

HBL

**ASSET
MANAGEMENT**

HBL StockFund

Annual Report 2013

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HBL STOCK FUND

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VISION / MISSION / VALUES

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

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. Aman Aziz Siddiqui | (Non-Executive Director) |
| | Mr. Rizwan Haider | (Non-Executive Director) |
| | Mr. Salahuddin Manzoor | (Non-Executive Director) |
| | Mr. Salim Amlani | (Non-Executive Director) |
| | Ms. Sadia Khan | (Independent Non-Executive Director) |

Audit Committee

| | | |
|-------------|-------------------|--------------------------------------|
| Chairperson | Ms. Sadia Khan | (Independent Non-Executive Director) |
| Members | Mr. Salim Amlani | (Non-Executive Director) |
| | Mr. Rizwan Haider | (Non-Executive Director) |

Human Resource Committee

| | | |
|----------|-------------------------|--------------------------------------|
| Chairman | Mr. Aman Aziz Siddiqui | (Non-Executive Director) |
| Members | Mr. Towfiq Habib Chinoy | (Independent Non-Executive Director) |
| | Mr. Salahuddin Manzoor | (Non-Executive Director) |
| | Mr. Rehan N.Shaikh | (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.hblasstet.com

Head Office

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

Registered Office

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

FUND INFORMATION

| | |
|--------------------------|---|
| NAME OF FUND | HBL Stock Fund |
| FUND MANAGER | Mr. Umar Farooq |
| 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 Bank Al-Habib Limited MCB Bank Limited JS Bank Limited The Bank of Punjab Standard Chartered Bank (Pakistan) Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Faysal Bank Limited Barclays Bank Plc Pakistan Allied Bank Limited |

FUND MANAGER REPORT

Type and Category of Fund

Open end Islamic Equity Fund

Investment Objective and Accomplishment of Objective

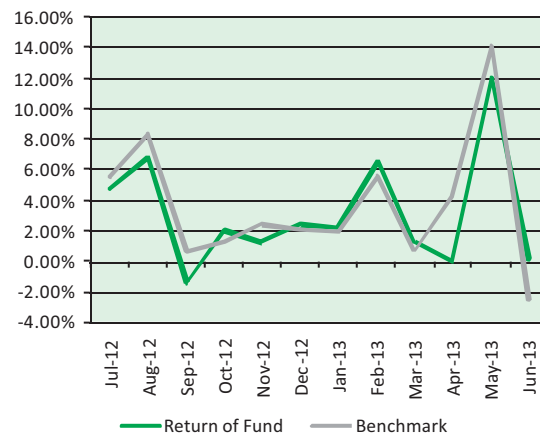
The investment objective of the Fund is to achieve long term capital growth by investing mainly in Shariah Compliant equity securities.

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 | Benchmark |
|--------|----------------|-----------|
| Jul-12 | 4.80% | 5.66% |
| Aug-12 | 6.90% | 8.42% |
| Sep-12 | -1.40% | 0.73% |
| Oct-12 | 2.00% | 1.40% |
| Nov-12 | 1.30% | 2.50% |
| Dec-12 | 2.40% | 2.14% |
| Jan-13 | 2.20% | 1.96% |
| Feb-13 | 6.60% | 5.61% |
| Mar-13 | 1.30% | 0.80% |
| Apr-13 | 0.00% | 4.32% |
| May-13 | 12.09% | 14.19% |
| Jun-13 | 0.21% | -2.47% |

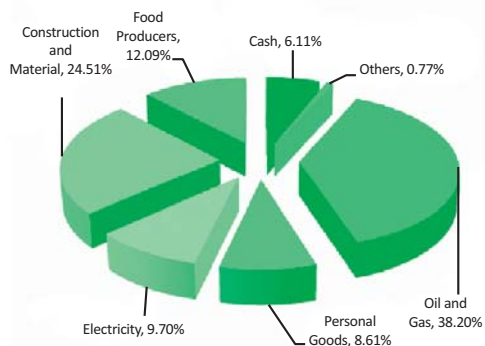


Strategies and Policies employed during the Year

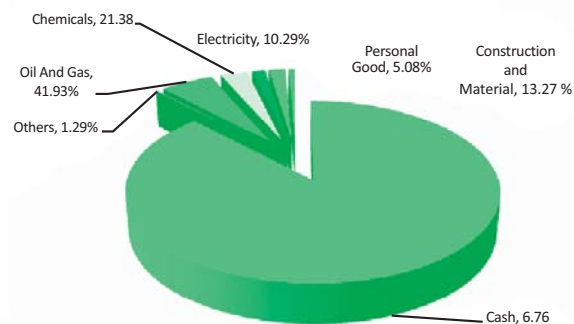
Sector wise allocation was reviewed and revisited to ensure optimum returns to the investors. Accordingly, exposure in Construction & Material, Food producers and Personal Goods were increased. However, exposure in Chemicals and Oil and Gas was reduced

Asset Allocation

Asset Allocation As on June 30, 2013



Asset Allocation As on June 30, 2012



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, 2012 and June 30, 2013:

| Sr. No. | Name of Sector | Sector Allocation as on | |
|---------|----------------|-------------------------|---------------|
| | | June 30, 2013 | June 30, 2012 |
| 1 | Oil and Gas | 38% | 42% |
| 2 | Chemicals | 24% | 13% |
| 3 | Banks | 12% | - |
| 4 | Electricity | 10% | 10% |
| 5 | Personal Goods | 9% | - |
| 6 | Others | - | 22% |
| | Total | 93% | 92% |

Fund Performance

The total income and net income of the Fund was Rs. 96.60 million and Rs. 83.55 million respectively during the year ended June 30, 2013. The Net Asset Value (NAV) of the Fund increased from Rs107.6287 per unit as on July 1, 2012 to Rs 155.9098 per unit as on June 30, 2013 giving a return of 44.87% during the year. During the same period the benchmark return (KMI 30 Index) was 54.41%.

Review of Market invested in

The market remained bullish throughout the year. During the year under review the benchmark KSE-100 Index increased from 13,801 points as on June 30, 2012 to 21,006 points as on June 30, 2013 showing an increase of 7,204 points or 52.20%. Major outperforming sectors were Consumers, Construction & Material and Power sector. On a month on month basis the highest increase in the KSE-100 Index was witnessed in the month of May 2013 as the KSE-100 Index increased by 15% during the month due to the smooth democratic transition.

Distribution

The Fund has distributed dividend at Rs. 25.00 per unit in the form of Bonus units for Class "A" and Class "B" Units and Cash Dividend of Rs. 25.00 per unit for Class "C" Unit for the year ended June 30, 2013.

Significant Changes in the State of Affairs

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

Breakdown of Unit Holding by Size

| From – To (Number of units) | Number of Unit Holders | Total Number of Units Held |
|--------------------------------|------------------------|----------------------------|
| 1 – 100 | 26 | 761 |
| 101 – 500 | 17 | 4,057 |
| 501 – 1,000 | 5 | 3,542 |
| 100,1 – 10,000 | 13 | 47,149 |
| 10,001 – 100,000 | 4 | 108,074 |
| 100,001 – 500,000 | - | - |
| 500,001 – 1,000,000 | - | - |
| 1,000,001 – 5,000,000 | 1 | 2,849,194 |
| 5,000,001 and above | - | - |
| Total | 66 | 3,012,777 |

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.

HBL STOCK FUND PERFORMANCE TABLE

| | For the period ended June 30,2013 | For the period ended June 30,2012 | For the period ended June 30,2011 | For the period ended June 30,2010 | For the period ended June 30,2009 | For the period ended June 30,2008 |
|---|--|--|--|--|--|--|
| NET ASSETS AND PRICES | | | | | | |
| Net assets at the period end(Rs'000) | 3,229,692 | 2,182,849 | 1,986,282 | 1,588,534 | 1,409,511 | |
| Net asset value per unit at the period end/period end(Rs) | 135.8501 | 104.0655 | 103.9008 | 91.0500 | 76.1800 | 98.5300 |
| Selling price/repurchasing price | 140.4201 | 106.6671 | 106.4983 | 91.0500 | 78.0800 | 100.9900 |
| Earning per unit(Rs) (note 3.10) | | | | | | |
| Highest selling price per unit(Rs) | 147.8408 | 113.4612 | 109.8741 | 105.400 | 92.620 | 115.730 |
| Lowest selling price per unit(Rs) | 99.7215 | 88.6450 | 82.5800 | 80.200 | 58.400 | 96.290 |
| Highest repurchase price per unit(Rs) | 144.2349 | 110.6939 | 107.1942 | 102.830 | 90.360 | 112.910 |
| Lowest repurchasing price per unit(Rs) | 97.2893 | 86.4829 | 80.5700 | 78.240 | 56.980 | 93.940 |
| RETURN (%) | | | | | | |
| Total return | 44.42% | 11.00% | 28.19% | 19.52% | -17.80% | -1.76% |
| Income distribution | 25.86% | 10.38% | 12.52% | 12.81% | - | 7.02% |
| Capital growth | 18.56% | 0.62% | 15.67% | 6.71% | -17.80% | -8.78% |
| DISTRIBUTION | | | | | | |
| First Interin dividend distribution | - | - | - | - | - | - |
| Second Interin dividend distribution | - | - | - | - | - | - |
| Third Interin dividend distribution | - | - | - | - | - | - |
| Final dividend distribution | 25.00 | 10.00 | 10.15 | 10.00 | - | 5.85 |
| Total dividend distribution for the year/ period | 25.00 | 10.00 | 10.15 | 10.00 | - | 5.85 |
| AVERAGE RETURNS (%) | | | | | | |
| Average annual return | 44.42% | 11.00% | 28.19% | 19.52% | -17.80% | -1.76% |
| Average return since inception | 71.85% | 7.83% | | (1.64) | -13.30% | -1.76% |

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

HBL STOCK FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of **HBL Stock Fund** (the Fund) are of the opinion that HBL Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2013 in accordance with the provisions of the following:

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

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, October 02, 2013

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2013.

This statement is being presented to comply with the Code of Corporate Governance contained in Chapter XI of Listing Regulations of the Lahore Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

HBL Asset Management Limited, the Management Company, is not listed and hence, the Code is not applicable to it. However, **HBL - Stock Fund** (the Fund) being listed at the Lahore Stock Exchange comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.


HBL - Stock Fund is an open ended mutual fund and was listed on Lahore Stock Exchange on September 07, 2007. The units of the Fund have been offered for public subscription on a continuous basis from August 29, 2007.

1. The Management Company encourages representation of independent non-executive directors. As on June 30, 2013 the Board includes following members:

| Category | Names |
|-------------------------|---|
| Independent Directors | 1.Towfiq Habib Chinnoy 2.Sadia Khan |
| Executive Directors | 1.Rehan N. Shaikh |
| Non-Executive Directors | 1.Aman Aziz Siddiqui 2.Rizwan Haider 3.Salahuddin Manzoor 4.Salim Amlani |

The independent directors meet the criteria of independence under clause 1 (b) of CCG

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancy occurred during the year.
5. The Management Company has prepared a "Code of Conduct", and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures. Further; it has also been placed on the Company's website.
6. The Board has developed a vision/mission statement, over all corporate strategy and significant policies of the company. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, when present and the Board met five times during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Two of directors of the Company are pursuing the "Directors Training Certification" and such certification shall be completed in the ensuing year.
10. The Board has approved the appointment of Chief Financial Officer and Company Secretary including his terms of remuneration of employment.
11. Directors Report for the year ended June 30, 2013 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 18 to the financial statements "Transactions with Connected Persons".

- 
14. The Company has complied with the corporate and financial reporting requirements of the Code.
 15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors and the Chairperson of the Committee is an independent director.
 16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Fund, as required by the Code.
 17. The Board has formed an HR Committee. It comprises of three members, majority of whom are non-executive directors and the Chairman of the HR committee is a non-executive Director.
 18. The Company has outsourced its internal audit function to a reputable firm of Chartered Accountants who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company. Further, the Company intends to designate Head of Internal Audit for the coordination between the firm and the Audit Committee of the Board.
 19. The Statutory Auditors of the fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
 20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
 21. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions, if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.

Rehan N. Shaikh
Chief Executive Officer

Date: September 27, 2013
Place: Karachi

AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS ON STATEMENT OF COMPLIANCE WITH THE PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of HBL Asset Management Limited ("the Management Company") for and on behalf of **HBL Stock Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter xi) of Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, sub-regulation (x) of Listing Regulations No. 35 requires the Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

As more fully explained in paragraphs 9 and 18, two of the Company's directors are in the process of pursuing Director's Training Certification and the Company is in the process of designating Head of Internal Audit.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's statement of compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2013.

Date: 27 September 2013
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the Financial Statements

We have audited the accompanying financial statements of **HBL Stock Fund** ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2013 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2013 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

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.

Date: 27 September 2013

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Syed Iftikhar Anjum

HBL STOCK FUND
Statement of Assets and Liabilities
As at June 30, 2013

| | Note | 2013 | 2012 |
|---|------|-------------------|------------|
| | | (Rupees in '000) | |
| Assets | | | |
| Bank balances | 4 | 138,431 | 123,331 |
| Investments | 5 | 3,124,655 | 2,045,294 |
| Dividend and profit receivable | 6 | 2,847 | 3,497 |
| Preliminary expenses and floatation costs | 7 | - | 38 |
| Advances, deposits, prepayments and other receivables | 8 | 2,600 | 31,868 |
| Total assets | | 3,268,533 | 2,204,028 |
| Liabilities | | | |
| Payable to HBL Asset Management Limited - Management Company | 9 | 6,981 | 6,240 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 10 | 355 | 260 |
| Payable to Securities and Exchange Commission of Pakistan | 11 | 2,518 | 1,945 |
| Accrued expenses and other liabilities | 12 | 28,987 | 12,734 |
| Total liabilities | | 38,841 | 21,179 |
| Net Assets | | 3,229,692 | 2,182,849 |
| Unit holders' fund (as per statement attached) | | 3,229,692 | 2,182,849 |
| | | (Number of units) | |
| Number of units in issue | | 23,773,933 | 20,975,731 |
| | | (Rupees) | |
| Net assets value per unit | | 135.8501 | 104.0655 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL STOCK FUND

Income Statement

For the year ended June 30, 2013

| | Note | 2013 | 2012 |
|---|------|------------------|----------|
| | | (Rupees in '000) | |
| Income | | | |
| Dividend income | | 150,556 | 171,049 |
| Profit on bank deposits | 13 | 11,539 | 5,012 |
| Mark-up on Government Securities | | 452 | 20,409 |
| Capital gain on sale of investments - net | | 484,964 | 167,812 |
| | | 647,511 | 364,282 |
| Unrealised appreciation in value of investments at fair value through profit or loss - net | 5.5 | 86,342 | 1,017 |
| Impairment loss on investments classified as 'available for sale' | | - | (66,554) |
| | | 733,853 | 298,745 |
| Expenses | | | |
| Remuneration of HBL Asset Management Limited - Management Company | | 65,951 | 70,439 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | | 3,651 | 3,048 |
| Annual fee to Securities and Exchange Commission of Pakistan | | 2,518 | 1,945 |
| Securities transaction costs | | 11,724 | 1,180 |
| Auditors' remuneration | 14 | 446 | 395 |
| Settlement and bank charges | | 698 | 305 |
| Amortisation of preliminary expenses and floatation costs | 7 | 38 | 228 |
| Other expenses | | 167 | 151 |
| | | 85,193 | 77,691 |
| Net income from operating activities | | 648,660 | 221,054 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net | | 5,510 | (771) |
| Provision for Workers' Welfare Fund | 15 | (13,089) | (4,405) |
| Net income for the year before taxation | | 641,081 | 215,878 |
| Taxation | 16 | - | - |
| Net income for the year after taxation | | 641,081 | 215,878 |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL STOCK FUND

Statement of Comprehensive Income

For the year ended June 30, 2013

| | Note | 2013 (Rupees in '000) | 2012 |
|--|------|--------------------------|----------------|
| Net income for the year | | 641,081 | 215,878 |
| Other comprehensive income for the year | | | |
| <i>Items to be reclassified to income statement in subsequent periods:</i> | | | |
| Net unrealised appreciation in the market value of securities classified as 'available for sale' | 5.6 | 347,085 | 1,298 |
| Total comprehensive income for the year | | <u>988,166</u> | <u>217,176</u> |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL STOCK FUND Distribution Statement

For the year ended June 30, 2013

| | 2013 | 2012 |
|--|------------------|------------------|
| | (Rupees in '000) | |
| Accumulated loss brought forward | | |
| - Realised | (362,525) | (336,560) |
| - Unrealised | 1,017 | 4,375 |
| | <u>(361,508)</u> | <u>(332,185)</u> |
| Net income for the year | 641,081 | 215,878 |
| Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund | (76,291) | (51,163) |
| Final distribution for the year ended June 30, 2012: Rs. 10.00 per unit (Date of distribution: July 7, 2012) [(2011: Rs.10.15 per unit) (Date of distribution: July 7, 2011)] - 2,229,907 bonus units (2011: 2,069,723 bonus units) | (209,757) | (194,038) |
| Undistributed income / (Accumulated loss) carried forward | <u>(6,475)</u> | <u>(361,508)</u> |
| Undistributed income / (Accumulated loss) carried forward | | |
| - Realised | (59,765) | (362,525) |
| - Unrealised | (86,342) | 1,017 |
| | <u>(6,475)</u> | <u>(361,508)</u> |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL STOCK FUND

Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2013

| | 2013 | 2012 |
|--|------------------|------------------|
| | (Rupees in '000) | |
| Net assets at beginning of the year [Rs. 104.0655 per unit (2012: Rs. 103.9008 per unit)] | 2,182,849 | 1,986,282 |
| Issue of 1,161,661 units (2012: 34,794 units) | 135,401 | 5,476 |
| Redemption of 593,366 units (2012: 246,347 units) | (71,214) | (26,856) |
| Issue of 2,229,907 bonus units (2012: 2,069,723 bonus units) | 209,757 | 194,038 |
| | 273,944 | 172,658 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement | (5,510) | 771 |
| Net income for the year | 641,081 | 215,878 |
| Net unrealised appreciation in the market value of securities classified as 'available for sale' | 347,085 | 1,298 |
| Total comprehensive income for the year | 988,166 | 217,176 |
| Final distribution for the year ended June 30, 2012: Rs. 10.00 per unit (Date of distribution: July 7, 2012) [(2011: Rs.15.25 per unit) (Date of distribution: July 7, 2011)] - 2,229,907 bonus units (2011: 2,069,723 bonus units) | (209,757) | (194,038) |
| Net assets at end of the year [Rs. 135.8501 per unit (2012: Rs. 104.0655 per unit)] | <u>3,229,692</u> | <u>2,182,849</u> |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL STOCK FUND

Cash Flow Statement

For the year ended June 30, 2013

| | Note | 2013 (Rupees in '000) | 2012 |
|---|------|--------------------------|------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Net income for the year | | 641,081 | 215,878 |
| Adjustments | | | |
| Amortisation of preliminary expenses and floatation costs | 7 | 38 | 228 |
| Impairment loss on investments classified as 'available for sale' | | - | 66,554 |
| Unrealised (appreciation) in value of investments at fair value through profit or loss - net | 5.5 | (86,342) | (1,017) |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net | | (5,510) | 771 |
| | | <u>549,267</u> | <u>282,414</u> |
| (Increase) / Decrease in assets | | | |
| Investments - net | | (645,934) | (214,764) |
| Dividend and profit receivable | | 650 | 3,830 |
| Advances, deposits, prepayments and other receivables | | 29,268 | (2,516) |
| | | <u>(616,016)</u> | <u>(213,450)</u> |
| Increase in liabilities | | | |
| Payable to HBL Asset Management Limited - Management Company | | 741 | 968 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 95 | 12 |
| Payable to Securities and Exchange Commission of Pakistan | | 573 | 199 |
| Accrued expenses and other liabilities | | 16,253 | 4,518 |
| | | <u>17,662</u> | <u>5,697</u> |
| Net cash (used in) / generated from operating activities | | <u>(49,087)</u> | <u>74,661</u> |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Amount received on issue of units | | 135,401 | 5,476 |
| Payment against redemption of units | | (71,214) | (26,856) |
| Net cash inflow / (outflow) from financing activities | | <u>64,187</u> | <u>(21,380)</u> |
| Net increase in cash and cash equivalents | | <u>15,100</u> | <u>53,281</u> |
| Cash and cash equivalents at beginning of the year | | 123,331 | 70,050 |
| Cash and cash equivalents at end of the year | | <u>138,431</u> | <u>123,331</u> |

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL STOCK FUND

Notes To The Financial Statements

For the year ended June 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Stock Fund (the Fund) was established under a Trust Deed, dated August 09, 2007, executed between HBL Asset Management Limited 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 as a unit trust scheme on August 21, 2007.

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

The Fund is an open-ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Lahore Stock Exchange. The units of the Fund were initially offered for public subscription at par August 29, 2007 to August 31, 2007.

The principal activity of the Fund is to provide long-term capital growth by investing primarily in a diversified pool of equities and equities related instruments.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM3+' to the Management Company and has assigned one year Fund Performance Ranking at MFR 2-Star, two year Fund Performance Ranking at MFR-2 Star and three year Fund Performance Ranking at MFR-3 Star to the Fund.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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 Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

2.2 Standards, interpretations and amendments which became effective during the year

Following are the amendments of approved accounting standards which became effective for the current period:

- IAS 1 - Presentation of Financial Statements – Presentation of items of other comprehensive income (Amendment)
- IAS 12 - Deferred tax on investment property (Amendment)

The adoption of the above amendments of the standards did not have any impact on the financial statements except for additional disclosures as required by IAS 1 amendment.

2.3 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, 2013:

- 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.
- 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 January 01, 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. The amendment has no impact on financial statements of the Fund.
- 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. The amendments have no impact on financial statements of the Fund.
- IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2011) surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.
- IFRIC 21- Levies ‘an Interpretation on the accounting for levies imposed by governments’ (effective for annual periods beginning on or after January 01, 2014). IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.
- IAS 39 Financial Instruments: Recognition and Measurement- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after January 01, 2014). The narrow-scope amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- Amendment to IAS 36 “Impairment of Assets” Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 01, 2013). These narrow-scope amendments to IAS 36 Impairment of Assets address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

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. 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 note 5).

2.5 Accounting convention

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

2.6 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

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated:

3.1 Cash and cash equivalents

Cash and cash equivalents include bank balances, demand deposits with banks and other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

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 Standards (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

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.

3.2.4 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 (other than government)

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 (which is essentially the same as contained in Circular No. 1 of 2009, previously used). 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'.

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

a) 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.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 33 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of Management Company.

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 NBFC regulations.

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 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 amongst 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.

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 deferred tax in these financial statements as the Fund 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.

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 / Management Company during business hours on the date on which the funds are actually realized against application. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors / Management company receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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 distributable income earned during the year is recognised in the income statement and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the distribution 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 the Fund by the number of units in circulation 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 year 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 and mark-up on term finance certificates and government securities is recognised using the effective yield method.

3.12 Proposed distribution

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

4. BANK BALANCES

| Note | 2013 | 2012 |
|------|------------------|----------------|
| | (Rupees in '000) | |
| | <u>138,431</u> | <u>123,331</u> |

Savings accounts

4.1

4.1 This represents bank accounts held in different banks. Profit rates on these accounts range between 5.5% - 8% (2012: 5.5% - 8%) per annum.

5. INVESTMENTS

| Note | 2013 | 2012 |
|------|------------------|------------------|
| | (Rupees in '000) | |
| | <u>205,216</u> | 183,869 |
| | <u>2,919,439</u> | 1,763,126 |
| | <u>-</u> | 98,299 |
| | <u>3,124,655</u> | <u>2,045,294</u> |

At fair value through profit or loss

- Listed equity securities

5.1

Available for sale

- Listed equity securities

5.2

- Government securities

5.3

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

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

| Name of the Investee Company | Number of shares | | | | Market value as at June 30, 2013 | 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, 2012 | Purchases during the Year | Bonus / Rights issue | Sales during the Year | | | | |
| Commercial Banks | | | | | | | | |
| Askari Bank Limited | - | 1,095,000 | - | 1,095,000 | - | - | - | - |
| Bank Islami Pakistan Limited | - | 1,701,500 | - | 1,701,500 | - | - | - | - |
| Bank Alfalah Limited | - | 2,739,500 | - | 2,739,500 | - | - | - | - |
| MCB Bank Limited | - | 398,400 | - | 398,400 | - | - | - | - |
| National Bank of Pakistan | 2,322,879 | 1,768,500 | - | 4,091,379 | - | - | - | - |
| NIB Bank Limited | - | 500,000 | - | - | - | - | - | - |
| United Bank Limited | 342,018 | 950,500 | - | 1,292,518 | - | - | - | - |
| | <u>2,664,897</u> | <u>9,153,400</u> | <u>-</u> | <u>11,818,297</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Personal Goods | | | | | | | | |
| Nishat Chunian Limited | - | 1,328,500 | - | 1,328,500 | - | - | - | - |
| Nishat Mills Limited | 400,000 | 1,971,000 | - | 2,371,000 | - | - | - | - |
| | <u>400,000</u> | <u>1,971,000</u> | <u>-</u> | <u>2,371,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Construction and Materials | | | | | | | | |
| Attock Cement Limited | - | 94,000 | - | 94,000 | - | - | - | - |
| Cherat Cement Limited | - | 542,500 | - | 542,500 | - | - | - | - |
| D.G Khan Cement Limited | - | 3,404,000 | - | 2,705,000 | 699,000 | 58,499 | 1.87% | 1.81% |
| Fauji Cement Limited | - | 17,506,500 | - | 15,306,500 | 2,200,000 | 29,238 | 0.94% | 0.91% |
| Fecto Cement Limited | - | 25,000 | - | 25,000 | - | - | - | - |
| Kohat Cement Limited | - | 845,000 | - | 845,000 | - | - | - | - |
| Lucky Cement Limited | - | 2,269,300 | - | 2,269,300 | - | - | - | - |
| Maple Leaf Cement Factory Limited | - | 3,450,000 | - | 3,450,000 | - | - | - | - |
| Pioneer Cement Limited | - | 1,300,000 | - | 763,500 | 536,500 | 15,757 | 0.50% | 0.49% |
| | <u>-</u> | <u>29,436,300</u> | <u>-</u> | <u>26,000,800</u> | <u>3,435,500</u> | <u>103,494</u> | <u>3.31%</u> | <u>3.20%</u> |
| Electricity | | | | | | | | |
| The Hub Power Company Limited | - | 2,927,000 | - | 1,277,000 | 1,650,000 | 101,722 | 3.26% | 3.15% |
| Karachi Electric Supply Corporation Limited | - | 8,938,000 | - | 8,938,000 | - | - | - | - |
| Nishat Chunian Power Limited | 400,000 | 1,508,000 | - | 1,908,000 | - | - | - | - |
| Nishat Power Limited | - | 150,000 | - | 150,000 | - | - | - | - |
| | <u>400,000</u> | <u>13,523,000</u> | <u>-</u> | <u>12,273,000</u> | <u>1,650,000</u> | <u>101,722</u> | <u>3.26%</u> | <u>3.15%</u> |
| Food Producers | | | | | | | | |
| Engro Foods Limited | - | 1,649,500 | - | 1,649,500 | - | - | - | - |
| | <u>-</u> | <u>1,649,500</u> | <u>-</u> | <u>1,649,500</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fixed Line Telecommunication | | | | | | | | |
| Pakistan Telecommunication Limited | - | 4,669,000 | - | 4,669,000 | - | - | - | - |
| | <u>-</u> | <u>4,669,000</u> | <u>-</u> | <u>4,669,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Oil and Gas | | | | | | | | |
| Attock Petroleum Limited | - | 65,300 | - | 65,300 | - | - | - | - |
| Attock Refinery Limited | - | 806,800 | - | 806,800 | - | - | - | - |
| Byco Petroleum Pakistan Limited | - | 4,653,500 | - | 4,653,500 | - | - | - | - |
| National Refinery Limited | - | 56,100 | - | 56,100 | - | - | - | - |
| Pakistan Oilfields Limited | - | 382,700 | - | 382,700 | - | - | - | - |
| Pakistan Petroleum Limited | - | 556,900 | - | 556,900 | - | - | - | - |
| Pakistan State Oil Company Limited | 29,279 | 1,195,000 | 103,280 | 1,327,559 | - | - | - | - |
| Oil & Gas Development Company Limited | 149,934 | 632,200 | - | 782,134 | - | - | - | - |
| | <u>179,213</u> | <u>8,348,500</u> | <u>103,280</u> | <u>8,630,993</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

| Name of the Investee Company | Number of shares | | | | Market value as at June 30, 2013 | 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, 2012 | Purchases during the Year | Bonus / Rights issue | Sales during the Year | | | | |
| (Rupees in '000) | | | | | | | | |
| Chemicals | | | | | | | | |
| Dawood Hercules Corporation Limited | - | 25,000 | - | 25,000 | - | - | - | - |
| Engro Corporation Limited | - | 1,788,200 | - | 1,788,200 | - | - | - | - |
| Fauji Fertilizer Bin Qasim Limited | - | 2,286,000 | - | 2,286,000 | - | - | - | - |
| Fatima Fertilizer Limited | - | 2,079,000 | - | 2,079,000 | - | - | - | - |
| Lotte Pakistan PTA Limited | - | 1,975,000 | - | 1,975,000 | - | - | - | - |
| Fauji Fertilizer Company Limited | - | 525,000 | - | 525,000 | - | - | - | - |
| | - | 8,678,200 | - | 8,678,200 | - | - | - | - |
| | 3,644,110 | 77,428,900 | 103,280 | 76,090,790 | 5,085,500 | 205,216 | 6.57% | 6.35% |

Cost of investments at June 30, 2013

134,743

5.2 Listed equity securities - available for sale

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

| Name of the Investee Company | Number of shares | | | | Market value as at June 30, 2013 | 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, 2012 | Purchases during the Year | Bonus / Rights issue | Sales during the Year | | | | |
| (Rupees in '000) | | | | | | | | |
| Commercial Banks | | | | | | | | |
| Bank Alfalah Limited | 2,425,000 | 428,000 | - | 2,853,000 | - | - | - | - |
| Habib Bank Limited | 1,047,957 | - | 104,795 | - | 1,152,752 | 137,454 | 4.40% | 4.26% |
| MCB Bank Limited | 465,294 | 510,800 | 19,319 | 559,613 | 435,800 | 105,721 | 3.38% | 3.27% |
| National Bank of Pakistan | 411,984 | 90,064 | - | 502,048 | - | - | - | - |
| United Bank Limited | 1,084,140 | 660,000 | - | 159,982 | 1,584,158 | 170,424 | 5.45% | 5.28% |
| | 5,434,375 | 1,688,864 | 124,114 | 4,074,643 | 3,172,710 | 413,599 | 13.24% | 12.81% |
| Personal Goods | | | | | | | | |
| Nishat Chunian Limited | - | 3,402,500 | - | 732,500 | 2,670,000 | 159,533 | 5.11% | 4.94% |
| Nishat Mills Limited | 1,836,329 | 490,000 | - | 456,500 | 1,869,829 | 176,157 | 5.64% | 5.45% |
| | 1,836,329 | 3,892,500 | - | 1,189,000 | 4,539,829 | 335,690 | 10.74% | 10.39% |
| Life Insurance | | | | | | | | |
| Jubilee Life Insurance Company Limited | 122,500 | - | - | 122,500 | - | - | - | - |
| | 122,500 | - | - | 122,500 | - | - | - | - |
| Construction and Materials | | | | | | | | |
| Attock Cement Pakistan Limited | 20,884 | - | - | 20,884 | - | - | - | - |
| D. G. Khan Cement Company Limited | 1,757,607 | 1,596,000 | - | 956,000 | 2,397,607 | 200,656 | 6.42% | 6.21% |
| Fauji Cement Limited | - | 4,477,000 | - | - | 4,477,000 | 59,499 | 1.90% | 1.84% |
| Lucky Cement Limited | 1,025,136 | 576,900 | - | 923,100 | 678,936 | 142,386 | 4.56% | 4.41% |
| Maple Leaf Cement Factory Limited | - | 1,752,000 | - | - | 1,752,000 | 38,421 | 1.23% | 1.19% |
| Pioneer Cement Limited | - | 1,037,000 | - | 24,500 | 1,012,500 | 29,737 | 0.95% | 0.92% |
| | 2,803,627 | 9,438,900 | - | 1,924,484 | 10,318,043 | 470,699 | 15.06% | 14.57% |
| Electricity | | | | | | | | |
| The Hub Power Company Limited | 3,182,045 | 50,000 | - | 933,000 | 2,299,045 | 141,736 | 4.54% | 4.39% |
| Kot Addu Power Company Limited | 1,389,575 | 963,500 | - | 753,500 | 1,599,575 | 98,982 | 3.17% | 3.06% |
| Nishat Chunian Power Limited | 2,349,566 | 2,700,000 | - | 1,199,500 | 3,850,066 | 127,322 | 4.07% | 3.94% |
| Nishat Power Limited | 1,593,316 | - | - | 1,593,316 | - | - | - | - |
| | 8,514,502 | 3,713,500 | - | 4,479,316 | 7,748,686 | 368,040 | 11.78% | 11.40% |

| Name of the Investee Company | Number of shares | | | | Market value as at June 30, 2013 | 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, 2012 | Purchases during the Year | Bonus / Rights issue | Sales during the Year | | | | |
| (Rupees in '000) | | | | | | | | |
| Oil and Gas | | | | | | | | |
| Attock Petroleum Limited | 216,622 | 400 | - | 217,022 | - | - | - | - |
| Attock Refinery Limited | - | 235,000 | - | 185,000 | 50,000 | 8,628 | 0.28% | 0.27% |
| Byco Petroleum Pakistan Limited | - | 7,150,000 | - | 7,150,000 | - | - | - | - |
| Oil and Gas Development Company Limited | 533,293 | 963,900 | - | 291,766 | 1,205,427 | 275,741 | 8.82% | 8.54% |
| Pakistan Oilfields Limited | 520,173 | - | - | 159,600 | 360,573 | 179,338 | 5.74% | 5.55% |
| Pakistan Petroleum Limited | 944,364 | 290,000 | 219,841 | 443,400 | 1,010,805 | 213,866 | 6.84% | 6.62% |
| Pakistan State Oil Company Limited | 254,421 | 920,000 | 151,828 | 886,249 | 440,000 | 140,967 | 4.51% | 4.36% |
| | 2,468,873 | 9,559,300 | 371,669 | 9,333,037 | 3,066,805 | 818,540 | 26.20% | 25.34% |
| Fixed Line Telecommunication | | | | | | | | |
| Pakistan Telecommunication Company Limited A | - | 500,000 | - | 500,000 | - | - | - | - |
| | - | 500,000 | - | 500,000 | - | - | - | - |
| Technology, Hardware and Equipment | | | | | | | | |
| TPL Trakker Limited | - | 931,847 | - | 931,847 | - | - | - | - |
| | - | 931,847 | - | 931,847 | - | - | - | - |
| Chemicals | | | | | | | | |
| Dawood Hercules | - | 1,346,000 | - | 225,000 | 1,121,000 | 51,689 | 1.65% | 1.60% |
| Engro Corporation Limited | - | 1,917,900 | - | 934,000 | 983,900 | 119,908 | 3.84% | 3.71% |
| Engro Polymer and Chemicals Limited | - | 5,655,000 | - | - | 5,655,000 | 68,765 | 2.20% | 2.13% |
| Fatima Fertilizers Limited | 1,919,181 | 4,046,500 | - | 5,965,681 | - | - | - | - |
| Fauji Fertilizer Bin Qasim Limited | 1,428,964 | 790,932 | - | 2,219,896 | - | - | - | - |
| Fauji Fertilizer Company Limited | 1,309,911 | 229,925 | - | 1,539,836 | - | - | - | - |
| | 4,658,056 | 13,986,257 | - | 10,884,413 | 7,759,900 | 240,362 | 7.69% | 7.44% |
| Food Producers | | | | | | | | |
| Engro Foods Limited | 250,000 | 1,590,577 | - | 257,000 | 1,583,577 | 222,920 | 7.13% | 6.90% |
| National Foods Limited | - | 137,500 | - | - | 137,500 | 49,589 | 1.59% | 1.54% |
| | 250,000 | 1,728,077 | - | 257,000 | 1,721,077 | 272,509 | 8.72% | 8.44% |
| | 26,088,262 | 45,439,245 | 495,783 | 33,696,240 | 38,327,050 | 2,919,439 | 93.43% | 90.39% |
| Cost of investments at June 30, 2013 | 2,242,115 | | | | | | | |

5.3 Investment in government securities - Available-for-sale

| Issue Date | Tenor | Face value | | | Market Value as at June 30, 2013 | Market value as a percentage of | |
|--------------------------------------|----------|--------------------|---------------------------|---------------------------------|----------------------------------|---------------------------------|------------|
| | | As at July 1, 2012 | Purchases during the year | Sales / Matures during the year | | Total Investments | Net Assets |
| (Rupees in '000) | | | | | | | |
| Treasury bill | | | | | | | |
| May 31, 2012 | 3 months | 100,000 | - | 100,000 | - | - | - |
| | | 100,000 | - | 100,000 | - | - | - |
| Cost of investments at June 30, 2013 | - | | | | | | |

5.4 Investments include shares having market value aggregating to Rs. 64.333 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

| 5.5 Net unrealised appreciation on re-measurement of investments at fair value through profit or loss -net | <i>Note</i> | 2013 | 2012 |
|--|-------------|-------------------------|------------------|
| | | (Rupees in '000) | |
| Market value of investments | 5.1 | 205,216 | 183,869 |
| Less: Cost of investments | | <u>134,743</u> | <u>199,738</u> |
| | | 70,473 | (15,869) |
| Less: Net unrealised diminution on re-measurement of investments at fair value through profit or loss at beginning of the year | | <u>(15,869)</u> | <u>(16,886)</u> |
| | | <u>86,342</u> | <u>1,017</u> |
| | | | |
| 5.6 Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale' | | | |
| Market value of investments | 5.2 & 5.3 | 2,919,439 | 1,861,425 |
| Less: Cost of investments less impairment | 5.6.1 | <u>2,151,153</u> | <u>1,506,778</u> |
| | | 768,286 | 354,647 |
| Impairment loss on listed equity securities classified as 'available-for-sale' - transferred to income statement | 5.6.2 | <u>-</u> | <u>66,554</u> |
| | | 768,286 | 421,201 |
| Less: Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale' at beginning of the year | | <u>421,201</u> | <u>419,903</u> |
| | | <u>347,085</u> | <u>1,298</u> |

5.6.1 This includes provision for impairment as at June 30, 2013 amounting to Rs. 90.986 million (2012: 130.009 million).

5.6.2 As at June 30, 2013, the management has carried out a scrip wise analysis of impairment in respect of equity securities classified as available-for-sale and has determined that an impairment loss amounting to Rs. Nil (2012: Rs. 66.554 million) be charged to the income statement.

| 6. DIVIDEND AND PROFIT RECEIVABLE | 2013 | 2012 |
|---|-------------------------|--------------|
| | (Rupees in '000) | |
| Dividend receivable | 2,110 | 1,891 |
| Profit receivable on bank deposits | <u>737</u> | <u>1,606</u> |
| | <u>2,847</u> | <u>3,497</u> |
| | | |
| 7. PRELIMINARY EXPENSES AND FLOATATION COSTS | | |
| Opening balance | 38 | 265 |
| Less: amortised during the year | <u>(38)</u> | <u>(227)</u> |
| Closing balance | <u>-</u> | <u>38</u> |

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

| 8. ADVANCE, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | <i>Note</i> | 2013 | 2012 |
|---|-------------|-------------------------|----------------------|
| | | (Rupees in '000) | |
| Security deposit with National Clearing Company of Pakistan Limited | | 2,500 | 2,500 |
| Security deposit with Central Depository Company of Pakistan Limited | | 100 | 100 |
| Advance against subscription of Term Finance Certificates (TFC) | | 25,000 | 25,000 |
| Advance against subscription towards issue of equity shares | | - | 1,500 |
| Receivable against sale of shares | | - | 27,753 |
| Prepaid fee | | - | 5 |
| Other receivables | | - | 10 |
| | | <u>27,600</u> | <u>56,868</u> |
| Less: Provision in respect of advance against subscription of term finance certificates | 8.1 | <u>(25,000)</u> | <u>(25,000)</u> |
| | | <u><u>2,600</u></u> | <u><u>31,868</u></u> |

8.1 The Fund had subscribed towards the term finance certificates of an issuer as Pre-IPO investor on January 9, 2008. Under the agreement, the issuer was required to complete the public offering by October 9, 2008. However, no public offering has been carried out by the issuer as at June 30, 2013. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As at June 30, 2013, the advance against subscription has been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the management company.

| 9. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY | <i>Note</i> | 2013 | 2012 |
|--|-------------|-------------------------|--------------|
| | | (Rupees in '000) | |
| Management fee | 9.1 | 6,927 | 6,182 |
| Preliminary expenses and floatation costs on behalf of the Fund | | - | 56 |
| Sales load payable | | 54 | 2 |
| | | <u>6,981</u> | <u>6,240</u> |

9.1 Under the provisions of the NBFC Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of two percent per annum for the current year. Last year, the Sindh government had levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the current year the Federal Government has now levied Federal Excise Duty (FED) at the rate of 16% through the Finance Act 2013 effective from June 13, 2013. Accordingly, the management fee charged during the year includes General Sales Tax and FED.

| 10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE | <i>Note</i> | 2013 | 2012 |
|--|-------------|-------------------------|------------|
| | | (Rupees in '000) | |
| Trustee's remuneration | 10.1 | <u>355</u> | <u>260</u> |

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2013 is as follows:

**Amount of Funds Under Management
(Average NAV)**

Upto Rs. 1,000 million

On an amount exceeding Rs 1,000 million

Tariff per annum

Rs. 0.7 million or 0.20% p.a. of NAV,
whichever is higher

Rs. 2.0 million plus 0.10% p.a. of NAV
exceeding Rs. 1,000 million

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

| Note | 2013 | 2012 |
|------|------------------|--------------|
| | (Rupees in '000) | |
| 11.1 | <u>2,518</u> | <u>1,945</u> |

Annual fee

11.1 Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme. HBL Stock Fund has been categorised as an equity scheme by the management company.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

| Note | 2013 | 2012 |
|------|------------------|---------------|
| | (Rupees in '000) | |
| | 280 | 274 |
| | 2 | 26 |
| 15 | 25,409 | 12,319 |
| | - | 7 |
| | 3,287 | - |
| | 9 | 108 |
| | <u>28,987</u> | <u>12,734</u> |

Auditors' remuneration

Payable to unit holders

Provision for Workers' Welfare Fund

Prepayments

Payable to brokers

Other payables

13. PROFIT ON BANK DEPOSITS

Profit on savings deposits

| | |
|---------------|--------------|
| <u>11,539</u> | <u>5,012</u> |
|---------------|--------------|

14. AUDITORS' REMUNERATION

Statutory audit fee

Half yearly review fee

Reporting on compliance with the Code of Corporate

Governance

Out of pocket expenses

| | |
|------------|------------|
| 254 | 205 |
| 121 | 100 |
| 25 | 25 |
| 46 | 65 |
| <u>446</u> | <u>395</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 / mutual funds (CISs) 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, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 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.

Subsequent to year ended June 30, 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 Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 25.409 million (including Rs. 13.089 million for the current year).

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. 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 unrealized capital gains / loss 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. The Fund has not recorded any tax liability in respect of income relating to the current year as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ended June 30, 2013 as reduced by capital gains (whether realised or unrealised) to its unit holders. Accordingly, no tax liability has been recorded in the current year.

17. FINANCIAL INSTRUMENTS BY CATEGORY

| | 2013 | | | Total |
|---|--|---|--------------------|------------------|
| | Loans and receivables | Assets at fair value through profit or loss | Available for sale | |
| | ----- (Rupees in '000) ----- | | | |
| Financial assets | | | | |
| Bank balances | 138,431 | - | - | 138,431 |
| Investments | - | 205,216 | 2,919,439 | 3,124,655 |
| Dividend and profit receivable | 2,847 | - | - | 2,847 |
| Advances, deposits and other receivables | 2,600 | - | - | 2,600 |
| | <u>143,878</u> | <u>205,216</u> | <u>2,919,439</u> | <u>3,268,533</u> |
| | 2013 | | | |
| | Liabilities at fair value through profit or loss | At amortised cost | Total | |
| | ----- (Rupees in '000) ----- | | | |
| Financial liabilities | | | | |
| Payable to HBL Asset Management Limited - Management Company | - | 6,981 | 6,981 | |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 355 | 355 | |
| Payable to Securities and Exchange Commission of Pakistan | - | 2,518 | 2,518 | |
| Accrued expenses and other liabilities | - | 291 | 291 | |
| | - | <u>10,145</u> | <u>10,145</u> | |
| | 2012 | | | |
| | Loans and receivables | Assets at fair value through profit or loss | Available for sale | Total |
| | ----- (Rupees in '000) ----- | | | |
| Bank balances | 123,331 | - | - | 123,331 |
| Investments | - | 183,869 | 1,861,425 | 2,045,294 |
| Dividend and profit receivable | 3,497 | - | - | 3,497 |
| Advances, deposits and other receivables | 31,868 | - | - | 31,868 |
| | <u>158,696</u> | <u>183,869</u> | <u>1,861,425</u> | <u>2,203,990</u> |

| | 2012 | | |
|---|--|-------------------|--------------|
| | Liabilities at fair value through profit or loss | At amortised cost | Total |
| | (Rupees in '000) | | |
| Financial liabilities | | | |
| Payable to HBL Asset Management Limited - Management Company | - | 6,240 | 6,240 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | - | 260 | 260 |
| Payable to Securities and Exchange Commission of Pakistan | - | 1,945 | 1,945 |
| Accrued expenses and other liabilities | - | 415 | 415 |
| | <u>-</u> | <u>8,860</u> | <u>8,860</u> |

18. 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.

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

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

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

| 18.1 Transactions during the year | 2013 | 2012 |
|---|------------------|---------|
| | (Rupees in '000) | |
| HBL Asset Management Limited - Management Company | | |
| Management fee | 65,951 | 70,439 |
| Habib Bank Limited - Sponsor | | |
| Issue of 1,857,350 bonus units (2012: 1,706,755 units) | 174,713 | 160,010 |
| Bank charges paid | 11 | 16 |
| Profit on bank deposits earned | 921 | 650 |
| Profit on bank deposits received | 903 | 495 |
| Bonus shares received 104,795 shares (2012: 95,268) | - | - |
| Dividend income earned and received during the year | 7,860 | - |
| Directors and Executives of the Management Company and their relatives | | |
| Directors | | |
| Mr. Shahid Ghaffar | | |
| Issue of 492 bonus units (2012: 349 units) | 46 | 33 |
| Issue of Nil units (2012: 2,102 units) | - | 200 |
| Redemption of Nil units (2012 : 1,052 units) | - | 100 |
| Profit on units redeemed | - | 19 |
| Mr. Rehan Nabi Shaikh - Chief Executive Officer | | |
| Issue of 65 bonus units (2012: 32 units) | 6 | 3 |
| Issue of Nil units (2012: 283 units) | - | 25 |

| | 2013 | 2012 |
|---|------------------|----------|
| | (Rupees in '000) | |
| Relatives of directors | | |
| Issue of 35 bonus units (2012: 32 units) | 3 | 3 |
| Executives and their relatives | | |
| Issue of 41 bonus units (2012: 12,876 units) | 4 | 1,256 |
| Issue of 38,414 units (2012: 2,384 units) | 5,311 | 225 |
| Redemption of 18,039 units (2012 : Nil units) | 2,517 | - |
| HBL Employees Provident Fund - Associated company | | |
| Issue of 351,176 bonus units (2012: 322,703) | 33,031 | 30,254 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration | 3,651 | 3,048 |
| CDS Charges | 83 | 30 |
| Directors of connected persons | | |
| Issue of 8,840 bonus units (2012: 7,654 units) | 832 | 718 |
| Issue of 193,420 units (2012: 4,808 units) | 20,000 | 500 |
| 18.2 Transactions involving shares of connected persons | | |
| Linde Pakistan Limited | | |
| Sale of Nil ordinary shares (2012: 29,999) | - | 3,147 |
| Loss on sale of shares of Linde Pakistan Limited | - | (1,568) |
| Packages Limited | | |
| Sale of Nil ordinary shares (2012: 110,604) | - | 9,445 |
| Loss on sale of shares of Packages Limited | - | (11,600) |
| Jubilee Life Insurance Company Limited | | |
| Sale of 122,500 ordinary shares (2012: Nil) | 11,263 | - |
| Gain on sale of shares of Packages Limited | 5,766 | - |
| 18.3 Balances outstanding as at year end | | |
| HBL Asset Management Limited - Management Company | | |
| Management fee | 6,927 | 6,182 |
| Sales load payable | 54 | 2 |
| Preliminary expenses and floatation cost payable | - | 56 |

| | 2013 | 2012 |
|---|------------------|-----------|
| | (Rupees in '000) | |
| Habib Bank Limited - Sponsor | | |
| Investment held in the Fund: 19,328,607 units (2012: 17,471,257 units) | 2,625,793 | 1,818,155 |
| Profit receivable on bank deposits | 69 | 51 |
| Bank balances | 1,584 | 13,309 |
| Directors and Executives of the Management Company and their relatives | | |
| Directors and their relatives | | |
| Investment held in the Fund: 6,159 units (2012: 5,567 units) | 837 | 579 |
| Executives and their relatives | | |
| Investment held in the Fund : 20,804 units (June 30, 2012: 83,158 units) | 2,826 | 8,654 |
| Directors of connected persons | | |
| Investment held in the Fund: 285,418 units (2012: 70,696 units) | 28,902 | 7,345 |
| HBL Employees Provident Fund - Associated Company | | |
| Investment held in the Fund: 3,654,534 units (2012: 3,303,358 units) | 496,469 | 343,766 |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration payable | 355 | 260 |
| Shares held in associated undertakings | | |
| Habib Bank Limited | | |
| Shares held: 1,152,752 ordinary shares (2012: 1,047,957 shares) | 137,454 | 118,251 |
| Jubilee Life Insurance Company Limited | | |
| Shares held: Nil ordinary shares (2012: 122,500 shares) | - | 8,209 |

19. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

| | Designation | Qualification | Experience in years | |
|---|----------------|--|---------------------|----|
| 1 | Rehan N Shaikh | Chief Executive Officer | B.Com | 18 |
| 2 | Amir Khan | Fund Manager | MBA | 20 |
| 3 | Wasim Akram | Fund Manager | MBA | 11 |
| 4 | Umar Farooq | Fund Manager | MBA | 13 |
| 5 | Noman Qurban | Head of Compliance and Risk Management | ACA | 5 |
| 6 | Rabia Mir | Head of Research | BSc. | 6 |

19.1 Mr. Umar Farooq is the manager of HBL Stock Fund. He has obtained a Master's degree in Business Administration. He is also the Fund Manager of HBL Islamic Stock Fund and HBL Multi Asset Fund.

20. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top ten brokers during the year ended June 30, 2013

- 1 AKD Securities Limited
- 2 BMA Capital Management Limited
- 3 Foundation Securities
- 4 Global Securities (Pvt.) Limited
- 5 Habib Metro Financial Services Limited
- 6 Invest and Finance Securities Limited
- 7 JS Global Capital Limited
- 8 KASB Securities Limited
- 9 Taurus Securities Limited
- 10 Topline Securities Limited

Top ten brokers during the year ended June 30, 2012

- 1 Al-Habib Capital Markets (Pvt.) Limited
- 2 BMA Capital Management Limited
- 3 Foundation Securities
- 4 Global Securities (Pvt.) Limited
- 5 Invest and Finance Securities Limited
- 6 JS Global Capital Limited
- 7 KASB Securities Limited
- 8 Next Capital Management
- 9 Pearl Securities (Pvt.) Limited
- 10 Taurus Securities Limited

21. PATTERN OF UNIT HOLDING

| | 2013 | | |
|----------------------|------------------------|---------------------------------------|-----------------------|
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage investment |
| Individuals | 79 | 107,182 | 3.32% |
| Associated companies | 2 | 3,122,262 | 96.67% |
| Directors | 1 | 92 | 0.00% |
| Others | 2 | 155 | 0.00% |
| | 84 | 3,229,692 | 100% |
| | 2012 | | |
| | Number of unit holders | Investment amount (Rupees in '000) | Percentage investment |
| Individuals | 58 | 20,377 | 0.93% |
| Associated companies | 2 | 2,161,921 | 99.04% |
| Directors | 2 | 545 | 0.02% |
| Others | 1 | 6 | 0.00% |
| | 63 | 2,182,849 | 100% |

22. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 34th, 35th, 36th, 37th and 38th board meetings were held on July 6, 2012, August 15, 2012, October 23, 2012, February 25, 2013 and April 12, 2013 respectively. Information in respect of attendance by Directors in the meetings is as follows:

| Name of Director | Number of meetings | | | Meeting not attended |
|-----------------------|--------------------|----------|---------------|----------------------|
| | Held | Attended | Leave granted | |
| 1 Mr.Tawfiq H.Chinoy | 5 | 4 | 1 | 34th meeting |
| 2 Mr. Shahid Ghaffar | 5 | 5 | - | |
| 3 Mr. Sohail Malik | 5 | 5 | - | |
| 4 Mr. Abid Sattar | 5 | 4 | 1 | 34th meeting |
| 5 Mr. Rehan N. Shaikh | 5 | 5 | - | |
| 6 Ms. Sadia Khan | 5 | 4 | 1 | 34th meeting |

23. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of equity and money market investments such as shares of listed companies, government securities and in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

23.1 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.

23.2 Currency risk

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

23.3 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instruments as at June 30, 2013, that could expose the Fund to cash flow interest rate risk.

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instruments as at June 30, 2013, that could expose the Fund to cash flow interest rate risk.

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.

| 2013 | | | | | |
|--|---------|---------------------------------------|---|-----------------------|---|
| Yield / interest rate (%) | Total | Exposed to yield / interest rate risk | | | Not exposed to yield / interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | |
| On-balance sheet financial instruments | | | | | |
| ----- (Rupees in '000) ----- | | | | | |
| Financial assets | | | | | |
| Bank balances | 5.5 - 8 | 138,431 | 138,431 | - | - |
| Investments | | 3,124,655 | - | - | 3,124,655 |
| Profit receivable | | 2,847 | - | - | 2,847 |
| Advances, deposits and other receivables | | 2,600 | - | - | 2,600 |
| | | 3,268,533 | 138,431 | - | 3,130,102 |
| Financial liabilities | | | | | |
| Payable to HBL Asset Management Limited - Management Company | | 6,981 | - | - | 6,981 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 355 | - | - | 355 |
| Payable to Securities and Exchange Commission of Pakistan | | 2,518 | - | - | 2,518 |
| Accrued expenses and other liabilities | | 291 | - | - | 291 |
| | | 10,145 | - | - | 10,145 |
| On-balance sheet gap | | 3,258,388 | 138,431 | - | 3,119,957 |
| Off-balance sheet financial instruments | | - | - | - | - |
| Off-balance sheet gap | | - | - | - | - |

| 2012 | | | | | |
|--|---------|-------------------------------------|---|-----------------------|--|
| Yield / interest rate (%) | Total | Exposed to Yield/Interest rate risk | | | Not exposed to Yield/ Interest rate risk |
| | | Upto three months | More than three months and upto one year | More than one year | |
| On-balance sheet financial instruments | | | | | |
| ----- (Rupees in '000) ----- | | | | | |
| Financial assets | | | | | |
| Bank balances | 5.5 - 8 | 123,331 | 123,331 | - | - |
| Investments | 11.9 | 2,045,224 | 98,229 | - | 1,946,995 |
| Dividend and profit receivable | | 3,947 | - | - | 3,947 |
| Advances, deposits and other receivables | | 31,868 | - | - | 31,868 |
| | | 2,204,370 | 221,560 | - | 1,982,810 |
| Financial liabilities | | | | | |
| Payable to HBL Asset Management Limited - Management Company | | 6,240 | - | - | 6,240 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 260 | - | - | 260 |
| Payable to Securities and Exchange Commission of Pakistan | | 1,945 | - | - | 1,945 |
| Accrued expenses and other liabilities | | 415 | - | - | 415 |
| | | 8,860 | - | - | 8,860 |
| On-balance sheet gap | | 2,195,510 | 221,560 | - | 1,973,950 |
| Off-balance sheet financial instruments | | - | - | - | - |
| Off-balance sheet gap | | - | - | - | - |

23.4 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 instruments 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 believe 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.

Sector wise Portfolio

| | 2013 | |
|----------------------------|-------------------------|-----------------------------|
| | Fund's equity Portfolio | KSE-100 benchmark Portfolio |
| Oil and Gas | 26.20% | 31.81% |
| Chemicals | 7.69% | 7.71% |
| Commercial Banks | 13.24% | 18.48% |
| Electricity | 15.03% | 3.61% |
| Personal Goods | 10.74% | 5.25% |
| Construction and Materials | 18.38% | 4.95% |
| Food Producers | 8.72% | 14.43% |
| Other | 0.00% | 13.76% |
| Total | 100.00% | 100.00% |

Sector wise Portfolio

| | 2012 | |
|----------------------------|-----------------------------|---------------------------------|
| | Fund's equity Portfolio (%) | KSE-100 benchmark Portfolio (%) |
| Oil and Gas | 33.28% | 32.89% |
| Chemicals | 12.90% | 10.62% |
| Commercial Banks | 24.03% | 21.40% |
| Electricity | 13.36% | 3.37% |
| Personal Goods | 5.47% | 3.99% |
| Construction and Materials | 9.72% | 3.41% |
| Life Insurance | 0.42% | 0.34% |
| Food Producers | 0.83% | 11.84% |
| Other | 0.00% | 12.14% |
| Total | 100.00% | 100.00% |

In case of 5% increase / decrease in KSE 100 index on June 30, 2013, with all other variables held constant, net income of the Fund for the year would increase / decrease by Rs. 8.277 million (2012: Rs. 13.594 million) whereas the net assets would increase / decrease by the same amount, as a result of gains / losses on equity securities at fair value through profit or loss. Other components of equity and the net assets of the fund would increase / decrease by Rs. 119.218 million (2012: Rs. 134.638 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, 2013 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

23.5 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the relevant brokerage house or 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 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 assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

| | 2013 | 2012 |
|--|------------------|----------------|
| | (Rupees in '000) | |
| Bank balances by rating category | | |
| A1+ | 151,045 | 123,330 |
| A-1+ | 16,912 | - |
| A1 | - | 1 |
| | <u>167,957</u> | <u>123,331</u> |
| Government securities | - | 98,299 |
| Dividend and profit receivable | <u>2,847</u> | <u>3,497</u> |
| Advances, deposits and other receivables | <u>2,600</u> | <u>31,868</u> |

The maximum exposure to credit risk before any credit enhancement as at June 30, 2013 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

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 exposed to credit risk primarily consists of bank deposits and investments in government treasury bills.

23.6 Liquidity risk

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

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

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

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

| | 2013 | | | |
|---|------------------------------|-------------------|-------------------------------------|---------------|
| | Total | Upto three months | Over three months and upto one year | Over one year |
| | ----- (Rupees in '000) ----- | | | |
| Financial liabilities | | | | |
| Payable to HBL Asset Management Limited - Management Company | 6,981 | 6,981 | - | - |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 355 | 355 | - | - |
| Payable to Securities and Exchange Commission of Pakistan | 2,518 | 2,518 | - | - |
| Accrued expenses and other liabilities | 291 | 291 | - | - |
| | 10,145 | 10,145 | - | - |
| Unit holders' fund | 3,229,692 | 3,229,692 | - | - |

| | 2012 | | | |
|---|------------------------------|-------------------|-------------------------------------|---------------|
| | Total | Upto three months | Over three months and upto one year | Over one year |
| | ----- (Rupees in '000) ----- | | | |
| Financial liabilities | | | | |
| Payable to HBL Asset Management Limited - Management Company | 6,240 | 6,240 | - | - |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 260 | 260 | - | - |
| Payable to Securities and Exchange Commission of Pakistan | 1,945 | 1,945 | - | - |
| Accrued expenses and other liabilities | 415 | 415 | - | - |
| | 8,860 | 8,860 | - | - |
| Unit holders' fund | 2,182,849 | 2,182,849 | - | - |

24. 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 stated in note 23, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

25. 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 i.e. government treasury bills are not traded in an active market is determined with reference to the rates quoted by Financial Market Association of Pakistan.

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).

| | 2013 | | | |
|--|------------------------------|---------|---------|-----------|
| | Level 1 | Level 2 | Level 3 | Total |
| | ----- (Rupees in '000) ----- | | | |
| Assets | | | | |
| Financial assets designated at fair value through profit or loss | | | | |
| - Equity Securities | 205,216 | - | - | 205,216 |
| Financial assets available for sale | | | | |
| - Equity Securities | 2,919,439 | - | - | 2,919,439 |
| 2012 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | ----- (Rupees in '000) ----- | | | |
| Assets | | | | |
| Financial assets designated at fair value through profit or loss | | | | |
| - Equity Securities | 183,869 | - | - | 183,869 |
| Financial assets available for sale | | | | |
| - Equity Securities | 1,763,126 | - | - | 1,763,126 |
| - Government treasury bills | - | 98,299 | - | 98,299 |

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

The Securities and Exchange Commission of Pakistan vide Circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the said circular. The Management Company classified the Fund as 'Equity Scheme' in accordance with the said circular. As at June 30, 2013, the Fund is compliant with all the requirements of the said circular except for clause 2 (iv) which requires that the rating of any debt security in the portfolio shall not be lower than A- (A Minus).

| Name of Non-Complaint Investment | Type of Investment | Value of Investment before Provision | Provision held (if any) | Value of Investment after Provision | % of Net Assets | % of Gross Assets |
|---|---------------------------|---|--------------------------------|--|------------------------|--------------------------|
| | | ------(Rupees in '000)----- | | | | |
| Dewan Cement Limited | Advance | 25,000 | 25,000 | - | - | - |

27. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in their meeting held on July 08, 2013 have declared final dividend at Rs. 25.00 per unit (2012: Rs. 10 per unit) in the form of bonus units for Class 'A' and Class 'B' units. The financial statements of the Fund for the year ended June 30, 2013 do not include the effect of the final dividend which will be accounted for in the financial statements of the Fund for the year ending June 30, 2014.

28. 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 September 27, 2013.

29. GENERAL

Figures have been rounded off to the nearest thousand rupees.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

For further details please call (92-21) 35290171-86
or visit www.hblasset.com

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