL IFPF - AAP and HBL IFPF - CAP would be Rs. 5.191 million and Rs. 0.38 million (2022: 6.047 million and Rs. 0.35 million) respectively.

### 21.2 Credit risk

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

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

#### Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in units are settled / paid for upon delivery using the system of Trustee. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

21.2.1 The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2023:

Name of the bank	2023			
	Active Allocation Plan	Conservative Allocation Plan	Latest available published rating as at June 30, 2023	Rating agency
----- (Rupees in '000) -----				
<b>Savings accounts</b>				
Habib Bank Limited	295	78	AAA	VIS
Dubai Islamic Bank Pakistan Limited	9	13	AA	VIS
Bank Islamic Pakistan Limited	7	-	AA-	PACRA
	<b>311</b>	<b>91</b>		

Name of the bank	2022			
	Active Allocation Plan	Conservative Allocation Plan	Latest available published rating as at June 30, 2020	Rating agency
----- (Rupees in '000) -----				
<b>Savings accounts</b>				
Habib Bank Limited	2,695	223	AAA	VIS
Dubai Islamic Bank Pakistan Limited	7	9	AA	VIS
Bank Islamic Pakistan Limited	7	15	A+	PACRA
	<b>2,709</b>	<b>247</b>		

The maximum exposure to credit risk before considering any collateral as at June 30, 2023, is the carrying amount of the financial assets. Investments in units, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

21.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure:

Rating by rating category	2023		
	Active Allocation Plan	Conservative Allocation Plan	Total
----- (Percentage) -----			
AAA	94.86	85.71	0.93
AA	2.89	14.29	0.05
AA-	2.26	-	0.02

Rating by rating category	2022		
	Active Allocation Plan	Conservative Allocation Plan	Total
----- (Percentage) -----			
AAA	0.26	3.64	0.01
AA+	0.26	6.07	0.01
AA	99.48	90.29	0.98

### Concentration of credit risk

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

The Fund's bank balances are held with 3 (2022: 3) banks. Management believes that such banks are reputed institutions.

### 21.3 Liquidity risk

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

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

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. The Fund did not withhold any redemptions during the year.

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

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

	2023								Total
	Active Allocation Plan				Conservative Allocation Plan				
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	
(Rupees in '000)									
<b>Financial liabilities</b>									
Payable to the Management Company	17	-	-	17	-	-	-	-	17
Payable to the Trustee	9	-	-	9	-	-	-	-	9
Accrued expenses and other liabilities	724	-	-	724	207	-	-	207	931
	<u>750</u>	<u>-</u>	<u>-</u>	<u>750</u>	<u>207</u>	<u>-</u>	<u>-</u>	<u>207</u>	<u>957</u>
Unit holder's fund	<u>102,357</u>	<u>-</u>	<u>-</u>	<u>102,357</u>	<u>750</u>	<u>-</u>	<u>-</u>	<u>750</u>	<u>103,107</u>
2022									
	Active Allocation Plan				Conservative Allocation Plan				
	Up to three months	Over three months and up to one year	Over one year	Total	Up to three months	Over three months and up to one year	Over one year	Total	Total
(Rupees in '000)									
<b>Financial liabilities</b>									
Payable to the Management Company	22	-	-	22	-	-	-	-	22
Payable to the Trustee	10	-	-	10	-	-	-	-	10
Accrued expenses and other Liabilities	334	-	-	334	241	-	-	241	575
	<u>366</u>	<u>-</u>	<u>-</u>	<u>366</u>	<u>241</u>	<u>-</u>	<u>-</u>	<u>241</u>	<u>607</u>
Unit holder's fund	<u>123,338</u>	<u>-</u>	<u>-</u>	<u>123,338</u>	<u>725</u>	<u>-</u>	<u>-</u>	<u>725</u>	<u>124,063</u>

## 21.7 Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risk arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

## 22. UNITS HOLDERS' FUND RISK MANAGEMENT

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

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

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

## 23. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

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

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

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

		Active Allocation Plan						
		2023						
		Carrying amount			Fair value			
		Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investments	23.1	103,815	-	103,815	-	103,815	-	103,815
		<u>103,815</u>	<u>-</u>	<u>103,815</u>				
<b>Financial assets not measured at fair value</b>								
Bank balances	23.2	-	311	311				
Advances and other receivable		-	107	107				
Profit receivable		-	-	-				
		<u>-</u>	<u>418</u>	<u>418</u>				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	23.2	-	17	17				
Payable to the Trustee		-	9	9				
Accrued expenses and other liabilities		-	724	724				
		<u>-</u>	<u>750</u>	<u>750</u>				
		2022						
		Carrying amount			Fair value			
		Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investments	23.1	120,934	-	120,934	-	120,934	-	120,934
		<u>120,934</u>	<u>-</u>	<u>120,934</u>				
<b>Financial assets not measured at fair value</b>								
Bank balances	23.2	-	2,709	2,709				
Advances and other receivable		-	102	102				
Profit receivable		-	8	8				
		<u>-</u>	<u>2,819</u>	<u>2,819</u>				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	23.2	-	22	22				
Payable to the Trustee		-	10	10				
Accrued expenses and other liabilities		-	334	334				
		<u>-</u>	<u>366</u>	<u>366</u>				
		Conservative Allocation Plan						
		2023						
		Carrying amount			Fair Value			
		Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investments	23.2	752	-	752	-	752	-	752
		<u>752</u>	<u>-</u>	<u>752</u>				
<b>Financial assets not measured at fair value</b>								
Bank balances	23.2	-	91	91				
Advances and other receivable		-	136	136				
Profit receivable		-	1	1				
		<u>-</u>	<u>228</u>	<u>228</u>				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	23.2	-	-	-				
Payable to the Trustee		-	230	230				
Accrued expenses and other liabilities		-	230	230				
		<u>-</u>	<u>230</u>	<u>230</u>				
		2022						
		Carrying amount			Fair value			
		Fair value through profit and loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)						
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investments	23.2	705	-	705	-	705	-	705
		<u>705</u>	<u>-</u>	<u>705</u>				
<b>Financial assets not measured at fair value</b>								
Bank balances	23.2	-	247	247				
Preliminary expenses and flotation costs		-	-	-				
Advances and other receivable		-	18	18				
Profit receivable		-	1	1				
		<u>-</u>	<u>257</u>	<u>257</u>				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	23.2	-	-	-				
Payable to the Trustee		-	241	241				
Accrued expenses and other liabilities		-	241	241				
		<u>-</u>	<u>241</u>	<u>241</u>				

**23.1 Valuation techniques used in determination of fair values:**

For level 1 investments at fair value through profit or loss in units of mutual funds, Fund uses daily NAVs which are taken from MUFAP at reporting date.

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

23.3 Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

**24. LIST OF TOP TEN BROKERS/DEALERS OF PERCENTAGE OF COMMISSION PAID / PAYABLE**

There were no brokers during the year ended June 30, 2023.

**25. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

Details of members of the investment committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Mir Adil Rashid	Chief Executive Officer	BSc	25
Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	28
Wamiq Sakrani	Head of Fixed Income	MBA	14
Imad Ansari	Head of Risk	MBA	16
Umair Naseer	Head of Research	MBA	10
Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
Raza Abbas	Senior Fund Manager	M.Com	20
Abdul Samad Khanani	Senior Fund Manager	BBA	8

\* They are Joint Fund Managers of all other HBL funds managed by Management Company.

**26. PATTERN OF UNIT HOLDING**

Category	2023			
	No of unit holders	Number of units held	Investment amounts (Rupee in '000)	Percentage %
<b>Active Allocation Plan</b>				
Associated Companies	3	1,044,803	91,268	89.35
Retirement funds	1	33,323	2,911	2.84
Individuals	32	91,081	7,956	7.81
	<b>36</b>	<b>1,169,207</b>	<b>102,135</b>	<b>100.00</b>
<b>Conservative Allocation Plan</b>				
Individuals	17	7,982	739	100.00
	<b>17</b>	<b>7,982</b>	<b>739</b>	<b>100.00</b>
Category	2022			
	No of unit holders	Number of units held	Investment amounts (Rupee in '000)	Percentage %
<b>Active Allocation Plan</b>				
Associated Companies	1	12,039	1,049	0.84
Retirement funds	1	30,317	2,643	2.13
Insurance Companies	1	1,160,762	101,183	82.04
Individuals	25	211,782	18,463	14.99
	<b>28</b>	<b>1,414,900</b>	<b>123,338</b>	<b>100.00</b>
<b>Conservative Allocation Plan</b>				
Individuals	12	7,961	725	100.00
	<b>12</b>	<b>7,961</b>	<b>725</b>	<b>100.00</b>



**27. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

Six meetings of the Board of Directors were held on August 29,2022 , October 19, 2022, January 16,2023 ,January 23,2023 ,February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Shahid Ghaffar	6	6	-	-
2 Ms. Ava A. Cowasjee	6	6	-	-
3 Mr. Rayomond H. Kotwal	6	6	-	-
4 Mr. Abrar Ahmed Mir	6	2	4	August 29,2022, January 16,2023, January 23,2023, February 13,2023
5 Mr. Tariq Masaud	6	6	-	-
6 Mr. Abid Sattar	6	6	-	-
7 Mr. Khalid Malik	6	5	1	October 19,2022.

**28. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016, issued by the Securities and Exchange Commission of Pakistan, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the financial statements of CIS / the Fund. Further, limit for Fund of Fund is 2.5% in case management fee is charged and upto 0.5% incase no management fee is charged. The TER for the year ended June 30, 2023, is 1.40%, 1.52% (2022: 1.77%, 1.54%) which includes 0.04%, 0.03%, Nil (2022: 0.04%, 0.04%, Nil) representing Government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan respectively. During the year ended June 30, 2023 the HBL Islamic Financial Planning Fund - Conservative Allocation Plan was in breach of the TER of 2.5%, the details of which are disclosed in Note 7.2

**29. CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation, the effect of which is not material.

**30. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

**31. GENERAL**

Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

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

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

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

\_\_\_\_\_  
 Director



**HBL** Islamic Dedicated Equity Fund

<b>NAME OF FUND</b>	<b>HBL ISLAMIC DEDICATED EQUITY FUND</b>
<b>NAME OF TRUSTEE</b>	<b>Digital Custodian Company Limited</b>
<b>NAME OF AUDITORS</b>	<b>Yousuf Adil Chartered Accountants</b>
<b>NAME OF SHARIAH ADVISORS</b>	<b>Al - Hilal Shariah Advisors (Pvt.) Limited</b>
<b>NAME OF BANKERS</b>	<b>Bank Islami Pakistan Limited Allied Bank Limited Dubai Islamic Bank Limited</b>

**FUND MANAGER'S REPORT – HBL ISLAMIC DEDICATED EQUITY FUND**

**Type and Category of Fund**

Open end Shariah Compliant Dedicated Equity Fund

**Investment Objective and Accomplishment of Objective**

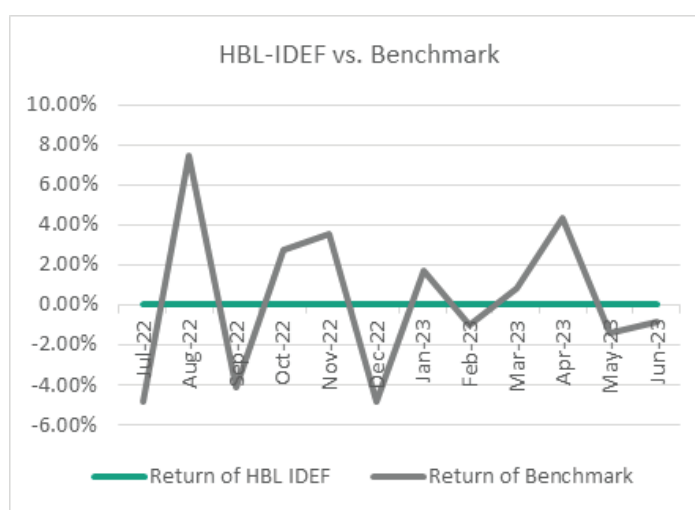
The objective of the Fund is to provide capital appreciation to investors of 'Fund of Funds' schemes by investing in Shariah compliant equity securities.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KMI 30 Index.

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

Month	Return of Fund	
	HBL-IDEF	Benchmark
Jun-23	0.00%	-1.83%
May-23	0.00%	-5.36%
Apr-23	0.00%	1.50%
Mar-23	0.00%	1.06%
Feb-23	0.00%	-1.96%
Jan-22	0.00%	2.66%
Dec-22	0.00%	-2.08%
Nov-22	0.00%	-1.81%
Oct-22	0.00%	3.11%
Sep-22	0.00%	-6.86%
Aug-22	0.00%	1.81%
Jul-22	0.00%	-0.47%



**Strategies and Policies employed during the Year**

Since, all the units of the Fund were redeemed by the end of the year, the Fund size of the Fund stands zero as at June 30, 2023.

**Asset Allocation**

Since, Fund size of the Fund stands zero. There were no asset allocation.

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

Following table shows sector wise allocation of equity investments of Fund as on June 30, 2023 and June 30, 2022:

Sector Name	As on Jun 2023	As on Jun 2022
Cash	0.00%	0.00%
Others Including Receivables	0.00%	0.00%
Cement	0.00%	0.00%
Oil & Gas Marketing	0.00%	0.00%
Oil & Gas Exploration	0.00%	0.00%
Fertilizer	0.00%	0.00%
Pharmaceuticals	0.00%	0.00%
Others	0.00%	0.00%
<b>Total</b>	<b>N/A</b>	<b>N/A</b>

## Fund Performance

During the period under review, the Islamic Dedicated Equity Fund remained inactive for the tenure and its fund size stands nil as all units were redeemed by Fund of Fund Plans managed by the Company as disclosed in note 1.8 to the financial statements of the Fund.

## Market Review

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2023.

## Significant Changes in the State of Affairs

The Fund size as at June 30, 2023 stands zero as all the units of the Fund were redeemed.

## Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	-	-
101 – 500	-	-
501 – 1,000	-	-
1,001 – 10,000	-	-
10,001 – 100,000	-	-
100,001 – 500,000	-	-
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	-	-

### **Unit Splits**

There were no unit splits during the year.

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

Investments are subject to market risk.

### **Soft Commission**

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

# PERFORMANCE TABLE - HBL ISLAMIC DEDICATED EQUITY FUND

	For the period ended June 30,2023	For the period ended June 30,2022	For the period ended June 30,2021	For the period ended June 30,2020	For the period ended June 30,2019
Net assets at the period end(Rs'000)	-	-	-	27,437	116,580
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>					
Redemption	N/A	N/A	N/A	87.5443	83.8322
Offer	N/A	N/A	N/A	87.5443	83.8322
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>					
Highest offer price per unit	N/A	N/A	107.1456	106.9964	108.5677
Lowest offer price per unit	N/A	N/A	89.8588	68.2277	80.6086
Highest redemption price per unit	N/A	N/A	107.1456	106.9964	108.5677
Lowest redemption price per unit	N/A	N/A	89.8588	68.2277	80.6086
<b>RETURN ( % )</b>					
Total return	N/A	N/A	7.85%	4.43%	-16.17%
Income distribution	N/A	N/A	0.00%	0.00%	0.00%
Capital growth	N/A	N/A	7.85%	4.43%	-16.17%
<b>DISTRIBUTION</b>					
Final dividend distribution- Rs				-	-
Date of Income Distribution				-	-
Total dividend distribution for the year/ period				-	-
<b>AVERAGE RETURNS ( % )</b>					
Average annual return 1 year	0%	0%	7.85%	4.43%	-16.17%
Average annual return 2 year	0.00%	3.85%	6.13%	-6.44%	0.00%
Average annual return 3 year	2.55%	4.04%	-1.90%	0.00%	0.00%
<b>PORTFOLIO COMPOSITION (%)</b>					
Percentage of Total Assets as at 30 June:					
Bank Balances	0.00%	0.00%	0.00%	1.38%	5.85%
GoP Ijarah Sukuks	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	-
Corporate Sukuks	-	-	-	-	-
Stock / Equities	0.00%	0.00%	0.00%	71.30%	85.88%
Others	0.00%	0.00%	0.00%	27.32%	8.27%

**Note:**

The Launch date of the Fund is October 01, 2018

**Disclaimer:**

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



## Summary of Actual Proxy voted by CIS

HBL IDEF	Meetings	Resolutions	For	Against
Number	0	0	0	-
(%ages)		-	-	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Aisha Steel Mills Ltd	28-10-20	
Amreli Steels Limited	27-10-20	
Attock Cement Pakistan Ltd	22-10-20	
Attock Refinery Ltd	19-10-20	
Avanceon Limited		12-01-21
Azgard Nine Ltd	28-10-20	
BankIslami Pakistan Limited	30-03-21	11-02-21
Cherat Cement Company Ltd.	27-10-20	
Clover Pakistan Limited	20-01-2021	
D G Khan Cement Co.Ltd.	28-10-20	
Engro Corporation Ltd		
Engro Fertilizers Limited	30-03-21	
Engro Polymer & Chemicals Ltd		
Fauji Fertilizer Bin Qasim Ltd	29-03-21	(09/09/2020)(25-11-2020)
Fauji Fertilizer Co Ltd	18-03-21	06-11-20
Fauji Foods Limited	25-03-21	
General Tyre & Rubber Co of Pakistan Ltd	28-10-20	20-08-20
GlaxoSmithKline Pakistan Ltd		
Gul Ahmed Textile Mills Ltd	28-10-20	
Hascol Petroleum Ltd	11-08-20	(08/09/2020)(23-02-2021)
Highnoon Laboratories Limited		
Hub Power Company Ltd	24-09-20	
IGI Holdings Limited		
Interloop Limited	15-10-20	10-12-20
International Industries Ltd	30-09-20	
International Steels Limited	29-09-20	
K-Electric Limited	26-11-20	
Kohat Cement Ltd	28-10-20	
Lucky Cement Ltd	29-09-20	
Maple Leaf Cement Factory Ltd	27-10-20	
Mari Petroleum Company Ltd	29-09-20	
Mughal Iron & Steel Inds Ltd	28-10-20	
National Refinery Ltd	22-10-20	
Netsol Technologies	23-10-20	
Nimir Resins Limited	21-10-20	
Nishat (Chunian) Ltd		
Nishat Mills Ltd	28-10-20	15-12-20
Oil & Gas Development Co Ltd	28-10-20	17-03-21
Pak Elektron Ltd		
Pak Suzuki Motor Company Limited		29-01-2021
Pakistan National Shipping Corp Ltd	26-10-20	
Pakistan Oilfields Ltd	19-10-20	
Pakistan Petroleum Ltd	26-10-20	23-12-20
Pakistan State Oil Company Ltd	21-10-20	
Pioneer Cement Limited	28-10-20	
Sitara Chemical Industries Limited	26-10-20	
Sui Northern Gas Pipeline Ltd	15-08-20	
Systems Limited	31-03-2021	03-12-20
Tariq Glass Industries Ltd		
Thal Limited	22-10-20	
The Organic Meat Company Limited	27-10-20	
The Searle Company Ltd	28-10-20	
TPL Properties Ltd	27-10-20	
TPL Trakker Limited	26-10-20	
TRG Pakistan Ltd	27-11-20	
Unity Foods Limited	23-10-20	22-03-21
Waves Singer Pakistan Limited		(11/08/2020)(09-09-2020)
WorldCall Telecom Ltd	30-07-20	



مستشارت اور ادارت

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### HBL ISLAMIC DEDICATED EQUITY FUND

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

HBL Islamic Dedicated Equity Fund, an open-end Scheme established under a Trust Deed dated June 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and Digital Custodian Company Limited, as the Trustee. The Fund was authorized by Securities and Exchange Commission of Pakistan on July 4, 2018.

1. HBL Asset Management Company Limited, the Management Company of HBL Islamic Dedicated Equity Fund has, in all material respects, managed HBL Islamic Dedicated Equity Fund during the year ended June 30, 2023 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement.
2. Statement on the shortcoming(s) that may have impact on the decision of the existing or the potential unit holders remaining or investing in the Collective Investment Scheme; and

#### Statement

No short coming has been addressed during the year ended June 30, 2023.

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*DKL*



Monetize Your Assets

- 1) Disclosure of the steps taken to address the shortcoming(s) or to prevent the recurrence of the shortcoming(s).

**Disclosure of the steps**

We have critically examine the fund in accordance with circular, directives, NBFC Regulations 2008 and its constitutive documents. However, no shortcoming has been addressed.

- 1) Trustee's opinion regarding the calculation of the management fee, CIS Monthly Fee Payable to the Commission and other expenses in accordance with the applicable regulatory framework.

**Trustee Opinion**

"The Management fee, CIS monthly fee payable to the Commission and other expenses has been accurately calculated in accordance with the NBFC Regulations, 2008 and its constitutive documents".

Dabeer Khan  
Manager Compliance  
Digital Custodian Company Limited

Karachi, September 25, 2023

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ASSET MANAGEMENT LTD.  
إيسيت مينجمنت لميٹڈ

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Dedicated Equity Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2023. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 25, 2023

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

UAN (021) 111-425-262  
Fax (021) 35168455  
www.hblasst.com

September 26, 2023

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Islamic Dedicated Equity Fund (HBL-IDEF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

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

والله أعلم بالصواب، وصلى الله على نبينا محمد وعلى آله وصحبه وبارك وسلم

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



Mufti Irshad Ahmad Aijaz  
Member Shariah Council



Faraz Younus Bandukda, CFA  
Chief Executive

## INDEPENDENT AUDITOR'S REPORT

### To the Board of Directors of the Management Company

#### Report on the audit of the financial statements

##### Opinion

We have audited the financial statements of **HBL Islamic Dedicated Equity Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

##### Basis for opinion

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

##### Emphasis of matter paragraph

We draw attention to note 1.8 to the financial statements, which explains that the annexed financial statements have been prepared on other than going concern basis for the reason specified in that note. Our opinion is not modified in respect of this matter.

##### Information other than the financial statements and auditor's report thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our audit report.

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

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





## Responsibilities of Management Company and Board of Directors for the financial statements

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

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

Board of Directors of the Management Company are responsible for overseeing the Fund's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

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

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

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

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



# YOUSUF ADIL

Yousuf Adil  
Chartered Accountants

## Report on other legal and regulatory requirements

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

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

*Yousuf Adil*  
Chartered Accountants

Place: Karachi

Dated: September 25, 2023

UDIN: AR202310057K8bv4JnjF

## **Independent Reasonable Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles**

### **1. Introduction**

We were engaged by the Board of Directors of HBL Asset Management Company Limited, Management Company of HBL Islamic Dedicated Equity Fund (the Fund) to report on Fund's compliance with the as set out in the annexed statement prepared by the Management Company for the year ended June 30, 2023, in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly the status of the Fund's Compliance with Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.

### **2. Applicable criteria**

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

The above criteria were evaluated for their implementation on the financial statements of the Fund for the year ended June 30, 2023.

### **3. Responsibilities of the Management Company**

Management Company is responsible for the preparation of the annexed statement that is free from material misstatement and for the information contained therein.

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

### **4. Our independence and quality control**

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

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements professional standards and applicable legal and regulatory requirements.



#### 5. Our responsibilities

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

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

The procedures performed included performing test of controls around making investments, maintaining bank accounts and transferring non-shariah compliant income to charity in accordance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor.

#### 6. Conclusion

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

In our opinion, the annexed statement, for the year ended June 30, 2023, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor, in all material respects.



Yousuf Adil  
Chartered Accountants

Date: September 27, 2023  
Place: Karachi

# HBL Islamic Dedicated Equity Fund

## Statement of Assets and Liabilities

As at June 30, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 -----
<b>ASSETS</b>			
<b>Current assets</b>			
Bank balances	5	691	427
Profit receivable		14	7
Preliminary expenses and floatation costs	6	-	275
Advances, deposits and other receivables	7	6,084	6,064
<b>Total assets</b>		<b>6,789</b>	<b>6,773</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payable to the Management Company	8	6,195	6,195
Accrued expenses and other liabilities	9	594	578
<b>Total liabilities</b>		<b>6,789</b>	<b>6,773</b>
<b>NET ASSETS</b>			
		-	-
<b>UNIT HOLDERS' FUND (AS PER STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND)</b>			
		-	-
<b>Contingencies and commitments</b>			
		----- Number of units -----	
<b>Number of units in issue</b>	11	-	-
		----- Rupees -----	
<b>Net assets value per unit</b>		-	-

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

# HBL Islamic Dedicated Equity Fund

## Income Statement

For the year ended June 30, 2023

	Note	2023 ----- (Rupees in '000) -----	2022 -----
<b>INCOME</b>			
Profit on bank deposits		104	114
<b>Total income</b>		<b>104</b>	<b>114</b>
<b>EXPENSES</b>			
Remuneration of the Trustee		-	17
Amortisation of preliminary expenses and floatation costs	6	275	335
Auditors' remuneration	15	422	422
Shariah advisory fee		-	8
Brokerage expense		-	15
Legal and Professional Charges		-	167
Printing and stationary charges		-	1
Securities transaction costs		310	461
Reimbursement from HBL Asset Management Limited		(903)	(610)
<b>Total expenses</b>		<b>104</b>	<b>816</b>
<b>Net income from operating activities</b>		-	(702)
Reversal of provision of Sindh Workers' Welfare Fund		-	702
<b>Net income for the year before taxation</b>		-	-
Taxation	12	-	-
<b>Net income for the year after taxation</b>		-	-
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		-	-
Income already paid on redemption of units		-	-
		-	-
<b>Accounting income available for distribution:</b>			
- Relating to capital gain		-	-
- Excluding capital gain		-	-
		-	-
<b>Earnings per unit</b>	13		

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

**HBL Islamic Dedicated Equity Fund**  
**Statement of Comprehensive Income**  
*For the year ended June 30, 2023*

	2023	2022
	----- (Rupees in '000) -----	
Net income for the year after taxation	-	-
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>-</u>	<u>-</u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

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

**HBL Islamic Dedicated Equity Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2023

	2023			2022		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
	----- (Rupees in '000) -----					
<b>Net assets at beginning of the year</b>	92,140	(92,140)	-	92,140	(92,140)	-
Issuance of nil units (2022: nil units)						
- Capital value	-	-	-	-	-	-
- Element of income	-	-	-	-	-	-
Total proceeds on issuance of units	-	-	-	-	-	-
Redemption of nil units (2022: nil units)						
- Capital value	-	-	-	-	-	-
- Element of loss	-	-	-	-	-	-
Total payments on redemption of units	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-
<b>Net assets at end of the year</b>	<b>92,140</b>	<b>(92,140)</b>	<b>-</b>	<b>92,140</b>	<b>(92,140)</b>	<b>-</b>
<b>Accumulated loss brought forward comprising of:</b>						
- Realised		(92,140)			(92,140)	
- Unrealised		-			-	
		(92,140)			(92,140)	
Accounting income available for distribution		-			-	
<b>Accumulated loss carried forward</b>		<b>(92,140)</b>			<b>(92,140)</b>	
<b>Accumulated loss carried forward comprising of:</b>						
- Realised		(92,140)			(92,140)	
- Unrealised		-			-	
		(92,140)			(92,140)	
			--- Rupees ---			--- Rupees ---
<b>Net assets value per unit at beginning of the year</b>			-			-
<b>Net assets value per unit at end of the year</b>			-			-

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

Chief Financial Officer

Chief Executive Officer

Director



# HBL Islamic Dedicated Equity Fund

## Cash Flow Statement

For the year ended June 30, 2023

	2023	2022
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	-	-
<b>Adjustments for:</b>		
Profit on bank deposits	(104)	(114)
Amortisation of Preliminary expense and floatation costs	275	335
Reversal of provision of Sindh Workers' Welfare Fund	-	(702)
	<u>171</u>	<u>(481)</u>
<b>Decrease / (Increase) in assets</b>		
Advances, deposits and other receivables	(20)	(642)
<b>Increase / (Decrease) in liabilities</b>		
Payable to the Trustee	-	(78)
Payable to Securities and Exchange Commission of Pakistan	-	(3)
Accrued expenses and other liabilities	16	50
	<u>16</u>	<u>(31)</u>
Profit received on bank deposits	97	123
Dividend income received	-	4
<b>Net cash generated from / (used in) operating activities</b>	<u>264</u>	<u>(1,027)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issuance of units	-	-
Payment against redemption of units	-	-
<b>Net cash used in financing activities</b>	<u>-</u>	<u>-</u>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	<u>264</u>	<u>(1,027)</u>
Cash and cash equivalents at beginning of the year	<u>427</u>	<u>1,454</u>
<b>Cash and cash equivalents at end of the year</b>	<u><u>691</u></u>	<u><u>427</u></u>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

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

- 1.1 HBL Islamic Dedicated Equity Fund (the Fund) was established under a Trust Deed, dated June 22, 2017, executed between HBL Asset Management Limited as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan as a unit trust scheme on July 04, 2018.
- 1.2 The Management Company of the Fund has been registered as Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi, Pakistan.
- 1.3 The Fund is an open-ended mutual fund. Only Fund of Funds and allocation plans under fund of funds schemes may submit the application for purchase of units.
- 1.4 The principal activity of the Fund is to provide capital appreciation to investors schemes by investing in shariah compliant equity securities.
- 1.5 VIS Credit Rating Company has assigned an asset manager rating of 'AM1' (stable outlook) to the Management Company on December 31, 2022. However, the Management Company has not obtained the Fund's rating as at June 30, 2023.
- 1.6 Title to the assets of the Fund are held in the name of MCB Financial Services Limited as Trustee of the Fund.
- 1.7 Pursuant to the enactment of the Sindh Trusts Act, 2020 (as amended vide Sindh Trusts (Amended) Act, 2021), the Trusts including Collective Investment Schemes, Private Funds, etc., being Specialised Trusts are required to be registered with the Assistant Directorate of Industries and Commerce (Trust Wing), Government of Sindh under Section 12 of the Sindh Trusts Act, 2020 (as amended vide Sindh Trusts (Amended) Act, 2021). In this regard, the Fund Manager submitted restated Trust Deed of the Fund which was duly registered on August 17, 2021.
- 1.8 The Fund's objective is to provide investment avenues to the fund of funds and allocation plans under fund of funds schemes managed by the Management Company, it may become zero as allowed under the terms of its Offering Document. The Fund's investors can only be other collective schemes, managed by the Management Company. The Management Company has decided not to invest in the fund through other collective schemes managed by them and during the current year, consequently they intend to wind up the fund.

In view of above, the Fund is not considered a going concern. Accordingly and these financial statements have been prepared on basis other than going concern, as explained in note 2.2.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and

- NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'Non-Banking Finance Companies Regulations') and requirements of the Trust Deed.

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

## **2.2 Basis of measurement**

As disclosed in note 1.8 to the financial statements, the Fund is not considered a going concern, therefore, these financial statements have been prepared on a basis other than going concern, which is as follows:

- All assets are measured at the lower of its carrying amount and fair value less costs to sell (i.e. realizable value); and
- All liabilities are stated at amount payable.

While preparing the financial statements on aforementioned basis, management has applied the approved accounting standards as applicable in Pakistan, as disclosed in note 2.1

## **2.3 Functional and presentation currency**

These financial statements are presented in Pakistan Rupees, which is the functional and presentation currency of the Fund. All amounts have been rounded to the nearest thousands of Rupee, unless otherwise indicated.

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

The preparation of financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. However, during the current year, there were no areas of significant assumptions and estimates to the Fund's financial statements or where judgment was exercised in the application of accounting policies.

## **3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO THE PUBLISHED APPROVED ACCOUNTING STANDARDS**

### **3.1 New amendments that are effective for the year ended June 30, 2023**

The following amendments are effective for the year ended June 30, 2023. These interpretations are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

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

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022

**3.2 New amendments that are not yet effective**

The following amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

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

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IAS 12 'Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 9 'Financial instruments' - Supplier Finance Arrangements	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the impacts disclosed in note 2.2.

##### 4.1 Cash and cash equivalents

Cash comprises savings accounts with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant change in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

##### 4.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

###### 4.2.1 Financial assets

###### 4.2.1.1 Classification and measurement of financial assets

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

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

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

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

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

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

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.
<b>Financial assets at amortised Cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income, foreign exchange gains and losses and impairment are recognised in income statement.

#### **4.2.1.2 Impairment of financial assets**

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

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets mainly include investment, deposits and profit receivable, and bank balances.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012 dated October 24, 2012 in relation to impairment of debt securities.

#### **4.2.1.2.3 Regular way contracts**

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

#### **4.2.1.4 Derecognition**

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

#### **4.2.2 Classification and measurement of Financial liabilities**

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

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

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

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

#### **4.3 Issue and redemption of units**

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

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

#### **4.4 Provisions**

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

#### **4.5 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by accumulated losses and capital gains, whether realised or unrealised, is distributed in cash to the unit holders (excluding distribution made by issuance of bonus units).

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.6 Net assets value per unit**

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

#### **4.7 Distribution to the unit holders**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

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

An equalisation account called the element of income / (loss) included in prices of units sold less those in units redeemed is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.



Further, the element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the Fund.

#### 4.9 Revenue recognition

- Gain / (loss) arising on sale of investments are included in the 'income statement' on the date at which the sale transaction takes place.
- Unrealised gain / (loss) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the 'income statement' in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on bank balances is recognised on a time proportionate basis using bank's approved rates.

#### 4.10 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the income statement on an accrual basis.

#### 4.11 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represents expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchange and other expenses. These costs are amortised over a period of five years commencing from the date of operations as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

	2023	2022
Note	----- (Rupees in '000) -----	
<b>5. BANK BALANCES</b>		
Savings accounts	5.1 <u>691</u>	<u>427</u>

5.1 The balance in savings accounts carry mark up at the rates ranging from 14.24% to 19.25% (2022: 6.8% to 13.94%) per annum.

	2023	2022
Note	----- (Rupees in '000) -----	
<b>6 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		
Opening balance	275	610
Amortised during the year	<u>(275)</u>	<u>(335)</u>
Closing balance	<u>-</u>	<u>275</u>

6.1 This represents all expenses incurred in connection with the incorporation, registration, establishment and authorization of the fund which is being amortized by the Fund over the period of five years commencing from October 01, 2018 in accordance with the Trust Deed and the NBFC Regulations.

		2023	2022
	Note	----- (Rupees in '000) -----	
<b>7.</b>	<b>ADVANCES, DEPOSITS AND OTHER RECEIVABLES</b>		
	Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
	Security deposit with Central Depository Company of Pakistan Limited	100	100
	Advance tax	-	2,854
	Receivable from HBL Asset Management	3,484	610
		<u>6,084</u>	<u>6,064</u>

**7.1** This includes balances pertaining to expenses and floatation cost and advance tax amounting to Rs 0.616 million (June 30, 2022: Rs 0.610 million) and 2.868 million respectively.

		2023	2022
		----- (Rupees in '000) -----	
<b>8.</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
	Remuneration of the Management Company	169	169
	Sindh Sales Tax on remuneration of the Management Company	22	22
	Allocation of expenses related to registrar services, accounting, operation and valuation services	16	16
	Other payable to the Management Company	5,988	5,988
		<u>6,195</u>	<u>6,195</u>

**8.1** As per the offering document of the Fund the maximum limit of management fee is 3% per annum of Average Annual Net Assets.

**8.2** The Sindh Government has levied Sindh Sales Tax (SST) at the rate of 13% (2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

**8.3** In accordance with Regulation 60 of the NBFC Regulations, the Management Company has charged expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS). For the current year, no expense is charged since average net assets of the Fund were nil (June 30, 2022: nil).

**8.4** This represents interest-free loan of Rs. 6 million from Management Company to the Fund repayable on demand net off debit balance of Rs. 0.012 million. There arose a debit balance of Rs. 0.012 million at end of the year as a result of reversal of Rs. 0.215 million, due to excess selling and marketing expense charged to the Fund by Management Company in prior year.

		2023	2022
		----- (Rupees in '000) -----	
<b>9.</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Auditors' remuneration	569	553
	Payable to National Clearing Company of Pakistan Limited	25	25
		<u>594</u>	<u>578</u>

**10. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments outstanding as at June 30, 2023 and June 30, 2022.

	2023	2022
	----- (Rupees in '000) -----	
<b>11. AUDITORS' REMUNERATION</b>		
Audit fee	315	315
Fee for half yearly review	84	84
Shariah compliance audit fee	10	10
Other certifications and out of pocket expenses	12	12
	<u>422</u>	<u>422</u>

**12. 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 period as reduced by accumulated losses and capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. No provision for taxation has been recognised during the year as the Fund has already distributed net income to unit-holders while making payments on redemptions.

**13. EARNINGS PER UNIT**

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

**14. FINANCIAL INSTRUMENTS BY CATEGORY**

	2023		
	At fair value through profit or loss	Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Financial assets</b>			
Bank balances	-	691	691
Profit receivable	-	14	14
Deposits and other receivables	-	6,084	6,084
	<u>-</u>	<u>6,789</u>	<u>6,789</u>
<b>Financial liabilities</b>			
Payable to the Management Company	-	6,173	6,173
Accrued expenses and other liabilities	-	594	594
	<u>-</u>	<u>6,767</u>	<u>6,767</u>

	2022		
	At fair value through profit or loss	Amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial assets</b>			
Bank balances	-	427	427
Profit receivable	-	7	7
Deposits	-	3,210	3,210
	-	3,644	3,644
<b>Financial liabilities</b>			
Payable to the Management Company	-	6,173	6,173
Payable to the Trustee	-	-	-
Accrued expenses and other liabilities	-	578	578
	-	6,751	6,751

#### 15. TRANSACTIONS / BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include HBL Asset Management Limited (HBL-AML) being the Management Company of the Fund, Habib Bank Limited (HBL) being the Sponsor, (holding 100% shares of HBL Asset Management Limited), MCB Financial Services Limited (MCBFSL) being the Trustee of the Fund, other associated companies of HBL, HBL-AML and its subsidiaries, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

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

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

	2023	2022
	----- (Rupees in '000) -----	
<b>15.1 Transactions during the period</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Reimbursement of expenses	903	611
<b>MCB Financial Services Limited - Trustee</b>		
Trustee remuneration including sales tax thereon	-	17

2022                      2021  
----- (Rupees in '000) -----

**15.2 Amounts outstanding as at year end**

**HBL Asset Management Limited - Management Company**

Management remuneration payable including sales tax thereon	191	191
Allocation of expenses related to registrar services, accounting, operation and valuation services	16	16
Other payable	5,988	5,988
Receivable From HBL Asset Management Company	3,484	610

**16. PARTICULARS OF INVESTMENT COMMITTEE**

Details of members of the investment committee of the Fund are as follow:

S. No.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	24 + years
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27 + years
3	Wamiq Sakrani	Head of Fixed Income	MBA	13 + years
4	Imad Ansari	Head of Risk	MBA	16 + years
5	Umair Naseer	Head of Research	MBA	10 + years
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15 years
7	Raza Abbas	Senior Fund Manager	M.Com	20 years
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7 + years

**17. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

There were no transactions with the brokers or dealers during the year.

**18. PATTERN OF UNIT HOLDING**

The Fund has redeemed all of its units held on March 15, 2021 after which there has been no unit holder left in the Fund.

**19. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

Six meetings of the Board of Directors were held on August 29, 2022 , October 19, 2022, January 16, 2023 ,January 23, 2023 ,February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S. No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29,2022, January 16,2023, January 23,2023, February 13,2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19,2022.

## 20. FINANCIAL RISK MANAGEMENT

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

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

The Fund primarily invests in equity instruments that are carried at fair value through profit and loss.

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

### 20.1 Market risk

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

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

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

#### 20.1.1 Currency risk

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

#### 20.1.2 Interest rate risk

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

**a) Cash flow interest rate risk**

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 0.00691 million (2022: Rs. 0.004 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

**b) Fair value interest rate risk**

The Fund does not hold any fixed rate financial assets and liabilities. Therefore, a change in interest rates at the reporting date would not affect net income for the year.

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

As at June 30, 2023					
Exposed to yield / interest rate risk					
Yield / interest rate	Total	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk
%	(Rupees in '000)				
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	14.24% to 19.25%	691	691	-	-
Dividend receivable and accrued mark-up		14	-	-	14
Deposits and Other receivable		6,084	-	-	6,084
		6,789	691	-	6,098
<b>Financial liabilities</b>					
Payable to the Management Company		6,173	-	-	6,173
Payable to the Trustee		-	-	-	-
Accrued expenses and other liabilities		594	-	-	594
		6,767	-	-	6,767
<b>On-balance sheet gap</b>		22	691	-	(669)
<b>Off-balance sheet financial instruments</b>					
		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-

As at June 30, 2022					
Exposed to yield / interest rate risk					
Yield / interest rate	Total	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest rate risk
%	Rupees in '000				
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	6.8% to 13.94%	427	427	-	-
Profit receivable		7	-	-	7
Deposits and other receivable		3,210	-	-	3,210
		3,644	427	-	3,217
<b>Financial liabilities</b>					
Payable to the Management Company		6,173	-	-	6,173
Payable to the Trustee		-	-	-	-
Accrued expenses and other liabilities		578	-	-	578
		6,751	-	-	6,751
<b>On-balance sheet gap</b>		(3,107)	427	-	(3,534)
<b>Off-balance sheet financial instruments</b>					
		-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-



## 20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from bank balances, dividend receivable, profit receivable, deposits and other receivables.

### Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

The analysis below summarises the credit quality of the bank balances and profit thereon:

Name of the bank	Balance as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
Rupees in '000'			
<b>Savings accounts</b>			
Bank Islami Pakistan Limited	685	A-1	PACRA
Dubai Islamic Bank Pakistan Limited	10	A-1+	VIS
Allied Bank Limited	10	A-1+	PACRA
	705		

Name of the bank	Balance as at June 30, 2022	Latest available published rating as at June 30, 2022	Rating agency
Rupees in '000'			
<b>Savings accounts</b>			
Bank Islami Pakistan Limited	414	A1	PACRA
Dubai Islamic Bank Pakistan Limited	10	A-1+	VIS
Allied Bank Limited	10	A1+	PACRA
	434		

Other exposure to credit risks are as follows:

	2023	2022
	----- (Rupees in '000) -----	
Deposits	2,600	2,600
Receivable From HBL Asset Management Company	3,484	610

The maximum exposure to credit risk before considering any collateral as at June 30, 2023 and June 30, 2022 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

### Concentration of credit risk

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

The Fund's major bank balance is held with one Bank. Management believes that such bank is a reputed institution.

The Fund's maximum exposure to credit risk is the carrying amounts of following financial assets.

	2023		2022	
	Rupees in '000	%	Rupees in '000	%
Commercial banks (including profit due)	705	10%	434	12%
National Clearing Company of Pakistan Limited - security deposit	2,500	37%	2,500	69%
Central Depository Company of Pakistan Limited - security deposit	100	1%	100	3%
Other Receivables	3,484	51%	610	17%
	<b>6,789</b>	<b>100%</b>	<b>3,644</b>	<b>100%</b>

### 20.3 Liquidity risk

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

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

	Carrying value	Less than 1 month	Within 3 months	Total
<b>June 30, 2023</b>				
----- (Rupees in '000) -----				
<b>Financial liabilities</b>				
Payable to the Management Company	6,195	6,195	-	6,195
Accrued expenses and other liabilities	594	594	-	594
	<b>6,789</b>	<b>6,789</b>	-	<b>6,789</b>
<b>June 30, 2022</b>				
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	6,195	6,195	-	6,195
Accrued expenses and other liabilities	578	578	-	578
	<b>6,773</b>	<b>6,773</b>	-	<b>6,773</b>

Above financial liabilities do not carry any mark-up and are unsecured.

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

The units holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

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

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

In accordance with the risk management policies, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

## **22. 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 reporting date. The quoted market price used for financial assets held by the Fund is current bid price.

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

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

- 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 or indirectly (level 2).
- There are no financial instrument that are measured at fair value
- Unobservable inputs for the asset or liability (level 3).

There are no financial instruments at fair value as at June 30, 2023.

**23. TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2023 is nil (2022: nil) which includes nil (2022: nil) representing government levy and SECP fee.

**24. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on August 25, 2023.

**25. CORRESPONDING FIGURES**

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

**26. GENERAL**

Figure have been rounded off to the nearest thousand Rupees, unless otherwise stated.

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

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



**HBL** LiveStock Fund

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL LIVESTOCK FUND</b>
<b>NAME OF TRUSTEE</b>	Digital Custodian Company Limited
<b>NAME OF AUDITOR</b>	BDO Ebrahim & Co. Chartered Accountants
<b>NAME OF SHARIAH ADVISORS</b>	Al - Hilal Shariah Advisors (Pvt.) Limited
<b>NAME OF BANKERS</b>	Habib Bank Limited Bank Al Baraka Limited



DIGITAL  
CUSTODIAN  
COMPANY

شركة الحفظ الرقمي

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### HBL LIVESTOCK FUND

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

HBL Livestock Fund, a closed-end Shariah Compliant Livestock scheme established under a Trust Deed dated November 29<sup>th</sup>, 2022 executed between HBL Asset Management Company Limited, as the Management Company and Digital Custodian Company Limited, as the Trustee. The Fund commenced its operations from April 14, 2023.

1. HBL Asset Management Company Limited, the Management Company of HBL Livestock Fund has, in all material respects, managed HBL Livestock Fund during the period ended June 30, 2023 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement.
2. Statement on the shortcoming(s) that may have impact on the decision of the existing or the potential unit holders remaining or investing in the Collective Investment Scheme; and

#### Statement

No short coming has been addressed during the period ended June 30, 2023.

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رقم مودع 029/فان/أب/2023

Disclosure of the steps taken to address the shortcoming(s) or to prevent the recurrence of the shortcoming(s).

**Disclosure of the steps**

We have critically examine the fund in accordance with circular, directives, NBFC Regulations 2008 and its constitutive documents. However, no shortcoming has been addressed.

Trustee's opinion regarding the calculation of the management fee, CIS Monthly Fee Payable to the Commission and other expenses in accordance with the applicable regulatory framework.

**Trustee Opinion**

"The Management fee, CIS monthly fee payable to the Commission and other expenses has been accurately calculated in accordance with the NBFC Regulations, 2008 and its constitutive documents".

Dabeer Khan  
Manager Compliance  
Digital Custodian Company Limited

Karachi: September 25, 2023

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**STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES**

HBL Livestock Fund (the fund) has fully complied with the Shariah Principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during the year ended June 30, 2023. This has been duly confirmed by the Shariah Advisor of the Fund.

**Mir Adil Rashid**

Chief Executive Officer

Dated: August 25, 2023

HBL Asset Management Limited  
Head Office  
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Main Clifton Road,  
Clifton, Karachi

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September 26, 2023



الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in HBL Live Stock Fund (HBL-LSF) managed by HBL Asset Management Company Limited are halal and in accordance with Shariah principles.

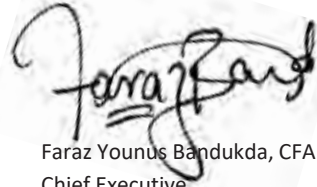
May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

والله أعلم بالصواب، وصلى الله على نبينا محمد وعلى آله وصحبه وبارك وسلم

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



Mufti Irshad Ahmad Aijaz  
Member Shariah Council

Faraz Younus Bandukda, CFA  
Chief Executive



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## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HBL LIVESTOCK FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of HBL LIVESTOCK FUND ("the Fund"), which comprises of the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the period April 14, 2023 till June 30, 2023, in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

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

#### Key Audit Matters

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

Following is the Key audit matter:

S. NO.	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Existence and valuation of investment in livestock</p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2023, the investments held by the Fund comprised of Livestock which represent 51.81% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>We evaluated the design and implementation of key controls over investment and tested controls over sale, purchase and periodic valuation of investment in livestock.</li></ul>

BDO Ebrahim & Co. Chartered Accountants

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S. NO.	Key audit matter(s)	How the matter was addressed in our audit
	As a degree of judgement is involved in valuation of livestock which is susceptible to change in value due to input taken from different vendors. Therefore, we have considered existence and valuation of livestock as a key audit matter.	<ul style="list-style-type: none"> <li>• We performed substantive audit procedures on year-end balance of investment in livestock including,               <ol style="list-style-type: none"> <li>a. Physical verification of weights of livestock on a sample basis.</li> <li>b. Valuation of livestock by using the weights as extracted from physical verification activity on sample basis along with use of average rate of livestock as provided by independent valuer.</li> <li>c. Verifying the sales and purchases of livestock during the period.</li> <li>d. We have checked the compliance with rules and regulations of the fund.</li> </ol> </li> </ul>

**Information other than the financial statements and auditor's report thereon**

The Management Company ("HBL Asset Management Limited") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Management Company and its Board of Directors**

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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





The Board of Directors of the Management company is responsible for overseeing the Fund's financial reporting process.

#### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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



From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: 25 SEP 2023

UDIN: AR202310166KKr19z17Y

*Tariq Feroz Khan*  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS





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## INDEPENDENT ASSURANCE REPORT TO THE UNITHOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

### Scope of our Work

We have performed an independent assurance engagement of HBL Livestock Fund (the Fund), to express an opinion on the annexed Statement of Compliance with the Shariah Principles (the Statement) for the year ended June 30, 2023. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### Applicable Criteria

The criteria for the assurance engagement against which the underlying statement (the subject matter) is assessed comprises of compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). Therefore, the underlying subject matter may not be suitable for another purpose. Our engagement was carried out as required under Trust Deed and Shariah Principles of the Fund.

### Management Company's responsibility

Management Company (HBL Asset Management Limited) of the Fund is responsible for the preparation and fair presentation of the Statement (the subject matter) and for compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor (criteria). This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and the investments made by the Fund are in compliance with the Shariah Principles.

### Our Independence and Quality Control

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. The firms apply International Standard on Quality Control 1 "Quality Control for Firms That Perform Audits and Reviews of Financial Statements, And Other Assurance and Related Services Engagements" and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Responsibility of independent assurance providers

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) (Revised) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we plan and perform the engagement to obtain reasonable assurance whether the Statement reflects the status of the Fund's compliance with the Shariah Principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor and is free from material misstatement.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliances with the Shariah Principles whether due to fraud or error. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

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BDO Ebrahim & Co. Chartered Accountants

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



**The procedures performed included:**

- Checking compliance of specified guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund; and
- Checking that the Shariah Advisor has certified that the operations of the Fund and investments made by the Fund during the year ended June 30, 2023 are in compliance with the Shariah Principles and where required, purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

**Conclusion**

In our opinion, the Statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and the guidelines issued by the Shariah Advisor for the year ended June 30, 2023.

KARACHI

DATED: SEPTEMBER 25, 2023

**BDO EBRAHIM & CO**  
**CHARTERED ACCOUNTANTS**

**HBL LiveStock Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2023*

	2023
	Note -- (Rupees in '000) --
<b>ASSETS</b>	
Bank balances	5 12,832
Investments	6 50,000
Formation cost	1,101
Other receivable	7 28,203
Advances, deposits and prepayments	8 4,362
<b>TOTAL ASSETS</b>	<u>96,498</u>
<b>LIABILITIES</b>	
Payable to the Management Company	9 635
Payable to the Trustee	10 159
Payable to Securities and Exchange Commission of Pakistan	11 4
Other liabilities	2,082
<b>TOTAL LIABILITIES</b>	<u>2,880</u>
<b>NET ASSETS</b>	<u>93,618</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>	<u>93,618</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13
	<b>Number of units</b>
<b>Number of units in issue</b>	14 <u>90,000</u>
	<b>(Rupees)</b>
<b>Net assets value per unit</b>	<u>1,040.1980</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

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

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

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

# HBL LiveStock Fund INCOME STATEMENT

For The Period From April 14, 2022 To June 30, 2023

	2023
Note	-- (Rupees in '000) --
<b>Income</b>	
Capital gain on sale of investments - net	10,487
Profit on bank deposits	763
	<u>11,250</u>
Unrealized gain on valuation of livestock investments classified as financial assets at 'fair value through profit or loss'	6.1 <u>16,070</u>
	<u>27,320</u>
<b>Expenses</b>	
Remuneration of the Management Company	9.1 562
Sindh Sales Tax on remuneration of the Management Company	9.2 73
Remuneration of the Trustee	10.1 141
Sindh Sales Tax on remuneration of the Trustee	10.2 18
Annual fee to Securities and Exchange Commission of Pakistan	11.1 4
Formation Cost	351
Auditors' remuneration	15 356
Insurance Fee	846
Shariah advisory services	56
Bank charges	7
Cost of feed	18,038
Testing and inspection cost	213
Livestock manager fee	975
Other expense of trustee	111
Livestock overheads	1,950
	<u>23,701</u>
<b>Net income for the period before taxation</b>	<u>3,618</u>
Taxation	16 -
<b>Net income for the period after taxation</b>	<u><u>3,618</u></u>
<b>Allocation of net income for the year</b>	
Income already paid on redemption of units	-
Accounting income available for distribution:	
Relating to capital gains	-
Excluding capital gains	<u>3,618</u>
	<u>3,618</u>
	<u><u>3,618</u></u>
Earnings per unit	17

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

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

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

\_\_\_\_\_  
Director

**2023**

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

Net income for the period after taxation	3,618
Other comprehensive income	-
Total comprehensive income for the year	<u>3,618</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

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

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

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

**HBL LiveStock Fund**  
**Statement of Movement In Unitholders' Fund**  
 For The Period From April 14, 2022 To June 30, 2023

	2023		
	Capital value	Undistributed income	Total
	-----Rupees in '000-----		
Net assets at beginning of the period	-	-	-
<b>Issuance of 90,000 units</b>			
Capital value (at net asset value per unit at the beginning of the period)	90,000	-	90,000
Element of income	-	-	-
<b>Total proceeds on issuance of units</b>	90,000	-	90,000
Total comprehensive income for the period	-	3,618	3,618
<b>Net assets at end of the period</b>	<u>90,000</u>	<u>3,618</u>	<u>93,618</u>
<b>Undistributed income brought forward</b>			
Realised income		-	
Unrealised income		-	
<b>Accounting income available for distribution</b>			
Relating to capital gain		-	
Excluding capital gain		3,618	
		3,618	
<b>Distributions during the period:</b>		-	
Undistributed income carried forward		<u>3,618</u>	
<b>Undistributed income carried forward</b>			
Realised loss		(12,452)	
Unrealised income		16,070	
		<u>3,618</u>	
			(Rupees)
Net assets value per unit at beginning of the period			-
Net assets value per unit at end of the period			<u>1,040.1980</u>

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

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

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

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

\_\_\_\_\_  
 Director

	2023
Note	----- (Rupees in '000) -----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net income for the period before taxation	3,618
Adjustments for:	
Capital gain on sale of investments - net	(10,487)
Profit on bank deposits	(763)
Formation cost	351
	<u>(7,281)</u>
<b>Decrease / (increase) in assets</b>	
Investments - net	(39,513)
Formation cost	(1,452)
Advances, deposits and prepayments	(4,362)
Other receivables	(28,000)
	<u>(73,326)</u>
<b>(Decrease) / increase in liabilities</b>	
Payable to the Management Company	635
Payable to the Trustee	159
Payable to Securities and Exchange Commission of Pakistan	4
Other liabilities	2,082
Cash generated from operations	2,880
Profit received on bank deposits	559
Net cash flows from operating activities	<u>(77,169)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Receipts from issue of units	90,000
Net cash generated from financing activities	90,000
Net increase in cash and cash equivalents during the year	<u>12,831</u>
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	<u>5</u> <u>12,831</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

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

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

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



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

"The HBL Livestock Fund (the Fund) was established through a Trust Deed (the Deed) dated 29th November, 2022 under the Sindh Trust Act, 2020 (the Trust) between HBL Asset Management Limited, the Management Company, and Digital Custodian Company Limited (DCCL) the Trustee. The fund was approved by the Securities and Exchanges Commission of Pakistan (SECP) vide letter no. SCD/AMCW/HBLLSF/159/2022 dated December 20, 2022. "

The Fund has been categorised as a Shariah Compliant Livestock scheme being a specialized trust as defined under section 2(u-i) of the Sindh Trusts Act, 2020, as amended vide Sindh Trusts (Amendment) Act, 2021. SECP has approved the fund for Sandbox testing under 3rd COHORT 2022 as a Livestock Collective Investment Scheme (CIS). It is not listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription at the start of the fund. The units are only transferable at the time of maturity.

The investment objective of HBL Livestock Fund is to provide shariah compliant returns to its investors by investing in cattle for fattening, overheads and expenses related to this activity within a closed-end period of Ten (10) months from the strike date of the Fund.

VIS Credit Rating company has assigned a management quality rating of 'AM1' (Positive outlook) to the HBL Asset Management Company Limited as at December 30, 2022.

Title to the assets of the Fund is held in the name of Digital Custodian Company Limited as trustee of the Fund.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017,
- NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'NBFC Regulations') and requirements of the Trust Deed.

Where the provisions of and directives issued under the Companies Act, 2017, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, the NBFC Rules and the NBFC Regulations and trust deed shall prevail.

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, unless otherwise stated.

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

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

## 2.4 Use of judgments and estimates

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

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

### Classification and valuation of investment

For details please refer notes 4.2.1.1 and 18 to these financial statements.

Impairment of investment

For details please refer note 4.2.1.2 to these financial statements.

## 3 APPLICATION OF NEW STANDARDS, AMENDSMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

### 3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

	<b>"Effective date (annual periods beginning on or after)"</b>
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022
Certain annual improvements have also been made to a number of IFRSs.	

### 3.2 New accounting standards, amendments and interpretations that are not yet effective

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

	<b>"Effective date (annual periods beginning on or after)"</b>
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied, unless otherwise stated.

### 4.1 Cash and cash equivalents

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

## **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

**Financial assets at FVTPL** These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.

**Financial assets at amortised cost** These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income, foreign exchange gains and losses and impairment are recognised in income statement.

### **4.2.1.2 Impairment of financial assets**

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

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

### **4.2.1.3 Derecognition**

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

## **4.2.2 Financial liabilities**

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

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

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

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

#### 4.3 Provisions

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

#### 4.4 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

#### 4.5 Net assets value per unit

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

#### 4.6 Revenue recognition

- Dividend income from equity securities is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on a time apportionment basis using effective interest rate.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

#### 4.7 Transactions with related parties / connected persons

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

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

----- Rupees in '000 -----

#### 5 BANK BALANCES

In savings accounts	5.1	12,832
		12,832

5.1. These bank accounts carries profit at the rate ranging between 6.5% to 19% (. This includes an amount held in Habib Bank Limited amounting to Rs. 0.128 million which carry profit at rate of 6.43% per annum.

#### 6 INVESTMENTS

Financial assets at fair value through profit or loss		
Livestock contract	6.1	50,000

6.1 Financial assets at 'fair value through profit or loss' - Livestock fund

Particulars	Kgs				Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation on re-measurement of investments	Market value as a percentage of net assets	Market value as a percentage of total investments
	As At April 14, 2023	Purchases during the period	Sales during the period	As at June 30, 2023					
Livestock contract	-	139,332	(50,838)	100,603	33,929	50,000	16,070	36%	100%
<b>Total - as at June 30, 2023</b>	-	139,332	(50,838)	100,603	33,929	50,000	16,070	36%	100%

-----Rupees in '000-----

	Note	2023 Rupees in '000
<b>6.1.2 Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'</b>		
Market value of investments		50,000
Less: Carrying value of investments		33,929
		<u>16,070</u>

**7 OTHER RECEIVABLE**

Profit receivable - Habib Bank Limited	7.1	1
Receivable from SK Farm		4
Receivable against sale of investments - net		27,816
Receivable against insurance claim		180
		<u>28,203</u>

7.1 This includes an amount receivable from Habib Bank Limited against bank profit at 6.5% per annum.

**8 PREPAYMENTS**

Livestock manager fee		195
LSM - overheads		390
Insurance		169
Stock of feed		3,608
		<u>4,362</u>

**9 PAYABLE TO THE MANAGEMENT COMPANY**

Remuneration payable to Management Company	9.1	562
Sindh Sales Tax payable on Management	9.2	73
		<u>635</u>

9.1 As per the amendment in Regulation 61 of the NBFC Regulation, the Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document. The maximum limit disclosed in the Offering Document (OD) is 3% per annum of average annual net assets.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.

	Note	2023 Rupees in '000
<b>10</b>	<b>PAYABLE TO THE TRUSTEE</b>	
	Trustee fee payable	141
	Sindh Sales Tax payable on Trustee Fee	18
		<u>159</u>
10.1	The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified at the rate 0.75%, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.	
10.2	The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.	
		<b>2023 Rupees in '000</b>
<b>11</b>	<b>PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	
	Annual fee payable	4
11.1	Under the regulation 62 of the NBFC Regulations, an Asset Management Company managing a collective investment scheme, shall pay SECP an annual fee of 0.02% of the average annual net assets. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.	
<b>12</b>	<b>OTHER LIABILITIES</b>	
	Audit fee payable	356
	Shariah advisory fee payable	56
	Other charges of trustee	111
	Other payable	119
	Payable to SGS - testing and inspection	87
	Formation cost payable to AMC	1,353
		<u>2,082</u>
<b>13</b>	<b>CONTINGENCIES AND COMMITMENTS</b>	
	There were no contingencies and commitments as at June 30, 2023	
		<b>Number of units</b>
<b>14</b>	<b>NUMBER OF UNITS IN ISSUE</b>	
	Units issued during the period	90,000
	Total units in issue at the end of the period	<u>90,000</u>
<b>15</b>	<b>AUDITORS' REMUNERATION</b>	
	Annual audit fee	200
	Other certifications and out of pocket expenses	156
		<u>356</u>



**16 TAXATION**

The Fund's income is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

**17 EARNINGS PER UNIT**

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

**18 FINANCIAL INSTRUMENTS BY CATEGORY**

Particulars	As at June 30, 2023		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
Bank balances	-	12,832	12,832
Investment			
Livestock contract	50,000	-	50,000
Receivable from SK farm	-	4	4
	50,000	12,836	62,835

Particulars	As at June 30, 2023		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial Liabilities</b>			
Payable to the Management Company	-	562	562
Payable to the Trustee	-	141	141
Accrued expenses and other liabilities	-	2,082	2,082
	-	2,785	2,785

**19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES / CONNECTED PERSONS**

Related parties / connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Digital Custodian Company Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

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

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

Details of the transactions with connected persons and balances with them are as follows:

		2023 Rupees in '000
<b>19.1</b>	<b>Transactions during the year</b>	
	<b>HBL Asset Management Limited - Management Company</b>	
	Remuneration of the Management Company	562
	Sindh Sales Tax on remuneration of the	73.09
	<b>DCCL - Trustee</b>	
	Remuneration of the Trustee	141
	Sindh Sales Tax on remuneration of the Trustee	18.27
	Other Charges	111
	<b>Habib Bank Limited - Sponsor</b>	
	Profit on Bank Deposits	37
	Bank charges	4
	<b>Ivan N Johns - Directors &amp; Executive</b>	
	Issue of 1,000 units	1,000
<b>19.2</b>	<b>Balance outstanding as at the year end</b>	
	<b>HBL Asset Management Limited - Management Company</b>	
	Remuneration payable to the Management Company	562
	Sindh Sales Tax payable on Management Company's remuneration	73
	Formation cost payable	1,353
	<b>DCCL</b>	
	Trustee fee payable	141
	Sindh Sales Tax on remuneration of the Trustee	18
	Other Charges Payable	111
	<b>Habib Bank Limited - Sponsor</b>	
	Bank balances	128
	Profit receivable	1
	<b>Ivan N Johns - Directors &amp; Executive</b>	
	Issue of 1,000 units	1,000

## **20 FINANCIAL RISK MANAGEMENT**

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

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

The Fund entirely invests in livestock. This activity is exposed to a variety of financial risks: market risks, credit risks and liquidity risks.

### **20.1 Market risk**

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

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

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

### **20.2 Currency risk**

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

### **20.3 Interest rate risk**

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

#### **a) Cash flow interest rate risk**

The Fund is exposed to cash flow interest rate risk for balances in certain savings account, the interest rates on which range between 6.5% to 19.5% per annum.

In case of 100 basis points increase / (decrease) in interest rates on June 30, 2023 with all other variable held constant, the net income for the period and the net assets would have been higher / lower by Rs. 0.042 million

### **20.4 Credit risk**

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable bank balances and other receivables.

#### **20.4.1 The analysis below summarises the credit quality of the Fund's bank balances as at June 30, 2023:**

Name of Bank	Balances held by the Fund as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
(Rupees in '000')			
<b>Balances with banks by rating category</b>			
AlBaraka Bank Limited	12,704	A-1+	PACRA
Habib Bank Limited	128	A-1+	VIS
	12,832		

#### Concentration of credit risk

Concentration of credit risk exists when change in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of livestock is wholly concentrated in bank balances.

#### 20.5 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

#### 21 UNITS HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units.

The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total fund size at the end of each period.

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

#### 22 FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price)

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is based on:

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

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

Particulars	June 30, 2023						
	Carrying amount			Fair value			
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	Note	Rupees in '000					
On-balance sheet financial instruments							
Financial assets measured at fair value	22.1						
Livestock contract		50,000	-	50,000	-	50,000	-
		50,000	-	50,000	-	50,000	-

## 23 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follow:

Name	Designation	Qualification	Experience
Mir Adil Rashid	Chief Executive Officer	BSc	24.2
Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27.9
Wamiq Sakrani	Head of Fixed Income	MBA	13.9
Imad Ansari	Head of Risk	MBA	16.2
Umair Naseer	Head of Research	MBA	10.4
Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
Raza Abbas	Senior Fund Manager	M.Com	20
Abdul Samad Khanani	Senior Fund Manager	BBA	7.8

Category	Pattern of Unit Holding			
	HBL LIVESTOCK FUND			
	Number of unit holders	Number of units held	Investment amount	Percentage of total
	Rupees in '000			
Individuals	39	88,510	92.0684	98%
Associated company	-	-	-	0%
Insurance companies	-	-	-	0%
Retirement funds	-	-	-	0%
Trust	-	-	-	0%
Foreign investors	-	-	-	0%
Others	1	1,489	1.5491	2%
	<b>40</b>	<b>90,000</b>	<b>94</b>	<b>0%</b>

**25 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Six meetings of the Board of Directors were held on August 29,2022 , October 19, 2022, January 16,2023 ,January 23,2023 ,February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29, 2022 January 16, 2023 January 23, 2023 February 13, 2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19, 2022

**26 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 period ended June 30, 2023 is 25.988% which includes 0.842% representing government levy and SECP fee.

**27 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

**28 GENERAL**

28.1 Figures have been rounded off to the nearest thousand Rupees, unless otherwise stated.

28.2 This is the first year of incorporation of the fund therefore no comparative figures has been reported.

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

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

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

\_\_\_\_\_  
 Director



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# HBL

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