

**HBL**

**ASSET  
MANAGEMENT**

**HBL Pension Fund**

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**Annual Report 2012**

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## VISION / MISSION / VALUES

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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 create value for our stakeholders.

### OUR 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

- **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.
- **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 expects us to possess an steadfastly adhere to high moral principle and professional standards.
- **Customer Focus**

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

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

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

## CORPORATE INFORMATION

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### Management Company

HBL Asset Management Limited.

### Board of Directors

Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Chief Executive Officer	Mr. Rehan N. Shaikh	(Executive Director)
Directors	Mr. Sohail Malik	(Non-Executive Director)
	Mr. Abid Sattar	(Non-Executive Director)
	Mr. Shahid Ghaffar	(Non-Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

### Audit Committee

Chairperson	Ms. Sadia Khan	(Independent Non-Executive Director)
Members	Mr. Sohail Malik	(Non-Executive Director)
	Mr. Abid Sattar	(Non-Executive Director)

### Company Secretary & Chief Financial Officer

Mr. Noman A. Soomro

### External Auditors

KPMG Taseer Hadi & Co., Chartered Accountants,  
Sheikh Sultan Trust Building No 02  
Beaumont Road, Karachi-75530, Pakistan

### Internal Auditors

A.F. Ferguson & Co., Chartered Accountants,  
State Life Building No.1-C, I.I Chundrigar Road,  
P.O. Box 4716, Karachi.

### Trustee

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

### Legal Advisors

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

### Website

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

### Head Office

8B, 8th Floor, Executive Tower, Dolmen City, Block 4, Clifton, Karachi.

### Registered Office

8B, 8th Floor, Executive Tower, Dolmen City, Block 4, Clifton, Karachi.

## FUND INFORMATION

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### NAME OF FUND

**HBL Pension Fund**

### NAME OF AUDITORS

#### External Auditors

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

#### Internal Auditors

**A.F. Ferguson & Co., Chartered Accountants.**

### NAME OF BANKERS

**Habib Bank Limited**

## HBL PENSION FUNDS PERFORMANCE TABLE

	For the period ended November 29, 2011 to June 30,2012		
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund
<b>NET ASSETS AND PRICES</b>			
Net assets at the period end(Rs'000)	38,987	57,644	61,204
Net asset value per unit at the period end/period end(Rs)	122.4358	104.7196	104.9036
Selling price/repurchasing price	122.4358	104.7196	104.9036
Earning per unit(Rs) (note 3.8 )	-	-	-
Highest selling price per unit(Rs)	130.1718	104.7196	104.9036
Lowest selling price per unit(Rs)	99.0419	100.00	100.00
Highest repurchase price per unit(Rs)	130.1718	104.7196	104.9036
Lowest repurchasing price per unit(Rs)	99.0419	100.00	100.00
<b>RETURN ( % )</b>			
Total return	32.43	9.38	8.80
Capital growth	32.43	9.38	8.80
<b>AVERAGE RETURNS ( % )</b>			
Average annual return	32.43%	9.38%	8.80%
Average return since inception	32.43%	9.38%	8.80%
Weighted average portfolio during (No. of days)	-	113	30

### Disclaimer:

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

## TRUSTEE REPORT TO THE UNIT HOLDERS

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### HBL PENSION FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Pension Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Pension Fund Manager of the Fund has in all material respects managed the Fund during the period from November 29, 2011 to June 30, 2012 in accordance with the provisions of the constitutive documents of the Fund and the Voluntary Pension System Rules, 2005.

**Aftab Ahmed Diwan**

Officiating Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, September 20, 2012

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

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We have audited the annexed financial statements comprising:

- i) Balance Sheet;
- ii) Income Statement;
- iii) Statement of Comprehensive Income;
- iv) Cashflow Statement; and
- v) Statement of Movement in Participants' Fund

of **HBL Pension Fund** ("the Fund") as at June 30, 2012 together with the notes forming part thereof, for the period from November 29, 2011 to June 30, 2012.

It is the responsibility of the Pension Fund Manager to establish and maintain a system of internal controls; and prepare and present the financial statements of the Pension Fund in conformity with the Approved Accounting Standards. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion: -

- (a) the financial statements for the period from November 29, 2011 to June 30, 2012 have been properly drawn in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines there under;
- (b) the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2012 and of its financial performance, cash flows and transactions for the period from November 29, 2011 to June 30, 2012 in accordance with approved accounting standards as applicable in Pakistan;
- (c) the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- (d) the cost and expenses debited to the pension fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the pension fund;
- (e) the financial statements prepared are in agreement with the pension fund's books and records;
- (f) we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- (g) no zakat was deductible at source under the Zakat and Usher Ordinance, 1980.

Date: August 15, 2012

Karachi

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KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Iftikhar Anjum



**HBL PENSION FUNDS**  
**Statement of Assets And Liabilities**  
As at June 30, 2012

	Note	June 30, 2012			Total
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
----- (Rupees in 000) -----					
<b>Assets</b>					
Bank balances	4	3,888	2,810	2,943	9,641
Investments	5	35,223	53,418	58,444	147,085
Dividend and profit receivable	6	53	111	10	174
Preliminary expenses and floatation costs	7	27	27	27	81
Advances, deposits, prepayments and other receivables	8	100	1,600	-	1,700
<b>Total assets</b>		<b>39,291</b>	<b>57,966</b>	<b>61,424</b>	<b>158,681</b>
<b>Liabilities</b>					
Payable to HBL Asset Management Limited - Pension Fund Manager	9	190	207	100	497
Payable to Central Depository Company of Pakistan Limited - Trustee	10	9	8	8	25
Payable to Securities and Exchange Commission of Pakistan	11	7	7	7	21
Accrued expenses and other liabilities	12	98	100	105	303
<b>Total liabilities</b>		<b>304</b>	<b>322</b>	<b>220</b>	<b>846</b>
<b>Net assets</b>		<b>38,987</b>	<b>57,644</b>	<b>61,204</b>	<b>157,835</b>
<b>Participants' funds (as per statement attached)</b>		<b>38,987</b>	<b>57,644</b>	<b>61,204</b>	<b>157,835</b>
<b>Number of units in issue</b>	14	<b>318,428</b>	<b>550,458</b>	<b>583,427</b>	<b>1,452,313</b>
<b>Net assets value per unit</b>	Rupees	<b>122.4358</b>	<b>104.7196</b>	<b>104.9036</b>	

The annexed notes from 1 to 23 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Pension Fund Manager)

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

\_\_\_\_\_  
Director

## HBL PENSION FUNDS

### Income Statement

For the period from November 29, 2011 to June 30, 2012

Note	For the period from November 29, 2011 to June 30, 2012			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in 000) -----			
<b>Income</b>				
	1,549	-	-	1,549
Dividend income				
Profit on bank deposits	4.1	223	185	207
Income from Government Securities		150	2,045	2,137
Income from Privately Placed Sukuks		-	80	-
Income from advance against Term Finance Certificates		-	23	-
Capital gain on sale of investments		863	-	863
	<u>2,785</u>	<u>2,333</u>	<u>2,344</u>	<u>7,462</u>
<b>Expenses</b>				
Remuneration of HBL Asset Management Limited - Pension Fund Manager	9.1	359	374	375
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10	59	59	59
Annual fee to Securities and Exchange Commission of Pakistan	11	7	7	7
Auditors' remuneration	12.1	50	50	50
Amortisation of preliminary expenses and floatation costs	7.1	6	6	6
Settlement and bank charges		12	46	3
		<u>493</u>	<u>542</u>	<u>500</u>
				<u>1,535</u>
		<u>2,292</u>	<u>1,791</u>	<u>1,844</u>
				<u>5,927</u>
<b>Net income from operating activities</b>				
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		77	726	882
				1,685
Provision for Workers' Welfare Fund	15	(47)	(50)	(55)
<b>Net income for the period before taxation</b>		<u>2,322</u>	<u>2,467</u>	<u>2,671</u>
				<u>7,460</u>
<b>Taxation</b>	16	-	-	-
				-
<b>Net income for the period after taxation</b>		<u>2,322</u>	<u>2,467</u>	<u>2,671</u>
				<u>7,460</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Pension Fund Manager)

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

\_\_\_\_\_  
Director

## HBL PENSION FUNDS

### Statement of Comprehensive Income

For the period from November 29, 2011 to June 30, 2012

	For the period from November 29, 2011 to June 30, 2012			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in 000) -----			
Net income for the period	2,322	2,467	2,671	7,460
<b>Other comprehensive income for the period</b>				
Net unrealised appreciation / (diminution) in the market value of securities classified as available for sale	4,578	(15)	(5)	4,558
<b>Total comprehensive income for the period</b>	<b>6,900</b>	<b>2,452</b>	<b>2,666</b>	<b>12,018</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Pension Fund Manager)

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

\_\_\_\_\_  
Director

## HBL PENSION FUNDS

### Statement of Movement In Unit Holders' Fund

For the period from November 29, 2011 to June 30, 2012

	For the period from November 29, 2011 to June 30, 2012			Total
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
	----- (Rupees in 000) -----			
<b>Net assets at beginning of the period</b>	-	-	-	-
Amount received on issuance of units	32,164	55,918	59,420	147,502
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(77)	(726)	(882)	(1,685)
Total comprehensive income for the period	6,900	2,452	2,666	12,018
<b>Net assets at end of the period</b>	<b>38,987</b>	<b>57,644</b>	<b>61,204</b>	<b>157,835</b>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Pension Fund Manager)

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

\_\_\_\_\_  
Director

# HBL PENSION FUNDS

## Cash Flow Statement

For the period from November 29, 2011 to June 30, 2012

	For the period from November 29, 2011 to June 30, 2012			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- (Rupees in 000) -----			
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Net income for the period</b>	2,322	2,467	2,671	7,460
<b>Adjustments</b>				
Amortisation of preliminary expenses and floatation costs	6	6	6	18
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(77)	(726)	(882)	(1,685)
	<u>2,251</u>	<u>1,747</u>	<u>1,795</u>	<u>5,793</u>
<b>(Increase) / decrease in assets</b>				
Investments - net	(30,645)	(53,433)	(58,449)	(142,527)
Dividend and profit receivable	(53)	(111)	(10)	(174)
Advances, deposits, prepayments and other receivables	(100)	(1,600)	-	(1,700)
	<u>(30,798)</u>	<u>(55,144)</u>	<u>(58,459)</u>	<u>(144,401)</u>
<b>Increase / (decrease) in liabilities</b>				
Payable to HBL Asset Management Limited - Pension Fund Manager	157	174	67	398
Payable to Central Depository Company of Pakistan Limited - Trustee	9	8	8	25
Payable to Securities and Exchange Commission of Pakistan	7	7	7	21
Accrued expenses and other liabilities	98	100	105	303
	<u>271</u>	<u>289</u>	<u>187</u>	<u>747</u>
<b>Net cash generated from operating activities</b>	<u>(28,276)</u>	<u>(53,108)</u>	<u>(56,477)</u>	<u>(137,861)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Amount received on issue of units	<u>32,164</u>	<u>55,918</u>	<u>59,420</u>	<u>147,502</u>
<b>Net increase in cash and cash equivalents</b>	<u>3,888</u>	<u>2,810</u>	<u>2,943</u>	<u>9,641</u>
Cash and cash equivalents at beginning of the period	-	-	-	-
<b>Cash and cash equivalents at end of the period</b>	<u><u>3,888</u></u>	<u><u>2,810</u></u>	<u><u>2,943</u></u>	<u><u>9,641</u></u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Pension Fund Manager)

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

\_\_\_\_\_  
Director

# HBL PENSION FUNDS

## Notes To The Financial Statements

*For the period from November 29, 2011 to June 30, 2012*

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### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Pension Fund Manager has been licensed to act as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 (VPS Rules) through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 8B-8th Floor, Executive Tower, Dolmen City, Block 4, Clifton, Karachi, Pakistan.

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

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

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

- The Equity sub-fund consists of a minimum 90% of net assets invested in listed equity securities. Investment in a single company is restricted to lower of 5% of Net Asset Value (NAV) or paid-up capital of the investee company. Investment in a single stock exchange sector is restricted to the higher of 25% of NAV or index weight, subject to a maximum of 30% of NAV. Remaining assets of the equity sub-fund shall be invested in any government security having less than one year time to maturity, or be deposited with scheduled commercial banks having at least A rating.
- The Debt Sub-Fund consist of tradable debt securities with weighted average duration of the investment portfolio of the Sub-Fund not exceeding five years. At least twenty five percent (25%) of the assets in the Sub-Fund shall be invested in securities issued by the Federal Government. Upto twenty five percent (25%) may be deposited with banks having not less than "AA +" rating. Composition of the remaining portion of the investments shall be as defined in the offering document.
- The Money Market sub-fund consists of short term debt instruments with time to maturity not exceeding ninety days. There is no restriction on the amount of investment in securities issued by the Federal Government and the commercial banks having A+ rating . Investment in securities issued by provincial government, city government, government entity with 'A' or higher rating or a corporate entity with A+ or higher rating shall be made upto 10% , 5% and 5% and 5% of net assets of the Sub-Fund respectively.

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

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM3+' to the Pension Fund Manager while the Fund is currently not rated.

Title to the assets of the Fund are held in the name of CDC as the trustee of the Fund.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the provisions of the Voluntary Pension System Rules, 2005 (VPS Rules) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the VPS Rules or directives issued by the SECP differ with the requirements of the IFRS, the requirements of the VPS Rules or the directives issued by the SECP shall prevail.

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

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2012:

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Fund.

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- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Fund.
  - Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments would result in increased disclosures in the financial statements of the Fund.
  - IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12 - Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Fund.
  - IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Fund.
  - Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
  - Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on Fund’s financial statements.
  - Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
    - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
    - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. This amendment has no effect on Fund’s financial statements.
    - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
    - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. This amendment may result in modified disclosures in the interim financial statements.
  - IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.

### 2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments and impairment there against (note 3.2 and 5).

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## 2.4 Accounting convention

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

## 2.5 Functional and Presentation Currency

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Cash and cash equivalents

Cash and cash equivalents include bank balances and other short term deposits with original maturities of three months or less.

### 3.2 Financial assets

#### 3.2.1 Classification

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

The Fund classifies its financial assets in the following categories:

#### a) Financial assets at fair value through profit or loss

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

#### b) Loans and receivables

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

#### c) Available for sale

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

#### 3.2.2 Regular way contracts

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

#### 3.2.3 Initial recognition and measurement

#### a) Financial assets at fair value through profit or loss

These investments are initially recognised at fair value. Transaction costs are expensed in the Income Statement.

#### b) Available for sale and loans and receivables

These are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of such assets.

#### 3.2.4 Subsequent measurement

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

#### a) Basis of valuation of Debt Securities

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.1 of 2009 dated January 6, 2009. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

#### b) Basis of valuation of Government Securities

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

#### c) Basis of valuation of equity securities

The equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

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



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

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

### 3.2.5 Impairment of financial assets

#### Equity Securities

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

#### Debt securities and other exposures

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Pension Fund Manager.

### 3.2.6 Derecognition

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

### 3.2.7 Offsetting of financial instruments

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

### 3.3 Financial liabilities

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

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

### 3.4 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 exchanges and other expenses. These costs are being amortised over a period of five years starting from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and the VPS Rules.

### 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 Taxation

The income of the Fund is exempt from Income Tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

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

### 3.7 Issue and redemption of units

Contribution received in the individual pension account after deduction of insurance premium, if any, followed by deduction of applicable front end fee, is used to purchase the units of sub-funds of the pension fund according to the Allocation Scheme selected by the participant. The units are allotted at the net asset value notified by the pension fund manager at the close of the business day for each sub-fund. The front end fee is payable to the distributors and the pension fund manager.

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

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

### 3.8 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) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The element of income and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the income statement.

### 3.9 Net Asset Value per unit

The Net Asset Value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of each of the Sub-Fund by the number of units in circulation of that Sub-Fund at the year end.

### 3.10 Earnings Per Unit (EPU)

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

### 3.11 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on marking to market 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 dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Profit on bank deposits, investments and government securities are recognised using the effective interest method.

## 4. BANK BALANCES

	Note	June 30, 2012			Total
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
Savings accounts	4.1	3,888	2,810	2,943	9,641

- 4.1 This represents bank accounts held with Habib Bank Limited. Profit rates on these accounts range between 5% to 9.5% per annum.

## 5. INVESTMENTS

		June 30, 2012			Total
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
<b>Investments by category</b>					
<b>Available for sale investments</b>					
Listed equity securities	5.1	35,223	-	-	35,223
Government securities-Treasury Bills	5.2	-	51,918	58,444	110,362
Privately placed sukuk certificates - Hub Power Company Limited	5.3	-	1,500	-	1,500
		<u>35,223</u>	<u>53,418</u>	<u>58,444</u>	<u>147,085</u>

## 5.1 Listed equity securities

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

Name of the Investee Company	Number of shares				As at June 30, 2012	Cost of holdings as at June 30, 2012	Market value as at June 30, 2012	Market value as a percentage of total investments	Market value as a percentage of net assets of sub-fund	Par value as a percentage of issued capital of the investee company
	As at November 29, 2011	Purchases during the period	Bonus / Rights issue	Sales during the period						
(Rupees in 000)										
<b>Oil and Gas</b>										
Attock Petroleum Limited	-	3,085	-	-	3,085	1,311	1,463	4.15%	3.75%	0.00%
Attock Refinery Limited	-	12,500	-	-	12,500	1,466	1,536	4.36%	3.94%	0.01%
Oil and Gas Development Company Limited	-	11,300	-	-	11,300	1,785	1,813	5.15%	4.65%	0.00%
Pakistan State Oil Company Limited	-	6,000	-	-	6,000	1,475	1,415	4.02%	3.63%	0.00%
Pakistan Oilfields Limited	-	5,800	-	700	5,100	1,817	1,871	5.31%	4.80%	0.00%
Pakistan Petroleum Limited	-	10,000	-	-	10,000	1,746	1,883	5.35%	4.83%	0.00%
	-	48,685	-	700	47,985	9,600	9,981	28.34%	25.60%	
<b>Chemicals</b>										
Fauji Fertilizer Company Limited	-	9,500	4,750	-	14,250	1,444	1,582	4.49%	4.06%	0.00%
Fauji Fertilizer Bin Qasim Limited	-	46,000	-	-	46,000	2,032	1,878	5.33%	4.82%	0.00%
ICI Pakistan Limited	-	7,500	-	-	7,500	1,064	983	2.79%	2.52%	0.01%
Engro Polymer and Chemicals Limited	-	11,700	3,510	-	15,210	1,287	1,549	4.40%	3.97%	0.00%
	-	74,700	8,260	-	82,960	5,827	5,992	17.01%	15.37%	
<b>Construction and Materials</b>										
D.G Khan Cement Limited	-	72,500	-	30,000	42,500	801	1,674	4.75%	4.29%	0.01%
Lucky Cement Limited	-	17,000	-	1,500	15,500	1,202	1,789	5.08%	4.59%	0.00%
	-	89,500	-	31,500	58,000	2,003	3,463	9.83%	8.88%	
<b>Personal Goods</b>										
Nishat Mills Limited	-	34,000	-	-	34,000	1,399	1,618	4.59%	4.15%	0.01%
	-	34,000	-	-	34,000	1,399	1,618	4.59%	4.15%	
<b>Electricity</b>										
Hub Power Company Limited	-	51,000	-	-	51,000	1,808	2,136	6.06%	5.48%	0.00%
Kot Addu Power Company Limited	-	38,000	-	-	38,000	1,576	1,710	4.85%	4.39%	0.00%
	-	89,000	-	-	89,000	3,384	3,846	10.91%	4.39%	
<b>Fixed Line Telecommunication</b>										
Pakistan Telecommunication Limited	-	50,000	-	-	50,000	506	685	1.94%	1.76%	0.00%
	-	50,000	-	-	50,000	506	685	1.94%	1.76%	
<b>Banks</b>										
Allied Bank Limited	-	25,755	2,575	-	28,330	1,537	1,818	5.16%	4.66%	0.00%
Bank Al Habib Limited	-	54,900	8,235	-	63,135	1,627	1,797	5.10%	4.61%	0.01%
United Bank Limited	-	26,487	-	2,000	24,487	1,349	1,919	5.45%	4.92%	0.00%
National Bank of Pakistan	-	35,000	3,500	-	38,500	1,436	1,676	4.76%	4.30%	0.00%
MCB Bank Limited	-	10,000	1,000	-	11,000	1,401	1,829	5.19%	4.69%	0.00%
Bank Alfalah Limited	-	35,000	-	-	35,000	576	599	1.70%	1.54%	0.00%
	-	187,142	15,310	2,000	200,452	7,926	9,638	27.36%	24.72%	
	-	573,027	23,570	34,200	562,397	30,645	35,223	100%	84.87%	

## 5.2 Government securities - Treasury bills

	Face value As at November	Sales / matured during the year	As at June 30, 2012 the year	Amortised end of the year	Market value as end of the year	Market value as a percentage of Total investments	Net assets of the sub-fund
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----- (Rupees in 000) -----

### 5.2.1 Held by Equity sub-fund

Treasury Bills - 6 months	July 28, 2011	-	10,000	10,000	-	-	-	-
Treasury Bills - 6 months	July 28, 2011	-	20,000	20,000	-	-	-	-
		-	30,000	30,000	-	-	-	-

### 5.2.2 Held by Debt sub-fund

Treasury Bills - 6 months	July 28, 2011	-	30,000	30,000	-	-	-	-
Treasury Bills - 1 year	August 25, 2011	-	12,000	-	12,000	11,797	11,796	22.08%
Treasury Bills - 6 months	January 26, 2012	-	30,000	-	30,000	29,769	29,756	55.70%
Treasury Bills - 3 months	February 9, 2012	-	5,000	5,000	-	-	-	-
Treasury Bills - 3 months	May 3, 2012	-	5,000	-	5,000	4,960	4,960	9.29%
Treasury Bills - 3 months	May 31, 2012	-	5,500	-	5,500	5,407	5,406	10.12%
		-	87,500	35,000	52,500	51,933	51,918	97.19%

5.2.2.1 These treasury bills carry maturities ranging from July 2012 to August 2012.

### 5.2.3 Held by Money Market sub-fund

Treasury Bills - 6 months	July 28, 2011	-	30,000	30,000	-	-	-	-
Treasury Bills - 1 year	August 25, 2011	-	15,000	-	15,000	14,746	14,745	25.23%
Treasury Bills - 3 months	January 26, 2012	-	30,000	30,000	-	-	-	-
Treasury Bills - 3 months	February 9, 2012	-	5,000	5,000	-	-	-	-
Treasury Bills - 3 months	April 19, 2012	-	30,000	-	30,000	29,895	29,892	51.15%
Treasury Bills - 3 months	May 3, 2012	-	5,000	-	5,000	4,960	4,960	8.49%
Treasury Bills - 3 months	May 31, 2012	-	9,000	-	9,000	8,848	8,847	15.14%
		-	124,000	65,000	59,000	58,449	58,444	100.01%

5.2.3.1 These treasury bills carry maturities ranging from July 2012 to August 2012.

5.3 This represents investment in privately placed Sukuk certificates, based on Musharaka, issued by Hub Power Company Limited on February 03, 2012. These Sukuk certificates carry markup at the rate of 1.25% per annum above six months KIBOR. These certificates will mature on August 03, 2012.

## 6. DIVIDEND AND PROFIT RECEIVABLE

Note	June 30, 2012			Total
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
	(Rupees in 000)			
Dividend receivable	35	-	-	35
Profit receivable on bank deposits	18	8	10	36
Profit accrued on investment in Privately placed sukuk certificates	-	80	-	80
Profit accrued on advance against Term Finance Certificates	-	23	-	23
	<u>53</u>	<u>111</u>	<u>10</u>	<u>174</u>

## 7. PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred		33	33	33	99
Less: Accumulated amortization for the period	7.1	6	6	6	18
		<u>27</u>	<u>27</u>	<u>27</u>	<u>81</u>

**7.1** Preliminary expenses and floatation costs represents expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of three years commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and the VPS Rules.

**8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

		June 30, 2012			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		(Rupees in 000)			
Advance against subscription of Term Finance Certificates	8.1	-	1,500	-	1,500
Security Deposit with Central Depository Company of Pakistan Limited		100	100	-	200
		<b>100</b>	<b>1,600</b>	<b>-</b>	<b>1,700</b>

**8.1** This represents advance against Rated and Unsecured Privately Placed Term Finance Certificate issue of Standard Chartered Bank (Pakistan) Limited. These certificates carry markup at the rate of 0.75% per annum above six months KIBOR. The Sub-fund has subscribed 300 certificates with each certificate having a face value of Rupees 5,000.

**9. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - PENSION FUND MANAGER**

		June 30, 2012			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
		(Rupees in 000)			
	Note				
Management fee	9.1	54	67	67	188
Preliminary expenses and floatation costs on behalf of the Fund		33	33	33	99
Security deposit with Central Depository Company of Pakistan Limited on behalf of the Fund		100	100	-	200
Other payable		3	7	-	10
		<b>190</b>	<b>207</b>	<b>100</b>	<b>497</b>

**9.1** As per rule 11 of the Voluntary Pension System Rules, 2005, HBL Asset Management Limited, the Pension Fund Manager of the Fund is allowed to charge an annual management fee of 1.5% of the average of the values of the net assets of each of the Sub-Fund calculated during the period. Accordingly, the management fee has been accrued at 1.5% per annum of the average daily net assets of the Sub-Funds.

**10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2012 is as follows:

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

The remuneration is paid to the trustee monthly in arrears.

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with rule 36 of the Voluntary Pension System Rules, 2005 whereby the Fund is required to pay SECP an amount equal to one thirtieth of 1% of the average annual net asset value of each of the pension fund.

## 12. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	June 30, 2012			Total
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
(Rupees in 000)					
Auditors' remuneration	12.1	50	50	50	150
Provision for Workers' Welfare Fund		48	50	55	153
		<u>98</u>	<u>100</u>	<u>105</u>	<u>303</u>

### 12.1

	June 30, 2012			Total	
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund		
(Rupees in 000)					
Annual audit fee		50	50	50	150

## 13. CONTRIBUTION TABLE

Contributions received during the period is as follows:

From:	For the period from November 29, 2011 to June 30, 2012							
	Equity Sub-Fund		Debt Sub-Fund		Money Market Sub-Fund		Total	
	Units	(Rupees in 000)	Units	(Rupees in 000)	Units	(Rupees in 000)	Units	(Rupees in 000)
Individuals	18,428	2,164	250,458	25,918	283,427	29,420	552,313	57,502
Pension Fund Sponsor	300,000	30,000	300,000	30,000	300,000	30,000	900,000	90,000
	<u>318,428</u>	<u>32,164</u>	<u>550,458</u>	<u>55,918</u>	<u>583,427</u>	<u>59,420</u>	<u>1,452,313</u>	<u>147,502</u>

## 14. NUMBER OF UNITS IN ISSUE

	June 30, 2012			Total
	Equity Sub-Fund	Debt Sub-Fund	Money market Sub-Fund	
------(Number)-----				
Units issued during the period	318,428	550,458	583,427	1,452,313
Units redeemed during the period	-	-	-	-
Total units in issue at the end of the period	<u>318,428</u>	<u>550,458</u>	<u>583,427</u>	<u>1,452,313</u>

## 15. PROVISION FOR WORKERS' WELFARE FUND

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

During 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry.

Furthermore, in 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Pension Fund Manager, as a matter of abundant caution, has decided to make the provision for WWF amounting to Rs. 152,342.

## 16. TAXATION

No provision for taxation for the year ended 30 June 2012 has been made in view of the exemption available under clause 57 (3) (viii) of Part I of the 2nd Schedule to the Income Tax Ordinance, 2001.

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

### Financial assets

	June 30, 2012												
	Equity sub-fund				Debt sub-fund				Money market sub-fund				Total
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total	
	(Rupees in 000)												
Bank balances	3,888	-	-	3,888	2,810	-	-	2,810	2,943	-	-	2,943	9,641
Investments	-	-	35,223	35,223	-	-	53,418	53,418	-	-	58,444	58,444	147,085
Dividend and profit receivable	53	-	-	53	111	-	-	111	10	-	-	10	174
Advances, deposits, prepayments and other receivables	100	-	-	100	1,600	-	-	1,600	-	-	-	-	1,700
	<u>4,041</u>	<u>-</u>	<u>35,223</u>	<u>39,264</u>	<u>4,521</u>	<u>-</u>	<u>53,418</u>	<u>57,939</u>	<u>2,953</u>	<u>-</u>	<u>58,444</u>	<u>61,397</u>	<u>158,600</u>

### Financial liabilities

	June 30, 2012											
	Equity sub-fund			Debt sub-fund			Money market sub-fund			Total		
	Liabilities at fair value through profit or loss	At amortised cost	Total	Liabilities at fair value through profit or loss	At amortised cost	Total	Liabilities at fair value through profit or loss	At amortised cost	Total			
	(Rupees in 000)											
Payable to HBL Asset Management Limited - Pension Fund Manager	-	190	190	-	207	207	-	100	100	497		
Payable to Central Depository Company of Pakistan Limited - Trustee	-	9	9	-	8	8	-	8	8	25		
Payable to Securities and Exchange Commission of Pakistan	-	7	7	-	7	7	-	7	7	21		
Accrued expenses and other liabilities	-	50	50	-	50	50	-	50	50	150		
	<u>-</u>	<u>256</u>	<u>256</u>	<u>-</u>	<u>272</u>	<u>272</u>	<u>-</u>	<u>165</u>	<u>165</u>	<u>693</u>		

## 18. TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

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

### 18.1 Transactions during the period

	For the period from November 29, 2011 to June 30, 2012			
	Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total
	(Rupees in 000)			
<b>HBL Asset Management Limited - Pension Fund Manager</b>				
Management Fee	359	374	375	1,108
<b>Habib Bank Limited - Sponsor</b>				
Issue of units (seed capital)	<i>Number</i> 300,000	300,000	300,000	900,000
Amount of units issued	30,000	30,000	30,000	90,000
Bank charges paid	5	4	3	12
Profit on bank deposits earned	223	185	207	615
Profit received on bank deposits	205	176	197	578
<b>Directors and Executives of the Pension Fund Manager and their relatives</b>				
<b>Directors and their relatives</b>				
Issue of units	<i>Number</i> 9,771	74,751	55,963	140,485
Amount of units issued	1,163	7,690	5,790	14,643
<b>Executives and their relatives</b>				
Issue of units	<i>Number</i> 7	76,513	114,551	191,071
Amount of units issued	1	8,000	12,000	20,001
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration	59	59	59	177
Central Depository System Charges	6	6	-	12



June 30, 2012			
Equity sub-fund	Debt sub-fund	Money Market sub-fund	Total
(Rupees in 000)			

## 18.2 Amount outstanding as at period end

### HBL Asset Management Limited - Pension Fund Manager

Management fee payable	54	67	67	188
Preliminary expenses and floatation cost payable	33	33	33	99
Security deposit paid on behalf of the Fund - payable	100	100	-	200
Other payable	3	7	-	10

### Habib Bank Limited - Sponsor

Units held	<i>Number</i> 300,000	300,000	300,000	900,000
Amount of units held	36,731	31,416	31,471	99,618
Profit receivable on bank deposits	18	8	10	36
Balance in savings account	3,888	2,810	2,943	9,641

### Directors and Executives of the Pension Fund Manager and their relatives

#### Directors and their relatives

Units held	<i>Number</i> 9,771	74,751	55,963	140,485
Amount of units held	1,196	7,828	5,871	14,895

#### Executives and their relatives

Units held	<i>Number</i> 7	76,513	114,551	191,071
Amount of units held	1	8,012	12,017	20,030

### Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	9	8	8	25
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## 19. FINANCIAL RISK MANAGEMENT

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

### 19.1 Market risk

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

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

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

#### 19.1.1 Currency risk

Currency risk is the risk that the fair value or future cashflows 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.

#### 19.1.2 Interest rate risk

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

##### a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instruments as at June 30, 2012, that could expose the Fund to cash flow interest rate risk.

##### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2012, the Fund holds treasury bills which are classified as available-for-sale, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on June 30, 2012, with all other variables held constant, the net assets would be lower by Rs. 96,511. In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2012, with all other variables held constant, the net assets would be higher by Rs. 92,733.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

19.1.3 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.

	June 30, 2012				June 30, 2012				June 30, 2012				Total			
	Equity Sub Fund				Debt Sub Fund				Money Market Sub Fund							
	Interest rate (%)	Exposed to interest rate risk		Not exposed to interest rate risk	Total	Interest rate (%)	Exposed to interest rate risk		Not exposed to interest rate risk	Total	Interest rate (%)	Exposed to interest rate risk		Not exposed to interest rate risk	Total	
		Up to three months	More than one year				Up to three months	More than one year				Up to three months				More than one year
(Rupees in 000)																
<b>On-balance sheet financial instruments</b>																
<b>Financial assets</b>																
Bank balances	5 - 9.5	3,888	-	-	3,888	5 - 9.5	2,810	-	-	2,810	5 - 9.5	2,943	-	-	2,943	9,641
Investments				35,223	35,223	11.92 - 13.09	51,918		1,500	53,418	11.91 - 11.93	58,444		-	58,444	147,085
Dividend and profit receivable				53	53				111	111				10	10	174
Advances, deposits, prepayments and other receivables				100	100			1,600	1,600							1,700
		3,888		35,376	39,264		54,728		3,211	57,939		61,387		10	61,397	158,600
<b>Financial liabilities</b>																
Payable to HBL Asset Management Limited - Pension Fund Manager				190	190				207	207				100	100	497
Payable to Central Depository Company of Pakistan Limited - Trustee				9	9				8	8				8	8	25
Payable to Securities and Exchange Commission of Pakistan				7	7				7	7				7	7	21
Accrued expenses and other liabilities				50	50				50	50				50	50	150
				256	256				272	272				165	165	693
<b>On-balance sheet gap</b>		3,888		35,120	39,008		54,728		2,939	57,667		61,387		(155)	61,232	157,907
<b>Off-balance sheet financial instruments</b>																
<b>Off-balance sheet gap</b>																

19.1.4 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 also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KSE 100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believes the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio.

Sectorwise Portfolio	June 30, 2012	
	Funds equity portfolio (%)	KSE-100 benchmark portfolio (%)
Oil and Gas	28.34%	32.90%
Chemicals	17.02%	10.62%
Banks	27.36%	21.40%
Electricity	10.92%	3.37%
Fixed Line Telecommunication	1.94%	1.58%
Personal Goods	4.59%	3.99%
Construction and Materials	9.83%	3.41%
Others	0.00%	22.73%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

In case of 5% increase / decrease in KSE 100 index on June 30, 2012, with all other variables held constant, the net assets of the Fund would increase / decrease by Rs. 1,761,150 million as a result of gains / losses on equity securities classified as available-for-sale.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

## 19.2 Credit risk

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

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

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

The maximum exposure to credit risk is as follows:

### Bank balances by rating category

	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund	Total
	(Rupees in 000)			
A1+	3,888	2,810	2,943	9,641
Government securities	-	51,918	58,444	110,362
Privately placed Sukuks	-	1,500	-	-
Dividend and profit receivable	53	111	10	174
Advances, deposits and other receivables	100	1,600	-	1,700

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets.

### Concentration of credit risk

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

## 19.3 Liquidity risk

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

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

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

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

	June 30, 2012												
	Equity Sub Fund				Debt Sub Fund				Money Market Sub Fund				Total
	Total	Upto three months	More than three months and upto one year	More than one year	Total	Upto three months	More than three months and upto one year	More than one year	Total	Upto three months	More than three months and upto one year	More than one year	
	(Rupees in 000)												
<b>Financial Liabilities (excluding participants' funds)</b>													
Payable to HBL Asset Management Limited - Pension Fund Manager	190	190	-	-	207	207	-	-	100	100	-	-	497
Payable to Central Depository Company of Pakistan Limited - Trustee	9	9	-	-	8	8	-	-	8	8	-	-	25
Payable to Securities and Exchange Commission of Pakistan	7	7	-	-	7	7	-	-	7	7	-	-	21
Accrued expenses and other liabilities	50	50	-	-	50	50	-	-	50	50	-	-	150
	<u>256</u>	<u>256</u>	<u>-</u>	<u>-</u>	<u>272</u>	<u>272</u>	<u>-</u>	<u>-</u>	<u>165</u>	<u>165</u>	<u>-</u>	<u>-</u>	<u>693</u>
Participants' funds	<u>38,987</u>	<u>38,987</u>	<u>-</u>	<u>-</u>	<u>57,644</u>	<u>57,644</u>	<u>-</u>	<u>-</u>	<u>61,204</u>	<u>61,204</u>	<u>-</u>	<u>-</u>	<u>157,835</u>

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

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

## 20. PARTICIPANTS' FUNDS RISK MANAGEMENT (CAPITAL RISK)

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

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

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

In accordance with the risk management policies stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption. Since the participants of the Fund have invested with a long term objective, the possibility of a significant redemption pressure is limited, such liquidity being augmented by borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

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

## 21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and 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 year 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 fair value of financial assets (e.g. Treasury bills, Terms finance certificates and Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan and MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 1 of 2009 dated January 6, 2009 issued by the Securities and Exchange Commission of Pakistan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its values is determined by applying discount in accordance with Circular No. 1 of 2009 issued by the SECP.

The estimated fair value of other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

IFRS 7, 'Financial instruments: Disclosures' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Investment of the Fund carried at fair value as at June 30, 2012 are categorised as follows:

Financial assets available for sale	Equity Sub Fund			Total
	Level 1	Level 2	Level 3	
	(Rupees in 000)			
- Equity Securities	35,223	-	-	35,223
Financial assets available for sale	Debt Sub Fund			Total
	Level 1	Level 2	Level 3	
	(Rupees in 000)			
- Government securities - Treasury Bills	-	51,918	-	51,918
- Privately placed Sukuks	-	-	1,500	1,500
	-	51,918	1,500	53,418
	Money Market Sub Fund			Total
	Level 1	Level 2	Level 3	
	(Rupees in 000)			
- Government securities - Treasury Bills	-	58,444	-	58,444

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**22. HIGHEST AND LOWEST ISSUE PRICE OF UNITS DURING THE PERIOD**

<u>Equity Sub-Fund</u>		<u>Debt Sub-Fund</u>		<u>Money Market Sub-Fund</u>	
<u>Lowest</u>	<u>Highest</u>	<u>Lowest</u>	<u>Highest</u>	<u>Lowest</u>	<u>Highest</u>
<u>issue price</u>	<u>issue price</u>	<u>issue price</u>	<u>issue price</u>	<u>issue price</u>	<u>issue price</u>
----- (Rupees) -----					
For the period from November 29, 2011 to June 30, 2012					
<u>98.0419</u>	<u>130.1718</u>	<u>100.00</u>	<u>104.7196</u>	<u>100.00</u>	<u>104.9036</u>

**23. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of the Pension Fund Manager on August 15, 2012.

For HBL Asset Management Limited  
(Pension Fund Manager)

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

\_\_\_\_\_  
Director

For further details please call (92-21) 35290171-86  
or visit [www.hblasset.com](http://www.hblasset.com)

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