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## CORPORATE INFORMATION

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### Management Company

HBL Asset Management Limited.

### Board of Directors

|                         |                         |                                      |
|-------------------------|-------------------------|--------------------------------------|
| Chairman                | Mr. R. Zakir Mahmood    | (Non-Executive Director)             |
| Chief Executive Officer | Mr. Shahid Ghaffar      | (Executive Director)                 |
| Directors               | Mr. Sohail Malik        | (Non-Executive Director)             |
|                         | Mr. Abid Sattar         | (Non-Executive Director)             |
|                         | Mr. Tawfiq Habib Chinoy | (Independent Non-Executive Director) |
|                         | Ms. Sadia Khan          | (Independent Non-Executive Director) |

### Audit Committee

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

### Human Resource Committee

|          |                         |                                      |
|----------|-------------------------|--------------------------------------|
| Chairman | Mr. Tawfiq Habib Chinoy | (Independent Non-Executive Director) |
| Members  | Mr. Shahid Ghaffar      | (Chief Executive)                    |
|          | Mr. Abid Sattar         | (Non-Executive Director)             |

### Company Secretary

Mr. Rehan N. Shaikh

### Chief Financial Officer

Mr. Noman Ahmed Soomro

### Fund Manager

Mr. Muhammad Amir Khan

### External Auditors

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

### Internal Auditors

Ford Rhodes Sidat Hyder & Co., Chartered Accountants,  
Progressive Plaza, Beaumont Road,  
P.O.Box No. 15541, Karachi 75530.

### Trustee

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

### Legal Advisors

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

### Bankers

Habib Bank Limited  
NIB Bank Limited  
Bank Al-Habib Limited  
MCB Bank Limited  
JS Bank Limited  
Allied Bank Limited  
The Bank of Punjab  
Standard Chartered Bank (Pakistan) Limited  
Summit Bank Limited  
Habib Metropolitan Bank Limited  
Faysal Bank Limited  
Bank Al Falah Limited

### Website

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

### Head Office

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

### Registered Office

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

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## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

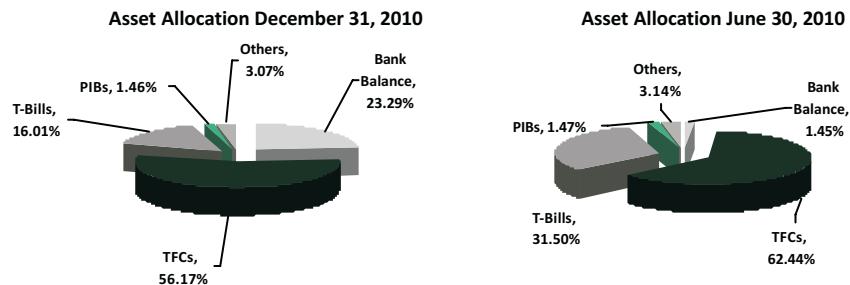
The Board of Directors of HBL Asset Management Limited is pleased to present its report together with Half Yearly Report of **HBL Income Fund** (the Fund) for the period ended December 31, 2010.

### Fund's Performance

During the period under review, the total and net income of the Fund was Rs 102.35 million and Rs 86.45 million respectively. The Net Asset Value (NAV) of the Fund increased from Rs 97.44 per unit at July 1, 2010 to Rs 100.56 per unit (after incorporating the first interim dividend at Rs 2.25 per unit) as on December 31, 2010, giving an annualized return of 10.93% against the benchmark return (One month KIBOR) of 12.77%. The reason for decline in return as compared to the benchmark return is attributable to decline in prices of certain TFCs. The size of the Fund declined slightly from Rs 1,600 million as on June 30, 2010 to Rs 1,525 million as on December 31, 2010.

### Asset Allocation

During the period under review TFCs portfolio of the Fund decreased from 62.44% of the net assets to 56.17% of the net asset mainly due to repayments. The Fund reduced its exposure in T-Bills and increased its exposure in bank deposits as better rates were offered by banks in December 2010. The asset allocation of the Fund in various sectors and asset classes as on December 31, 2010 was as under:



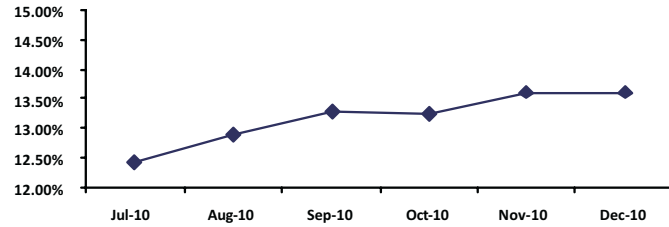
### Market Review

The State Bank of Pakistan (the SBP) continued its tight monetary stance during the period July 2010 - December 2010 by increasing discount rate by 150 bps from 12.50% p.a. to 14% p.a. through a consecutive increase in the discount rate by 50 bps each in all the three Monetary Policy statements announced in August, September and November 2010. The increase in discount rate pushed the 6 - Months KIBOR from 12.37% at the beginning of July 2010 to 13.62% as on December 31, 2010. The corporate debt market remained mostly dull. The prices of TFCs experienced volatility with thin volumes. The chart below shows the trend of 6 - Months KIBOR during the period July - December 2010:

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### Trend line of 6 - Months KIBOR



#### Acknowledgement

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

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

On behalf of the Board of  
HBL Asset Management Limited

**R. Zakir Mahmood**  
Chairman  
Date: February 11, 2011  
Place: Karachi

## TRUSTEE REPORT TO THE UNIT HOLDERS

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

The HBL Income Fund (the Fund), an open-end scheme was established under a trust deed dated September 06, 2006, executed between HBL Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from July 01, 2010 to December 31, 2010 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, February 23, 2011

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

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### **Introduction**

We have reviewed the accompanying condensed interim statement of assets and liabilities of **HBL Income Fund** as at December 31, 2010, and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2010. The Management Company (HBL Asset Management Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim financial information for the quarters ended December 31, 2010 and 2009 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

### **Scope of Review**

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

### **Conclusion**

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

Chartered Accountants  
Engagement Partner: **Salman Hussain**  
Dated: February 23, 2011  
Karachi

**HBL INCOME FUND**  
**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT DECEMBER 31, 2010**

|  |      | (Un-audited)<br>December 31,<br>2010 | (Audited)<br>June 30,<br>2010 |
|--|------|--------------------------------------|-------------------------------|
|  | Note | (Rupees in '000)                     |                               |
| <b>Assets</b>  |      |                                      |                               |
| Bank balances  | 4    | 358,618                              | 23,718                        |
| Investments  | 5    | 1,134,036                            | 1,561,267                     |
| Income receivable  | 6    | 42,768                               | 38,370                        |
| Preliminary expenses and floatation costs                              |      | 279                                  | 394                           |
| Advances, deposits, prepayments and other receivables                  | 7    | 4,184                                | 12,661                        |
| <b>Total assets</b>  |      | <b>1,539,885</b>                     | <b>1,636,410</b>              |
| <b>Liabilities</b>   |      |                                      |                               |
| Payable to HBL Asset Management Limited - Management Company           | 8    | 2,412                                | 5,157                         |
| Payable to Central Depository Company of Pakistan Limited - Trustee    |      | 423                                  | 475                           |
| Payable to Securities and Exchange Commission of Pakistan - Annual fee |      | 589                                  | 1,639                         |
| Accrued expenses and other liabilities                                 | 9    | 11,086                               | 28,729                        |
| <b>Total liabilities</b>   |      | <b>14,510</b>                        | <b>36,000</b>                 |
| <b>Net Assets</b>  |      | <b>1,525,375</b>                     | <b>1,600,410</b>              |
| <b>Unit holders' funds (as per statement attached)</b>                 |      | <b>1,525,375</b>                     | <b>1,600,410</b>              |
| <b>Contingencies and commitments</b>                                   | 10   | <b>Number of units</b>               |                               |
| <b>Number of units in issue</b>  |      | <b>15,168,797</b>                    | <b>15,855,265</b>             |
|  |      | <b>Rupees</b>                        | <b>Rupees</b>                 |
| <b>Net assets value per unit</b>                                       | 3.3  | <b>100.56</b>                        | <b>100.94</b>                 |

The annexed notes 1 to 17 form an integral part of this condensed interim financial report.

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director

**HBL INCOME FUND**  
**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2010**

|  | Half year ended<br>December 31, |          | Quarter ended<br>December 31, |          |
|--|---------------------------------|----------|-------------------------------|----------|
|  | 2010                            | 2009     | 2010                          | 2009     |
| <b>Note</b>  | ----- (Rupees in '000) -----    |          |                               |          |
| <b>Income</b>  |                                 |          |                               |          |
| Profit on bank deposits  | 3,041                           | 18,004   | 2,776                         | 5,572    |
| Income from Term Finance Certificates  | 73,496                          | 90,597   | 37,237                        | 41,112   |
| Loss on sale of investments - net  | (101)                           | (21,245) | (98)                          | (4,051)  |
| Income from reverse repurchase and money market investments  | 178                             | -        | -                             | -        |
| Income from Government Securities  | 32,533                          | 55,249   | 17,397                        | 33,546   |
| Dividend income  | -                               | 159      | -                             | 24       |
|  | 109,147                         | 142,764  | 57,312                        | 76,203   |
| Unrealised appreciation in value of investments at fair value through profit or loss - net   | -                               | 4,691    | -                             | 86       |
| Provision against non-performing Term Finance Certificates and Sukuk Bonds   | 5.3                             | (4,960)  | 3,054                         | (10,182) |
|  | 104,187                         | 131,273  | 60,366                        | 66,107   |
| <b>Expenses</b>  |                                 |          |                               |          |
| Remuneration of HBL Asset Management Limited - Management company  | 11,780                          | 18,671   | 5,829                         | 9,480    |
| Remuneration of Central Depository Company Of Pakistan Limited - Trustee   | 1,290                           | 1,749    | 641                           | 884      |
| Annual fee of the Securities and Exchange Commission of Pakistan   | 589                             | 934      | 291                           | 474      |
| Securities transaction cost  | -                               | 24       | -                             | 7        |
| Settlement and bank charges  | 175                             | 182      | 55                            | 121      |
| Auditors' remuneration   | 212                             | 226      | 99                            | 113      |
| Amortisation of preliminary expenses and floatation costs  | 114                             | 114      | 57                            | 57       |
| Legal and professional charges   | 46                              | -        | -                             | -        |
| Other expenses   | 107                             | 132      | 53                            | 107      |
|  | 14,313                          | 22,032   | 7,025                         | 11,243   |
| <b>Net income from operating activities</b>  | 89,874                          | 109,241  | 53,341                        | 54,864   |
| Net element of accrued income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed  | (1,842)                         | (12,834) | (1,212)                       | (9,431)  |
| Provision for Workers' Welfare Fund  | (1,582)                         | -        | (862)                         | -        |
| <b>Net income for the period before taxation</b>   | 86,450                          | 96,407   | 51,267                        | 45,433   |
| Taxation   | 11                              | -        | -                             | -        |
| <b>Net income for the period after taxation</b>  | 86,450                          | 96,407   | 51,267                        | 45,433   |
| <b>OTHER COMPREHENSIVE INCOME</b>  |                                 |          |                               |          |
| Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount representing (loss) / income that form part of unit holders' fund | (135)                           | (34,479) | (99)                          | (33,356) |
| Net unrealised (diminution) / appreciation during the period in market value of securities classified as 'available for sale'  | 5.3                             | (3,862)  | (16,852)                      | 32,926   |
| <b>Total comprehensive income for the period - net</b>   | 82,453                          | 123,660  | 34,316                        | 45,003   |
| <b>Earnings Per Unit</b>   | 3.4                             |          |                               |          |

The annexed notes 1 to 17 form an integral part of this condensed interim financial report.

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

Chief Executive

Director



**HBL INCOME FUND**  
**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

|  | Half year ended<br>December 31, |              |
|--|---------------------------------|--------------|
|  | 2010                            | 2009         |
|  | (Rupees in '000)                |              |
| <b>Undistributed income brought forward</b>  | 58,611                          | 61,669       |
| Net income for the period  | 86,450                          | 96,407       |
| Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount representing (loss) / income that form part of unit holders' fund | (135)                           | (34,479)     |
| Final distribution for the year ended June 30, 2010: Rs. 3.5 per unit<br>(Date of distribution: July 7, 2010) [(2009:Rs.2.5 per unit)<br>(Date of distribution: July 7, 2009)]                         |                                 |              |
| - Cash distribution  | (10,599)                        | (24,448)     |
| - 460,738 bonus units (2009: 379,961 bonus units)  | (44,894)                        | (35,701)     |
|  | (55,493)                        | (60,149)     |
| First interim distribution for the year ending June 30, 2011: Rs 2.25 per unit (Date of distribution: October 28, 2010)<br>[(2009:Rs.2.25 per unit) (Date of distribution: October 13, 2009)]          |                                 |              |
| - Cash distribution  | (5,660)                         | (10,964)     |
| - 298,593 bonus units (2009: 534,214 bonus units)  | (29,337)                        | (51,290)     |
|  | (34,997)                        | (62,254)     |
|  | (4,175)                         | (60,475)     |
| <b>Undistributed income carried forward</b>  | <b>54,436</b>                   | <b>1,194</b> |

The annexed notes 1 to 17 form an integral part of this condensed interim financial report.

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

Chief Executive

Director

**HBL INCOME FUND**  
**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

|  | Half year ended<br>December 31, |                          |
|--|---------------------------------|--------------------------|
|  | 2010                            | 2009                     |
| Note   | (Rupees in '000)                |                          |
| <b>Net assets at the beginning of the period</b>   | 1,600,410                       | 2,320,673                |
| Issue of 1,295,823 units (2009 : 14,868,471 units)   | 128,839                         | 1,439,820                |
| Redemption of 2,741,622 units (2009 : 23,202,857 units)  | (272,045)<br>(143,206)          | (2,259,913)<br>(820,093) |
| Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed  |                                 |                          |
| - amount representing accrued losses / (income) and capital losses / (gain) - transferred to condensed interim income statement  | 1,842                           | 12,834                   |
| - amount representing losses / (income) that form part of the statement of unit holders' fund - transferred to condensed interim distribution statement  | 135                             | 34,479                   |
|  | 1,977                           | 47,313                   |
| Net unrealised (diminution) / appreciation during the period in market value of securities classified as 'available for sale'  | 5.3 (3,862)                     | 61,732                   |
| Capital loss on sale of investments - net  | (101)                           | (21,245)                 |
| Net unrealised appreciation in value of investments at fair value through profit or loss - net   | -                               | 4,691                    |
| Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing (loss) / income that form part of unit holder's fund | (135)                           | (34,479)                 |
| Other net income for the period less distribution  | (3,939)<br>(4,175)              | (9,442)<br>(60,475)      |
| Issuance of 460,738 bonus units for the year ended June 30, 2010 (June 30, 2009: 379,961 bonus units)  | 44,894                          | 35,701                   |
| First interim distribution of 298,593 bonus units for the year ending June 30, 2011 (2009: 534,214 bonus units)  | 29,337                          | 51,290                   |
| <b>Net assets at the end of the period</b>   | <b>1,525,375</b>                | <b>1,636,141</b>         |

The annexed notes 1 to 17 form an integral part of this condensed interim financial report.

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

**Chief Executive**

**Director**

**HBL INCOME FUND**  
**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

|   | Note | Half year ended<br>December 31, |           |
|---|------|---------------------------------|-----------|
|   |      | 2010                            | 2009      |
| (Rupees in '000)  |      |                                 |           |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>  |      |                                 |           |
| Net income for the period   |      | 86,450                          | 96,407    |
| <b>Adjustments for non-cash and other items:</b>  |      |                                 |           |
| Unrealised (appreciation) in value of investments at fair value through profit or loss - net                                    |      | -                               | (4,691)   |
| Amortisation of preliminary expenses and floatation costs   |      | 114                             | 114       |
| Provision against non-performing Term Finance Certificates and Sukuk Bonds  | 5.3  | 4,960                           | 16,182    |
| Element of accrued income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed |      | 1,842                           | 12,834    |
|   |      | 93,366                          | 120,846   |
| <b>(Increase) / decrease in assets</b>  |      |                                 |           |
| Investments - net   |      | 418,409                         | 344,132   |
| Income receivable   |      | (4,398)                         | 8,141     |
| Advances, deposits, prepayments and other receivables   |      | 8,477                           | 27,451    |
|   |      | 422,488                         | 379,724   |
| <b>Increase / (decrease) in liabilities</b>   |      |                                 |           |
| Payable to HBL Asset Management Limited - Management Company  |      | (2,745)                         | (515)     |
| Payable to Central Depository Company of Pakistan Limited - Trustee   |      | (52)                            | (31)      |
| Payable to Securities and Exchange Commission of Pakistan   |      | (1,050)                         | (2,016)   |
| Accrued expenses and other liabilities  |      | 1,505                           | (40)      |
|   |      | (2,342)                         | (2,602)   |
| <b>Net cash generated from operating activities</b>   |      | 513,512                         | 497,968   |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>  |      |                                 |           |
| Net payments against redemption of units  |      | (162,353)                       | (819,618) |
| Distributions paid  |      | (16,259)                        | (35,412)  |
| <b>Net cash outflow on financing activities</b>   |      | (178,612)                       | (855,030) |
| <b>Net increase / (decrease) in cash and cash equivalents during the period</b>   |      | 334,900                         | (357,062) |
| <b>Cash and cash equivalents at beginning of the period</b>   |      | 23,718                          | 549,446   |
| <b>Cash and cash equivalents at the end of the period</b>   |      | 358,618                         | 192,384   |

The annexed notes 1 to 17 form an integral part of this condensed interim financial report.

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

Chief Executive

Director

**HBL INCOME FUND**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL REPORT (UNAUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2010**

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**1 LEGAL STATUS AND NATURE OF BUSINESS**

HBL Income Fund (the Fund) was established under a Trust Deed, dated September 06, 2006, 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 July 25, 2006.

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 Securities and Exchange Commission of Pakistan (SECP). The registered office of the Management Company is situated at 8B-8th Floor, Executive Tower, Dolmen City, Block 4, Clifton, Karachi, Pakistan.

The Fund is an 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 from March 15, 2007 to March 17, 2007.

The principal activity of the Fund is to make investments in fixed income securities. Other avenues of investments include ready future arbitrage in listed securities and transactions under Continuous Funding System.

JCR-VIS Credit Rating Agency has assigned an asset manager rating of 'AM3+' to the Management Company and fund stability rating of A(f) to the Fund.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

This condensed interim financial report has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting' (IAS 34), the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Financing Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, NBFC Regulations or the said directives differ with the requirements of IAS 34, the requirements of the Trust Deed, NBFC Rules, NBFC Regulations or the said directives take precedence.

**2.2** This condensed interim financial report does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2010.

**2.3** This condensed interim financial report is unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance.

**2.4** This condensed interim financial report is un-audited. Accordingly, the Board of Directors of the Management Company declare that this condensed interim financial report gives a true and fair view of the Fund.

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**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of this condensed interim financial report are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2010.

**3.1 Standards, amendments to published approved accounting standards and interpretations effective from July 1, 2010:**

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial report.

**3.2 Standards, amendments to published approved accounting standards and interpretations as adopted in Pakistan, that are not yet effective:**

The following amendment to an existing standard has been published and is mandatory for accounting periods beginning on or after January 1, 2011 or later periods:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on Fund's operations and are therefore not detailed in this condensed interim financial report.

**3.3 Net Asset Value per unit**

The net asset value (NAV) per unit, as disclosed on the Condensed Interim Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

**3.4 Earnings per unit**

Earnings per unit for the half year and quarter ended December 31, 2010 has not been disclosed as in the opinion of the management the determination of weighted average units for calculating earnings per unit is not practicable.

|                              | Note | December 31,<br>2010<br>(Un-audited)<br>(Rupees in '000) | June 30,<br>2010<br>(Audited) |
|------------------------------|------|--|-------------------------------|
| <b>4 BANK BALANCES</b>       |      |  |                               |
| Current account              |      | 16   | 16                            |
| Savings account              |      | 8,602  | 23,702                        |
| Term Deposit Receipts (TDRs) | 4.1  | 350,000  | -                             |
|                              |      | <u>358,618</u>   | <u>23,718</u>                 |

4.1 This represents placements with Habib Bank Limited for a period ranging from 88 to 90 days maturing till March 12, 2011. These TDRs carry mark-up rate of 13.5% per annum.

|  | Note  | December 31,<br>2010<br>(Un-audited)<br>(Rupees in '000) | June 30,<br>2010<br>(Audited) |
|--|-------|--|-------------------------------|
| <b>5 INVESTMENTS</b>                   |       |  |                               |
| Available for sale                     |       |  |                               |
| - Term Finance Certificates - Listed   | 5.1.1 | 589,566  | 629,681                       |
| - Term Finance Certificates - Unlisted | 5.1.2 | 275,347  | 392,142                       |
| - Government Securities                | 5.2   | 269,123  | 539,444                       |
|  |       | <u>1,134,036</u>   | <u>1,561,267</u>              |

#### 5.1 Available for sale investments

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

| Name of the Investee Company | Number of certificates |                                   |   |                               | Market value/<br>Carrying value* as<br>at<br>December<br>31, 2010 | Market value as a percentage of |           |            |
|------------------------------|------------------------|-----------------------------------|---|-------------------------------|---|---------------------------------|-----------|------------|
|                              | As at July<br>1, 2010  | Purchases<br>during the<br>period | Sales /<br>matured<br>during<br>the<br>period | As at<br>December<br>31, 2010 |   | Total<br>investment             | Net Asset | Issue size |

Rupees in '000

#### 5.1.1 Term Finance Certificates - Listed

|  |                |          |          |                |                |               |               |       |
|--|----------------|----------|----------|----------------|----------------|---------------|---------------|-------|
| <b>Financial Services</b>                      |                |          |          |                |                |               |               |       |
| Orix Leasing Pakistan Limited                  | 28,300         | -        | -        | 28,300         | 70,132         | 6.18%         | 4.60%         | 2.81% |
| Jahangir Siddiqui & Company Limited            | 2,000          | -        | -        | 2,000          | 10,030         | 0.88%         | 0.66%         | 0.91% |
| Saudi Pak Leasing Company Limited - note 5.1.3 | 2,000          | -        | -        | 2,000          | -              | -             | -             | -     |
|  | <u>32,300</u>  | <u>-</u> | <u>-</u> | <u>32,300</u>  | <u>80,162</u>  | <u>7.07%</u>  | <u>5.26%</u>  |       |
| <b>Banks</b>                                   |                |          |          |                |                |               |               |       |
| Bank AlFalah Limited - II                      | 4,000          | -        | -        | 4,000          | 19,722         | 1.74%         | 1.29%         | 1.58% |
| Bank AL Habib Limited                          | 1,600          | -        | -        | 1,600          | 7,950          | 0.70%         | 0.52%         | 0.53% |
| Faysal Bank Limited                            | 12,758         | -        | -        | 12,758         | 61,788         | 5.45%         | 4.05%         | 1.54% |
| NIB Bank Limited                               | 33,000         | -        | -        | 33,000         | 160,451        | 14.15%        | 10.52%        | 4.01% |
| United Bank Limited                            | 34,000         | -        | -        | 34,000         | 161,578        | 14.25%        | 10.59%        | 2.69% |
|  | <u>85,358</u>  | <u>-</u> | <u>-</u> | <u>85,358</u>  | <u>411,489</u> | <u>36.29%</u> | <u>26.98%</u> |       |
| <b>Fixed Line Telecommunication</b>            |                |          |          |                |                |               |               |       |
| WorldCall Telecom Limited                      | 23,750         | -        | -        | 23,750         | 97,915         | 8.63%         | 6.42%         | 2.55% |
|  | <u>141,408</u> | <u>-</u> | <u>-</u> | <u>141,408</u> | <u>589,566</u> | <u>51.99%</u> | <u>38.65%</u> |       |

Cost of investment at December 31, 2010

617,184

5.1.2 Term Finance Certificates and Sukuk bonds - Unlisted

| Name of the Investee Company  | Number of certificates |                             |                                   | Market value/ Carrying value* as at December 31, 2010 | Market value as a percentage of |                  |           |                       |
|---|------------------------|-----------------------------|-----------------------------------|---|---------------------------------|------------------|-----------|-----------------------|
|   | As at July 1, 2010     | Purchases during the period | Sales / matured during the period |   | As at December 31, 2010         | Total investment | Net Asset | Issue size            |
| Rupees in '000  |                        |                             |                                   |   |                                 |                  |           |                       |
| <b>Food Producers</b>   |                        |                             |                                   |   |                                 |                  |           |                       |
| Al-Abbas Sugar Mills Limited  | 7,000                  | -                           | -                                 | 7,000   | 20,660                          | 1.82%            | 1.35%     | 2.75%                 |
| <b>Telecommunication</b>  |                        |                             |                                   |   |                                 |                  |           |                       |
| Pakistan Mobile Communication Limited                                     | 38,000                 | -                           | 38,000                            | -   | -                               | -                | -         | -                     |
| <b>Chemicals</b>  |                        |                             |                                   |   |                                 |                  |           |                       |
| Engro Fertilizer Limited - Perpetual I                                    | 41,600                 | -                           | -                                 | 41,600  | 184,080                         | 16.23%           | 12.07%    | 4.60%                 |
| Engro Fertilizer Limited - Perpetual II                                   | 7,000                  | -                           | -                                 | 7,000   | 33,471                          | 2.95%            | 2.19%     | 1.67%                 |
| Agritech Limited (Formerly Pak American Fertilizers Limited) - note 5.1.4 | 2,000                  | -                           | -                                 | 2,000   | 3,398                           | 0.30%            | 0.22%     | 0.23%                 |
|   | 50,600                 | -                           | -                                 | 50,600  | 220,949                         | 19.48%           | 14.48%    |                       |
| <b>Construction and Materials</b>   |                        |                             |                                   |   |                                 |                  |           |                       |
| Maple Leaf Cement Factory Limited - Sukuk - note 5.1.5                    | 7,000                  | -                           | -                                 | 7,000   | 21,931                          | 1.93%            | 1.44%     | 0.27%                 |
| <b>Gas Water and Multiutilities</b>                                       |                        |                             |                                   |   |                                 |                  |           |                       |
| Sui Southern Gas Company Limited- Sukuk                                   | 3,000                  | -                           | -                                 | 3,000   | 11,807                          | 1.04%            | 0.77%     | 0.25%                 |
| <b>Others</b>   |                        |                             |                                   |   |                                 |                  |           |                       |
| New Allied Electronics Industries (Pvt) Limited - note 5.1.6              | 9,000                  | -                           | -                                 | 9,000   | -                               | -                | -         | -                     |
| New Allied Electronics Industries (Pvt) Limited -Sukuk - note 5.1.7       | 9,000                  | -                           | -                                 | 9,000   | -                               | -                | -         | -                     |
| Kashf Foundation  | 6,000                  | -                           | 6,000                             | -   | -                               | -                | -         | -                     |
| Eden Housing Limited - note 5.1.8   | 4,000                  | -                           | -                                 | 4,000   | -                               | -                | -         | -                     |
|   | 28,000                 | -                           | 6,000                             | 22,000  | -                               | -                | -         | -                     |
|   | 133,600                | -                           | 44,000                            | 89,600  | 275,347                         | 24.27%           | 18.05%    |                       |
| <b>Cost of investment at December 31, 2010</b>                            |                        |                             |                                   |   |                                 |                  |           | <b><u>396,780</u></b> |

\* In case of debt securities against which a provision has been made, these are carried at amortised cost less provision.

5.1.3 During the current period, Saudi Pak Leasing Company Limited ( the 'issuer' ) defaulted in payment of principal and mark-up which became due on September 13, 2010. In accordance with the requirements of Circular no.1 of 2009 and Circular no.3 of 2010 issued by the SECP, the security has been classified as non-performing and no further mark-up is being accrued after the said date and mark-up accrued till that date has been reversed. A provision of 100% has been made against outstanding principal in accordance with the provisioning policy as approved by the Board of Directors of the Management Company.

The issuer has requested to restructure the terms of the original TFC agreement which is currently being finalised in the form of a legally binding contract.

5.1.4 Agritech Limited had defaulted in payment of principal and mark-up due on May 30, 2010. In accordance with the requirements of Circular no.1 of 2009 and Circular no. 3 of 2010 issued by the SECP, the security had been classified as non-performing and no further mark-up is being accrued after the said date. Provision has been made against this investment in accordance with the provisioning policy as approved by the Board of Directors of the Management Company.

- 5.1.5** Maple Leaf Cement Factory Limited restructured the terms of its Term Finance Certificate on March 30, 2010 after defaulting in payment of fourth mark-up payment which became due, on December 3, 2009. On the date of restructuring, the management of the Fund had made a provision of 26% of the outstanding exposure as per the Fund's provisioning policy as approved by the Board of Directors of the Management Company. Subsequently, the Fund has received four regular payments as per the terms of the restructured agreement. Therefore, in accordance with Circular no. 1 of 2009 and Circular no. 3 of 2010, provision held against the said exposure has been reversed fully and markup is being accrued as per the terms of restructured agreement.
- 5.1.6** This represents investment in privately placed Term Finance Certificates of the investee company, that were fully provided in previous years. During the period, the Fund received Rs 2.226 million as principal repayments in respect of the said Term Finance Certificates.
- 5.1.7** This represents investment in privately placed Sukuk Bonds of the investee company. These investments were fully provided in previous years. There were no repayments of principal and mark-up during the period in respect of this investment.
- 5.1.8** The investment was classified as non-performing on July 15, 2009 after the first default in payment of principal and mark-up due on June 30, 2009. The payments becoming due during the previous year were received with delay. The payment due on June 30, 2010 has not been received till December 31, 2010. In accordance with circular no.1 of 2009 and circular no.3 of 2010 issued by the SECP, further provision has been made during the current period. As at December 31, 2010, 100% provision has been made against this exposure.
- 5.1.9** Investments include Term Finance Certificates having market value aggregating to Rs.10.03 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.
- 5.1.10** Significant terms and conditions of Term Finance Certificates outstanding as at December 31, 2010 are as follows.

| Name of security   | Remaining principal (per TFC) | Mark-up rate (per annum) | Issue date | Maturity date |
|--|-------------------------------|--------------------------|------------|---------------|
| <b>Term Finance Certificates - Listed</b>                                |                               |                          |            |               |
| Orix Leasing Pakistan Limited  | 2,498                         | 1.50%+6 Month KIBOR      | 25-May-07  | 25-May-12     |
| Jahangir Siddiqui & Company Limited                                      | 4,992                         | 2.50%+6 Month KIBOR      | 21-Nov-06  | 21-May-12     |
| Saudi Pak Leasing Company Limited - fully provided                       | 3,661                         | 6% Fixed Rate            | 13-Mar-08  | 13-Mar-17     |
| Bank Alfalah Limited-II  | 4,988                         | 1.50%+6 Month KIBOR      | 23-Nov-04  | 23-Nov-12     |
| Bank Al Habib Limited  | 4,993                         | 1.95%+6 Month KIBOR      | 7-Feb-07   | 7-Feb-15      |
| Faysal Bank Limited  | 4,994                         | 1.40%+6 Month KIBOR      | 12-Nov-07  | 12-Nov-14     |
| NIB Bank Limited   | 4,995                         | 1.15%+6 Month KIBOR      | 5-Mar-08   | 5-Mar-16      |
| United Bank Limited  | 4,995                         | 0.85%+6 Month KIBOR      | 14-Feb-08  | 14-Feb-18     |
| World Call Telecom Limited   | 4,283                         | 1.60%+6 Month KIBOR      | 7-Oct-08   | 7-Oct-13      |
| <b>Term Finance Certificates - Unlisted and Sukuks</b>                   |                               |                          |            |               |
| Al-Abbas Sugar Mills Limited   | 2,998                         | 1.75%+6 Month KIBOR      | 21-Nov-07  | 21-Nov-13     |
| Engro Fertilizer Limited - Perpetual I                                   | 5,000                         | 1.70%+6 Month KIBOR      | 18-Mar-08  | 18-Mar-18     |
| Engro Fertilizer Limited - Perpetual II                                  | 5,000                         | 1.25%+6 Month KIBOR      | 18-Mar-08  | 18-Mar-18     |
| Agritech Limited (Formerly Pak American Fertilizers Limited)             | 4,496                         | 1.75%+6 Month KIBOR      | 30-Nov-07  | 30-Nov-14     |
| Maple Leaf Cement Factory Limited - Sukuk                                | 4,996                         | 1.00%+3 Month KIBOR      | 3-Dec-07   | 3-Dec-18      |
| Sui Southern Gas Company Limited- Sukuk                                  | 4,000                         | 0.20%+3 Month KIBOR      | 31-Dec-07  | 31-Dec-12     |
| New Allied Electronics Industries (Pvt) Limited - fully provided         | 2,148                         | 2.20%+6 Month KIBOR      | 3-Dec-07   | 3-Dec-12      |
| New Allied Electronics Industries (Pvt) Limited - Sukuk - fully provided | 5,000                         | 2.50%+6 Month KIBOR      | 15-May-07  | 15-May-11     |
| Eden Housing Limited - fully provided                                    | 3,125                         | 2.50%+6 Month KIBOR      | 31-Dec-07  | 31-Dec-12     |



5.2 Investment in government securities - Available for sale

| Issue Date                                     | Tenor    | Face value         |                             |                                   |                         | Market Value as at December 31, 2010 | Market Value as a percentage of |               |
|--|----------|--------------------|-----------------------------|-----------------------------------|-------------------------|--------------------------------------|---------------------------------|---------------|
|  |          | As at July 1, 2010 | Purchases during the period | Sales / Matured during the period | As at December 31, 2010 |                                      | Total investment                | Net assets    |
| -----Rupees in '000-----                       |          |                    |                             |                                   |                         |                                      |                                 |               |
| <b>Treasury bill</b>                           |          |                    |                             |                                   |                         |                                      |                                 |               |
| October 8, 2009                                | 1 Year   | 100,000            | -                           | 100,000                           | -                       | -                                    | -                               | -             |
| August 13, 2009                                | 1 Year   | 100,000            | -                           | 100,000                           | -                       | -                                    | -                               | -             |
| April 08, 2010                                 | 3 months | 60,000             | -                           | 60,000                            | -                       | -                                    | -                               | -             |
| April 22, 2010                                 | 3 months | 30,000             | -                           | 30,000                            | -                       | -                                    | -                               | -             |
| June 03, 2010                                  | 3 months | 100,000            | -                           | 100,000                           | -                       | -                                    | -                               | -             |
| June 17, 2010                                  | 3 months | 135,000            | -                           | 135,000                           | -                       | -                                    | -                               | -             |
| July 30, 2009                                  | 1 Year   | -                  | 60,000                      | 60,000                            | -                       | -                                    | -                               | -             |
| July 29, 2010                                  | 3 months | -                  | 45,000                      | 45,000                            | -                       | -                                    | -                               | -             |
| February 25, 2010                              | 6 months | -                  | 10,000                      | 10,000                            | -                       | -                                    | -                               | -             |
| August 13, 2010                                | 3 months | -                  | 220,000                     | 220,000                           | -                       | -                                    | -                               | -             |
| August 26, 2010                                | 3 months | -                  | 120,000                     | 120,000                           | -                       | -                                    | -                               | -             |
| April 22, 2010                                 | 6 months | -                  | 145,000                     | 145,000                           | -                       | -                                    | -                               | -             |
| November 4, 2010                               | 3 months | -                  | 220,000                     | 150,000                           | 70,000                  | 69,362                               | 6.12%                           | 4.55%         |
| December 2, 2010                               | 3 months | -                  | 135,000                     | -                                 | 135,000                 | 132,444                              | 11.68%                          | 8.68%         |
| October 7, 2010                                | 3 months | -                  | 185,000                     | 185,000                           | -                       | -                                    | -                               | -             |
| July 15, 2010                                  | 6 months | -                  | 45,000                      | -                                 | 45,000                  | 44,812                               | 3.95%                           | 2.94%         |
| June 17, 2010                                  | 6 months | -                  | 46,000                      | 46,000                            | -                       | -                                    | -                               | -             |
| October 21, 2010                               | 3 months | -                  | 195,000                     | 195,000                           | -                       | -                                    | -                               | -             |
|  |          | <u>525,000</u>     | <u>1,426,000</u>            | <u>1,701,000</u>                  | <u>250,000</u>          | <u>246,618</u>                       | <u>21.75%</u>                   | <u>16.17%</u> |
| <b>Pakistan Investment Bonds</b>               |          |                    |                             |                                   |                         |                                      |                                 |               |
| August 30, 2008                                | 10 Years | 25,000             | -                           | -                                 | 25,000                  | 22,505                               | 1.98%                           | 1.48%         |
|  |          | <u>25,000</u>      | <u>-</u>                    | <u>-</u>                          | <u>25,000</u>           | <u>22,505</u>                        | <u>1.98%</u>                    | <u>1.48%</u>  |
| <b>Grand total</b>                             |          | <u>550,000</u>     | <u>1,426,000</u>            | <u>1,701,000</u>                  | <u>275,000</u>          | <u>269,123</u>                       | <u>23.73%</u>                   | <u>17.64%</u> |
| <b>Cost of investment at December 31, 2010</b> |          |                    |                             |                                   | <u><u>270,378</u></u>   |                                      |                                 |               |

**December 31, 2010**  
**(Un-audited)**  
**(Rupees in '000)**

**June 30, 2010**  
**(Audited)**  
**(Rupees in '000)**

5.3 Net unrealised (diminution) / appreciation in fair value of investments classified as 'available for sale'

|  |                       |                      |
|--|-----------------------|----------------------|
| Market value of investments  | 1,134,036             | 1,561,267            |
| Less: Cost of investments  | <u>(1,284,342)</u>    | <u>(1,702,751)</u>   |
|  | (150,306)             | (141,484)            |
| Less: Provision against non-performing TFCs and sukuks   | <u>(89,749)</u>       | <u>(84,789)</u>      |
|  | (60,557)              | (56,695)             |
| Less: Net unrealised diminution in fair value of investments classified as 'available for sale' at the beginning of the period | <u>(56,695)</u>       | <u>(141,475)</u>     |
|  | <u><u>(3,862)</u></u> | <u><u>84,780</u></u> |

|            |  | December 31,<br>2010<br>(Un-audited) | June 30,<br>2010<br>(Audited) |
|------------|--|--------------------------------------|-------------------------------|
|            |  | (Rupees in '000)                     |                               |
| <b>6</b>   | <b>INCOME RECEIVABLE</b>   |                                      |                               |
|            | Profit receivable on savings and term deposits   | 2,562                                | 69                            |
|            | Income accrued on Term Finance Certificates  | 39,187                               | 37,298                        |
|            | Income accrued on Government Securities  | 1,019                                | 1,003                         |
|            |  | <u>42,768</u>                        | <u>38,370</u>                 |
| <b>7</b>   | <b>ADVANCE, DEPOSITS, PREPAYMENTS AND<br/>OTHER RECEIVABLES</b>  |                                      |                               |
|            | Security deposit with National Clearing Company of Pakistan Limited  | 2,500                                | 2,500                         |
|            | Security deposit with Central Depository Company of Pakistan Limited   | 100                                  | 100                           |
|            | Receivable against maturity of Term Finance Certificates (TFCs) and Sukuks   | 4,999                                | 3,499                         |
|            | Receivable against sales of securities   | -                                    | 9,900                         |
|            | Prepaid fee  | 83                                   | 160                           |
|            | Others   | 1                                    | 1                             |
|            |  | <u>7,683</u>                         | <u>16,160</u>                 |
|            | Less: Provision against maturity of non-performing Term<br>Finance Certificates  | <u>(3,499)</u>                       | <u>(3,499)</u>                |
|            |  | <u>4,184</u>                         | <u>12,661</u>                 |
| <b>8</b>   | <b>PAYABLE TO HBL ASSET MANAGEMENT LIMITED -<br/>MANAGEMENT COMPANY</b>  |                                      |                               |
|            | Management fee   | 8.1 1,949                            | 4,625                         |
|            | Preliminary expenses and floatation costs incurred<br>on behalf of the Fund  | 317                                  | 432                           |
|            | Security deposits with Central Depository Company of<br>Pakistan Limited paid by the management company on behalf<br>of the Fund   | 100                                  | 100                           |
|            | Other payable  | 46                                   | -                             |
|            |  | <u>2,412</u>                         | <u>5,157</u>                  |
| <b>8.1</b> | Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of one and a half percent per annum for the current year. |                                      |                               |
| <b>9</b>   | <b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>  |                                      |                               |
|            | Auditors' remuneration   | 280                                  | 360                           |
|            | Brokerage payable  | 26                                   | 37                            |
|            | Payable to unit holders against redemption of units  | 378                                  | 19,525                        |
|            | Provision for Workers' Welfare Fund  | 12 10,354                            | 8,771                         |
|            | Others   | 48                                   | 36                            |
|            |  | <u>11,086</u>                        | <u>28,729</u>                 |

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**10 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at period end.

**11 TAXATION**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2011 as reduced by capital gains (whether realised or unrealised) to its unit holders. Accordingly, no tax liability has been recorded in the current period.

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

**12 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.

On December 14, 2010, the Ministry has filed its response against the constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs 10.354 million in these condensed interim financial statements.

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### 13 TRANSACTIONS WITH CONNECTED PERSONS

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

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 these financial statements are as follows:

|   | For the period<br>ended<br>December 31,<br>2010<br>(Un-audited) | For the period<br>ended<br>December 31,<br>2009<br>(Un-audited) |
|---|---|---|
|   | (Rupees in '000)  |   |
| <b>13.1 Transactions during the period</b>                                    |   |   |
| <b>HBL Asset Management Limited - Management Company</b>                      |   |   |
| Management fee  | 11,780  | 18,671  |
| Issue of 699,580 units (2009: nil units)                                      | 70,000  | -   |
| Issue of 51,101 bonus units (2009: 39,986 units)                              | 4,996   | 3,796   |
| Redemption of 829,198 units (2009: nil units)                                 | 82,945  | -   |
| <b>Habib Bank Limited - Sponsor</b>   |   |   |
| Issue of 466,752 bonus units (2009: 365,229 units)                            | 45,631  | 34,672  |
| Bank charges paid   | 75  | 77  |
| Placement in Term Deposits Receipts   | 350,000   | 630,000   |
| Maturity of Term Deposits Receipts  | -   | 800,000   |
| Profit on bank deposits and term deposits earned                              | 2,804   | 11,213  |
| Profit received on bank deposits and term deposits                            | 305   | 5,267   |
| <b>Directors and Executives of the Management Company and their relatives</b> |   |   |
| <b>Directors and their relatives</b>  |   |   |
| Issue of 61,312 units (2009: 287,925 units)                                   | 6,000   | 28,000  |
| Issue of 4,064 bonus units (2009: 18,908 units)                               | 397   | 1,802   |
| Redemption of 88,347 units (2009: nil units)                                  | 8,852   | -   |
| <b>Executives and their relatives</b>   |   |   |
| Issue of 5,108 units (2009: nil units)  | 500   | -   |
| Issue of 117 bonus units (2009: nil units)                                    | 12  | -   |
| <b>Associated companies</b>   |   |   |
| Profit earned on Term Finance Certificates                                    | 23  | 1,180   |
| Profit received on Term Finance Certificates                                  | 156   | -   |
| <b>Central Depository Company of Pakistan Ltd. - Trustee</b>                  |   |   |
| Remuneration  | 1,290   | 1,749   |
| Central Depository System Charges   | 3   | 4   |

|   | December 31,<br>2010<br>(Un-audited) | June 30,<br>2010<br>(Audited) |
|---|--------------------------------------|-------------------------------|
|   | (Rupees in '000)                     |                               |
| <b>13.2 Amount outstanding as at period end</b>   |                                      |                               |
| <b>HBL Asset Management Limited - Management Company</b>                                      |                                      |                               |
| Investment held by the management company in the Fund<br>(778,262 units; 2009: 856,779 units) | 78,262                               | 86,483                        |
| Management fee payable  | 1,949                                | 4,625                         |
| Preliminary expenses and floatation cost payable  | 317                                  | 432                           |
| Security deposit paid by management company on behalf of the Fund - payable                   | 100                                  | 100                           |
| Other payable   | 46                                   | -                             |
| <b>Habib Bank Limited - Sponsor</b>   |                                      |                               |
| Investment held in the Fund (8,292,530 units ; 2009: 7,825,778 units)                         | 833,897                              | 789,934                       |
| Profit receivable on bank deposits including TDRs   | 2,559                                | 63                            |
| Balance in savings account including TDRs   | 357,663                              | 20,539                        |
| Balance in current account  | 16                                   | 16                            |
| <b>Directors and Executives of the Management Company and their relatives</b>                 |                                      |                               |
| <b>Directors and their relatives</b>  |                                      |                               |
| Investment held in the Fund (55,541 units ; 2009: 78,512 units)                               | 5,585                                | 7,925                         |
| <b>Executives and their relatives</b>   |                                      |                               |
| Investment held in the Fund 5,225 (2009 ; nil units)  | 525                                  | -                             |
| <b>Associated companies</b>   |                                      |                               |
| Investment in Term Finance Certificates   | -                                    | 4,281                         |
| Profit receivable on COIs and TFCs  | -                                    | 133                           |
| <b>Central Depository Company of Pakistan Ltd. - Trustee</b>                                  |                                      |                               |
| Remuneration payable  | 423                                  | 475                           |
| Central Depository System Charges payable   | 1                                    | 4                             |

**14 DISCLOURE UNDER CIRCULAR NO. 16 OF 2010 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - CATEGORIZATION OF OPEN END SCHEME**

The Securities and Exchange Commission of Pakistan vide circular no. 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 circular. HBL Asset Management Limited (Management Company) classified HBL Income Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at December 31, 2010, the Fund is compliant with all the requirements of the said circular except for clause 9(v) which requires that the rating of any security in the portfolio shall not be lower than the investment grade.

| Name of Non-Complaint Investment                             | Type of Investment | Market/ Carrying value* of investment before provision | Provision held (if any) | Value of Investment after Provision | % of Net Assets | % of Gross Assets |
|--|--------------------|--|-------------------------|-------------------------------------|-----------------|-------------------|
| -----Rs in '000-----   |                    |  |                         |                                     |                 |                   |
| Maple Leaf Cement Factory Limited                            | Sukuk              | 21,931   | -                       | 21,931                              | 1.44%           | 1.42%             |
| New Allied Electronics Industries (Pvt) Limited              | TFC                | 19,331   | 19,331                  | -                                   | -               | -                 |
| New Allied Electronics Industries (Pvt) Limited              | Sukuk              | 45,000   | 45,000                  | -                                   | -               | -                 |
| Eden Housing Limited   | Sukuk              | 12,500   | 12,500                  | -                                   | -               | -                 |
| Agritech Limited (Formerly Pak American Fertilizers Limited) | TFC                | 8,993  | 5,595                   | 3,398                               | 0.22%           | 0.22%             |
| Saudi Pak Leasing Company Limited                            | TFC                | 7,323  | 7,323                   | -                                   | -               | -                 |

\* This represents outstanding principal against the exposures except that in case of Maple Leaf Cement Factory Limited, it is the market value as at December 31, 2010.

#### 15 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial report was authorised for issue by the Board of the Directors of the Management Company on February 11, 2011.

#### 16 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better understanding. There were no major reclassifications in this condensed interim financial report.

#### 17 GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

**Chief Executive**

**Director**

## **DISTRIBUTION NETWORK**

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### **1. Branches of Habib Bank Limited**

#### **Sindh Karachi**

**Habib bank Limited**  
Bahadurabad Branch,  
Mariam Complex, Bahadurabad, Karachi.  
Phone: 021-34940585-6  
Fax: 021-34940584

**Habib bank Limited**  
Iqbal Library Branch  
Gigar Muradabadi Road, Near Islamia College,  
Karachi.  
Phone: 021-34922310, 021-34913311  
Fax: 021-34914411

**Habib bank Limited**  
Tariq Road Commercial Center Branch,  
172-u, Block-2, Karachi.  
Phone: 021-34534748, 021-34534681  
Fax: 021-34522627

**Habib bank Limited**  
Shahra-e-Pakistan Branch,  
F.B Area Karachi.  
Phone: 021-36331445, 021-36317073  
Fax: 021-36317086

**Habib bank Limited**  
Corporate Branch,  
2<sup>nd</sup> Floor, HBL Plaza, I.I. Chundrigar  
Road, Karachi.  
Phone: 021-32418000  
Fax: 021-32413839

**Habib bank Limited**  
Kehkashan Branch,  
F-101/5, Block-7, Kehkashan Clifton, Karachi.  
Phone: 021-35875935-40  
Fax: 021-35875914

**Habib bank Limited**  
Foreign Exchange Branch,  
M.A. Jinnah Road, Habib Squre, Karachi.  
Phone: 021-39213996-97  
Fax: 021-39213436

**Habib bank Limited**  
Clifton Broadway Branch,  
Broadway House, Karachi.  
Phone: 021-35301074-76  
Fax: 021-35873310

**Habib bank Limited**  
Nursery Branch,  
Main Shahra-e-Faisal, Jamshed Town, Karachi.  
Phone: 021-34381304, 021-34524661  
Fax: 021-34538482

**Habib bank Limited**  
Khayaban-e-Saadi Branch,  
Block-2, Clifton, Karachi.  
Phone: 021-35810045-46  
Fax: 021-35810047

**Habib bank Limited**  
Shahra-e-Jahangir Branch,  
Block L, North Nazimabad, Karachi.  
Phone: 021-36648034-36629671  
Fax: 021-36642090

#### **Jacobabad**

**Habib Bank Limited**  
Quid-e Azam Road,  
Jacobabad.  
Phone: 0722-653977,0722-650933

#### **Punjab Lahore**

**Habib bank Limited**  
Allama Iqbal Town Branch  
Dubai Chowk, Lahore.  
Phone: 042-37840560, 042-37841464  
Fax: 042-37446584

**Habib Bank Limited**  
Bank Square, Model Town Branch,  
Lahore.  
Phone: 042-35915574-75, 042-35844842  
Fax: 042-35915573

**Habib Bank Limited**  
The Mall Road Branch, 5, Bank square,  
Nila Gumbad, Lahore.  
042-37232422-27-35-51-37-46  
Fax: 042-37232537-479

**Habib Bank Limited**  
Cantonment Branch  
322-H. Sarwar Road, Cantt Lahore.  
Phone: 042-36622620-6  
Fax: 042-36622625

**Habib Bank Limited**  
Gulberg Main Market Branch,  
Lahore.  
Phone: 042-35757575, 042-35755602,  
Fax: 042-35760636

**Habib Bank Limited**  
Lahore Development Authority Branch  
7-Egertan Road, Data Gunj Bukhsh  
Town, Lahore.  
Phone: 042-36375299/6375974-76-78  
Fax: 042-36302032

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**Habib Bank Limited**  
19-Ali Block New Garden Town Branch, Lahore  
Phone: 042-35912481-85  
Fax: 042-35912486

**Habib Bank Limited**  
Corporate Branch  
Habib Bank Corporate Centre, 102,103 Upper Mall,  
Lahore.  
Phone: 042-36281655, 042-36281820, 042-36281665  
Fax: 042-36281661

#### **Gujranwala**

**Habib Bank Limited**  
Satellite Town Branch  
Main Market, Satellite Town, Gujranwala.  
Phone: 055-9200590-1  
Fax: 055-9200590

#### **Faisalabad**

**Habib Bank Limited**  
Madina Town Branch  
Madina Town, Faisalabad.  
Phone: 041-9220122, 041-9220124  
Fax: 041-9220123

**Habib Bank Limited**  
West Canal Road, Faisalabad.  
Phone: 041-8532077  
Fax: 041-8531985

**Habib Bank Limited**  
HBL Corporate Centre  
1152 Circular Road, Faisalabad.  
Phone: 041-9200038  
Fax: 041-9201041

#### **Rawalpindi**

**Habib Bank Limited**  
Kashmir Road Branch  
Kashmir Road Saddar, Cantt, Rawalpindi.  
Phone: 051-5700107, 051-5582905  
Fax: 051-5567928

#### **Islamabad**

**Habib Bank Limited**  
Jinnah Avenue Branch, Islamabad  
Phone: 051-2201761, 051-2201228  
Fax: 051-2822290

**Habib Bank Limited**  
Corporate Branch  
Ground Floor, HBL Tower, Blue Area,  
Islamabad  
Phone: 051-2820683  
Fax: 051-2822206

#### **NWFP Peshawar**

**Habib Bank Limited**  
Arbab Road Branch  
Peshawar Cantt. Peshawar.  
Phone: 091-5272167, 091-9211161  
Fax: 091-5278869

#### **Balochistan Quetta**

**Habib Bank Limited**  
Complex Branch  
Shahrah-e-Gulistan, Quetta.  
Phone: 081-22836575, 081-2829379  
Fax: 081-2825791

## **2. Other Distributors**

**Al Habib Capital Market (Pvt.) Limited.**  
GF-01, Techno City,  
Hasrat Mohani Road, Karachi.  
Phone: 021-322770808-13  
Fax: 021-32270519

**Alfalah Securities (Pvt.) Limited**  
12<sup>th</sup> Floor, Saima Trade Tower,  
I.I Chundrigar Road, Karachi.  
Phone: 021-39217810-19  
Fax: 021-39217827

**Allied Bank Limited**  
Khayaban-e-Iqbal, Main Clifton Road,  
Bath Island, Karachi.  
Phone: 021-35834941  
Fax: 021-35835083

**ANZ Financial Consultant**  
F-26/2, Block-5, Kehkashan,  
Clifton, Karachi.  
Phone: 021-35379511  
Fax: 021-35874348

**Atlas Capital Market (Pvt.) Limited**  
B-209, 2<sup>nd</sup> Floor, Park Towers,  
Abdullah Shah Ghazi Road,  
Clifton, Karachi.  
Phone: 021-35875760-06  
Fax: 021-35376122

**BMA Capital Management Limited.**  
8<sup>th</sup> Floor, Unitower,  
I.I Chundrigar Road, Karachi.  
Phone: 021-111-262-111  
Fax: 021-32464695

**Ellixir Securities Pakistan (Pvt.) Limited**  
First Floor, P & O Plaza,  
I.I Chundrigar Road, Karachi.  
Phone: 021-111-354-947  
Fax: 021-32420527- 32418925

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**Foundation Securities (Pvt.) Limited.**

Ground Floor, Bahria Complex II,  
M.T.Khan Road, Karachi.  
Phone: 021-35612290-94  
Fax: 021-35612262

**IGI Investment Bank Limited**

Floor-7, The Forum, Suit 701-713, G-20,  
Block, Khayaban-e-Jami, Karachi.  
Phone: 021-111-234-234  
Fax: 021-111-567-567

**Invest Capital & Securities (Pvt.) Limited.**

806-808, Progressive Plaza,  
Beaumont Road, Karachi  
Phone: 021-35215226-8  
Fax: 021-35215200

**Invisor Securities (Pvt.) Limited.**

Ground Floor, Bahria Complex II,  
M.T.Khan Road, Karachi.  
Phone: 021-35635000  
Fax: 021-35611529

**JŞ Global Capital Limited**

6<sup>th</sup> Floor, Faysal House,  
Shahra-e-Faisal, Karachi, Pakistan.  
Phone: 021-32799580  
Fax: 021-32800165

**Pak Iran Joint Investment Company Limited**

507-508, 5th Floor, Progressive Plaza,  
Beaumont Road, Civil Lines, Karachi.  
Phone: 021-35638581, 85  
Fax: 021-35638589

**Premier Insurance Limited**

5<sup>th</sup> Floor, State Life Building No 2A,  
Wallace Road, Karachi.  
Phone: 021-32416331-4

**Pyramid Financial Consultant**

518, Progressive Plaza, Beaumont Road,  
Karachi, Pakistan.  
Phone: 021-35638266-67, 021-35638264  
Fax: 021-35638265

**Reliance Financial Products (Pvt.) Limited**

215, Clifton Centre, Block-5, Clifton, Karachi.  
Phone: 021-5860242  
Fax: 021-35837775

**Siza Commodities Pvt.) Limited**

Lakson Square Building No. 2,  
Sarwar Shaheed Road, Karachi.  
Phone: 021-35698000  
Fax: 021-35683410

**Soneri Bank Limited**

5<sup>th</sup> Floor, Al-Rahim Tower,  
I.I Chundrigar Road, Karachi.  
Phone: 021-32439562-67  
Fax: 021-32439561

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**The First National Equities Limited**

19-C, Sunset Lane- 6, South Park Avenue  
Ext. 11, D.H.A Karachi.  
Phone: 021-35395902-08  
Fax: 021-35395925

**Yam & Company**

Office No.11, Quality Arcade,  
Mezzanine Floor, BC-7,  
Block-7, Clifton, Karachi.  
Phone: 021-35876823-4  
Fax: 021-35879146