

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 undermanagement 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 spirit of enterprise.

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CORPORATE INFORMATION

Management Company

HBL Asset Management Limited.

Board of Directors

Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Chief Executive Officer	Mr. Shahid Ghaffar	(Executive Director)
Directors	Mr. Sohail Malik	(Non-Executive Director)
	Mr. Abid Sattar	(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. Towfiq 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 Buliding 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, Block2, Clifton, Karachi.

Bankers

Habib Bank Limited
National Bank of Pakistan

Website

www.hblasasset.com

Head Office

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

Registered Office

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

FUND MANAGER'S REPORT

Type and Category of Fund

Open end Islamic Money Market Fund

Investment Objective and Accomplishment of Objective

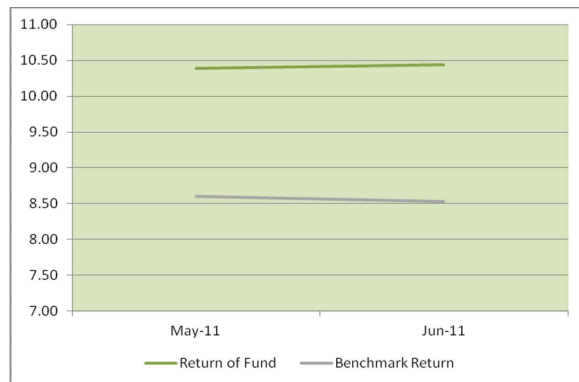
The investment objective of the Fund is to seek high liquidity, competitive return and maximum possible preservation of Capital for investors by investing in low risk Shariah Compliant securities.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is average 3 Months deposit rates offered by any three Islamic Banks.

The Fund was launched in May 2011. The comparison of the fund return with benchmark during the period May 2011 – June 2011 is given below:

Month	Benchmark	Return of Fund
May-11	8.60%	10.39%
Jun-11	8.53%	10.44%

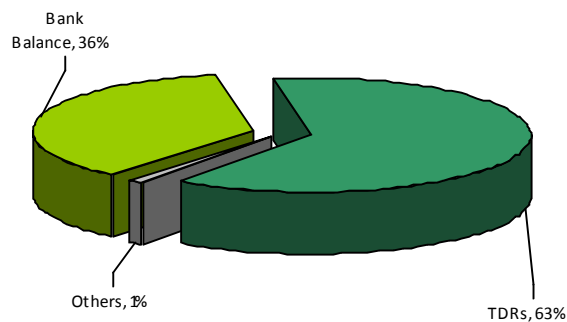


Strategies and Policies employed during the Period

The Fund is in the process of building portfolio of eligible investments.

Asset Allocation

Asset Allocation June 30, 2011



Fund Performance

The total income and net income of the Fund was Rs. 6.63 million and Rs. 5.72 million respectively during the period ended June 30, 2011. The Net Asset Value (NAV) of the Fund increased from Rs 100 per unit as on May 10, 2011 to Rs 101.4612 per unit as on June 30, 2011 giving an annualized return of 10.46% during the period. During the same period the benchmark return (3 Month bank deposit rates) was 8.53%.

Review of Market invested in

During the year 2010 – 2011 the State Bank of Pakistan (SBP) opted for a tight monetary policy in the first five months as the policy rate was gradually increased during the period July – November 2010 from 12.5% p.a. at start of the year to 14% p.a. in November 2010. Thereafter, the discount rate was maintained at 14.00% for the remaining of year 2010 – 2011 on expectations of arresting inflation, declining GDP, low private sector credit off take and reduced business activity.

The average six month KIBOR has increased from 12.39% in June 2010 to as high as 13.82 in February 2011 and closed at 13.78% in June 2011.

Distribution

The Fund has distributed dividend at Rs. 1.46 in the form of Bonus units for Class “A” and Class “B” Units and Cash Dividend of Rs. 1.46 per unit for Class “C” Unit for the period ended June 30, 2011.

Significant Changes in the State of Affairs

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

Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	29	1,207
101 – 500	7	2,335
501 – 1,000	3	2,583
1,001 – 10,000	15	40,276
10,001 – 100,000	1	35,011
100,001 – 500,000	1	254,286
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	2	3,581,441
Total	58	3,917,139

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 receive research reports and presentations from brokerage houses.

**HBL ISLAMIC MONEY MARKET FUND
PERFORMANCE TABLE**

**For the period
ended June 30,2011**

NET ASSETS AND PRICES

Net assets at the period end (Rs '000)	397,438
Net asset value per unit at the period end / period end(Rs)	101.4612
Selling price /repurchase price	101.4612
Earnings per unit (Rs) - (note 3.15)	-
Highest selling price per unit (Rs)	101.4322
Lowest selling price per unit (Rs)	100.0000
Highest repurchase price per unit (Rs)	101.4322
Lowest repurchase price per unit (Rs)	100.0000

RETURN (%)

Total return	10.46
Income distribution	10.45
Capital growth	0.01

DISTRIBUTION

Final dividend distribution	1.46
Total dividend distribution for the period	1.46

AVERAGE RETURNS (%)

Average annual return 1 year	10.46
Average annual return 2 years	-
Average annual return 3 years	-
Average return since inception	10.46

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 HOLDER

HBL ISLAMIC MONEY MARKET 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

The HBL Islamic Money Market Fund (the Fund), an open-end scheme was established under a trust deed dated November 23, 2010, executed between HBL Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from February 15, 2011 to June 30, 2011 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 17, 2011

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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 - Islamic Money Market 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 Islamic Money Market Fund is an open ended mutual fund and was listed on Lahore Stock Exchange on May 11, 2011. The units of the Fund have been offered for public subscription on a continuous basis from May 9, 2011.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors. As on June 30, 2011 the Board consists of five directors with four non-executive directors including two independent directors..
2. None of directors is serving as a director in ten or more 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. During the period, Mr. R. Zakir Mahmood resigned from the Board as both the Chairman and member with effect from March 31, 2011.
5. The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the Directors and distributed to employees of the company.
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 twotimes during the current period. 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. All the members of the Board are well aware of operations of the fund and the Management Company, therefore no orientation courses were arranged during the year ended June 30, 2011.

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10. The Board has approved the appointment of CFO and Company Secretary including their remuneration and term and conditions of employment as determined by the CEO.
 11. Directors Report for the year ended June 30, 2011 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 21 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.
 16. The meetings of the audit committee were held atleast once every quarter during the current financial year prior to approval of interim and final results of the Fund, as required by the Code.
 17. 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.
 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 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.
 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. We confirm that all other material principles contained in the Code have been complied with.

Shahid Ghaffar
Chief Executive Officer
Date: October 11,2011
Place: Karachi

INDEPENDENT ASSURANCE REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

We have performed an independent assurance engagement of **HBL Islamic Money Market Fund** (the Fund) to express an opinion on the annexed Statement of compliance with the Shariah principles (the 'Statement') for the period from February 15, 2011 to June 30, 2011. Our engagement was carried out as required under clause 8.3.1 of the Trust Deed of the Fund.

Management Company's responsibility

Management Company of the Fund is responsible for the preparation of the annexed statement (the subject matter) and for compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control to ensure that operations of the Fund and its investment and placements have been made in compliance with the Shariah principles.

Responsibility of independent assurance providers

Our responsibility is to express our conclusion on the Statement based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This Standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the annexed statement reflects the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor (Criteria).

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah principles. In making those risk assessments, we have considered internal controls relevant to the Fund's compliance with the principles in order to design procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the principles. Our engagement was not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Amongst others, our scope included procedures to:

"Check compliance of specific guidelines relating to charity, maintaining bank accounts and for making investments of the Fund.

"Check that the Shariah Advisor has certified that investments made by the Fund during the period ended June 30, 2011 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

Conclusion

In our opinion, the annexed statement, in all material respects, present fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the period from February 15, 2011 to June 30, 2011.

Chartered Accountants
Karachi
Dated: October 24, 2011

AUDITORS REVIEW REPORT TO THE UNIT HOLDERS

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 Islamic Money Market Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the 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's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-regulation (xiii a) of the Listing Regulation No. 35 requires the company to place before the Board of Directors for their consideration and approval, 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 prices or not.

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 Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period from February 15, 2011 to June 30, 2011.

Chartered Accountants
Karachi
Dated: October 24, 2011

STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

HBL Islamic Money Market Fund (the Fund) has fully complied with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for its operations, investments and placements made during the period from February 15, 2011 to June 30, 2011. This has been duly confirmed by the Shariah Advisor of the Fund.

Shahid Ghaffar

Chief Executive Officer

Date: October 11, 2011

Place: Karachi

REVIEW REPORT OF THE SHARIAH ADVISOR

As a Shariah Adviser of the **HBL Islamic Money Market Fund**, I am issuing this report in accordance with clause 8.2.9 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities. It is the responsibility of HBL Asset Management Limited, the management company of the Fund, to establish and maintain a system of internal controls to ensure compliance with the Shariah guidelines. As a Shariah adviser my responsibility is to express an opinion based on my review of the representations made by the management, to the extent where such compliance can be objectively verified.

As part of my mandate as the Shariah Adviser to the Fund, I have reviewed the following, during the period:

- . The modes of investment of Fund's property and its compliance with Shariah guidelines.
- . The process of deployment of Fund's property and its compliance with Shariah guidelines.
- . The process of purification of income and its compliance with Shariah guidelines.

In light of the above scope, I hereby certify that all the provisions of the scheme and investments made by HBL Islamic Money Market Fund for the period ended June 30, 2011 are in compliance with the Shariah principles.

Mufti Yahya Asim
Shariah Advisor

INDEPENDENT AUDITORS REPORT

We have audited the accompanying financial statements of **HBL Islamic Money Market Fund**, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the period from February 15, 2011 to June 30, 2011, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing 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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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, the auditor considers internal control relevant to the entity'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 entity'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 financial position of the Fund as at June 30, 2011, and of its financial performance, cash flows and transactions for the period from February 15, 2011 to June 30, 2011 in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Chartered Accountants
Engagement Partner: Salman Hussain
Dated: October 24, 2011
Karachi

**HBL ISLAMIC MONEY MARKET FUND
STATEMENT OF ASSEST AND LIABLITIES
AS AT JUNE 30, 2011**

	Note	June 30, 2011 (Rupees in '000)
ASSETS		
Bank balances	4	142,469
Term Deposit Receipts	5	250,000
Profit receivable	6	5,615
Preliminary expenses and floatation costs	7	1,118
Total assets		399,202
LIABILITIES		
Payable to HBL Asset Management Limited - Management Company	8	1,504
Payable to Central Depository Company of Pakistan Limited - Trustee	9	55
Payable to Securities and Exchange Commission of Pakistan - Annual fee	10	41
Accrued expenses and other liabilities	11	164
Total liabilities		1,764
NET ASSETS		397,438
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		397,438
CONTINGENCIES AND COMMITMENTS	12	
		Number of units
NUMBER OF UNITS IN ISSUE		3,917,140
		Rupees
NET ASSET VALUE PER UNIT		101.4612

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

**HBL ISLAMIC MONEY MARKET FUND
INCOME STATEMENT
FOR THE PERIOD FROM FEBRUARY 15, 2011 TO JUNE 30, 2011**

	Note	For the period from February 15, 2011 to June 30, 2011 (Rupees in '000)
INCOME		
Income on term deposit receipts	13	4,281
Profit on bank deposits	14	2,324
		6,605
EXPENSES		
Remuneration of HBL Asset Management Limited - Management Company	8.1	549
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	93
Annual fee - Securities and Exchange Commission of Pakistan	10.1	41
Auditors' remuneration	15	25
Settlement and bank charges		1
Amortisation of preliminary expenses and floatation costs	7	32
Other expenses		51
		792
Net income from operating activities		5,813
Element of income and capital gains included in prices of units issued less those in units redeemed		28
Provision for Workers' Welfare Fund	16	117
Net income for the period before taxation		5,724
Taxation		-
Net income for the period after taxation		5,724
OTHER COMPREHENSIVE INCOME		
		-
Total comprehensive income for the period - net		5,724
Earnings per unit (EPU)	18	1.47

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

**HBL ISLAMIC MONEY MARKET FUND
DISTRIBUTION STATEMENT
FOR THE PERIOD FROM FEBRUARY 15, 2011 TO JUNE 30, 2011**

**For the period
from February
15, 2011 to
June 30, 2011
(Rupees in '000)**

Net income for the period	5,724
Undistributed income carried forward - realised	<u>5,724</u>

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

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

Chief Executive

Director

**HBL ISLAMIC MONEY MARKET FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS
FOR THE PERIOD FROM FEBRUARY 15, 2011 TO JUNE 30, 2011**

**For the period
from February
15, 2011 to
June 30, 2011
(Rupees in '000)**

Issue of 3,917,160 units	391,744
Redemption of 20 units	(2)
	391,742
Element of income and capital gains included in prices of units issued less those in units redeemed	(28)
Net income for the period	5,724
Net assets as at the end of the period	397,438

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

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

Chief Executive

Director

**HBL ISLAMIC MONEY MARKET FUND
CASH FLOW STATEMENT
FOR THE PERIOD FROM FEBRUARY 15, 2011 TO JUNE 30, 2011**

**For the period
from February
15, 2011 to
June 30, 2011
(Rupees in '000)**

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period 5,724

Adjustments for non-cash and other items:

Amortisation of preliminary expenses and floatation costs 32

Element of accrued income and capital gains
included in prices of units issued less those in units redeemed (28)

5,728

Increase in assets

Profit receivable (5,615)

(5,615)

Increase in liabilities

Payable to HBL Asset Management Limited - Management Company 354

Payable to Central Depository Company of Pakistan Limited - Trustee 55

Payable to Securities and Exchange Commission of Pakistan 41

Accrued expenses and other liabilities 164

614

Net cash generated from operating activities

727

CASH FLOWS FROM FINANCING ACTIVITIES

Net payments received against issue/ redemption of units 391,742

Net cash inflow on financing activities 391,742

Net increase in cash and cash equivalents during the period 392,469

Cash and cash equivalents at the beginning of the period -

Cash and cash equivalents at the end of the period 19 392,469

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

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

Chief Executive

Director

**HBL ISLAMIC MONEY MARKET FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM FEBRUARY 15, 2011 TO JUNE 30, 2011**

1 LEGAL STATUS AND NATURE OF BUSINESS

HBL Islamic Money Market Fund (the Fund) was established under a Trust Deed, dated November 23, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (the SECP) as a unit trust scheme on December 10, 2010.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the 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 May 09, 2011 to May 10, 2011.

The principal activity of the Fund is to seek high liquidity and comparative Shariah Compliant return for investors by investing in low risk securities of shorter duration and maturity.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM3+' to the Management Company and the Fund is currently not rated.

Title to the assets of the Fund are held in the name of CDC as a 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 requirements of the Trust Deed, 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 the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new standards, amendments and interpretation that became effective during the current period but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

2.3 New and amended standards and interpretations that are not yet effective and have not been early adopted

The following revised standard has been published and is mandatory for annual periods beginning on or after January 1, 2011.

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. 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 new and amended standards and interpretations that are mandatory for annual periods beginning on or after January 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, 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 financial assets (note 3.2 and note 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below:

3.1 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks, 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 Fund has currently classified its financial assets in the loans and receivables category.

3.2.2 Initial recognition and measurement

Loans and receivables are initially recognised at cost.

3.2.3 Subsequent measurement

Subsequent to initial recognition, loans and receivables are carried at amortised cost.

3.2.4 Impairment - 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. The provision against loans and receivables is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company as per the requirements of circular 13 of 2009 dated May 04, 2009 issued by the Securities and Exchange Commission of Pakistan.

3.2.5 Derecognition

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

3.2.6 Offsetting of financial assets and liabilities

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

3.5 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.

3.6 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.

3.7 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.8 Revenue recognition

- Profit on bank deposits is recognised on an accrual basis.
- Profit on investments is recognised on an accrual basis.

3.9 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders.

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.

3.10 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost.

3.11 Proposed distributions

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

3.12 Net Asset Value per unit

The Net Asset Value per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

	Note	June 30, 2011 Rupees in '000
4 BANK BALANCES		
Savings accounts		142,469
		<u>142,469</u>
5 TERM DEPOSIT RECEIPTS		Rupees in '000
Term Deposit Receipts (TDRs)	5.1	250,000
		<u>250,000</u>
5.1	These represent investments in TDRs issued by Habib Bank Limited maturing on August 9, 2011 and carrying profit at the rate of 12.5% per annum.	
6 PROFIT RECEIVABLE		
Profit receivable on bank deposits		1,334
Profit accrued on TDRs		4,281
		<u>5,615</u>
7 PRELIMINARY EXPENSES AND FLOATATION COSTS		
Preliminary expenses and floatation costs incurred	7.1	1,150
Less: Accumulated amortization		(32)
		<u>1,118</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.	
8 PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	June 30, 2011 Rupees in '000
Management fee	8.1	324
Preliminary expenses and floatation costs incurred on behalf of the Fund		1,150
Other payable		30
		<u>1,504</u>

8.1 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 of the rate of 1% per annum for the period.

	Note	June 30, 2011 Rupees in '000
9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE		
Trustee's remuneration	9.1	55

9.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, 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, 2011 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs 1,000 million	Rs 0.6 million or 0.17% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million and upto Rs 5,000 million	Rs 1.7 million plus 0.085% p.a. of NAV exceeding Rs 1,000 million
On an amount exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% p.a. of NAV, on amount exceeding Rs 5,000 million

	Note	June 30, 2011 Rupees in '000
10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
Annual fee	10.1	41

10.1 Under the provisions of the NBFC Regulations, 2008 a collective investment scheme categorised as money market scheme is required to pay as annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the scheme. HBL Islamic Money Market fund has been classified as a money market scheme.

	Note	June 30, 2011 Rupees in '000
11 ACCRUED EXPENSES AND OTHER LIABILITIES		
Auditors' remuneration		25
Provision for Workers' Welfare Fund	16	117
Rating fee payable		22
		164

12 CONTINGENCIES AND COMMITMENTS

There are no outstanding commitments and contingencies at the end of the year.

	For the period from February 15, 2011 to June 30, 2011
13 PROFIT ON TDRs	
Profit on TDRs	4,281
	4,281
14 PROFIT ON BANK DEPOSITS	
Income on savings deposits	2,324
	2,324
15 AUDITORS' REMUNERATION	
Statutory audit fee	15
Reporting on compliance with the Code of Corporate Governance	5
Shariah Compliance Audit fee	5
	25

16 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending.

Subsequently 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. However, on December 14, 2010 the Ministry 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 Court.

Subsequent to the year ended June 30, 2011, the Honorable 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 made the provision for WWF amounting to Rs. 0.117 million in these financial statements.

17 TAXATION

The income of the Fund is exempt from income tax under clause 99 of 1 of the second schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The fund has not recorded a tax liability in respect of income relating to the period from February 15, 2011 to June 30, 2011 as the management company has distributed the required minimum percent of the Fund's accounting income for the said period as reduced by capital gains (whether realised or unrealised) to its unit holders.

	Note	June 30, 2011 Rupees in '000
18 EARNINGS PER UNIT		
Net income for the period after taxation		5,724
		(Number of units)
Weighted average number of units outstanding		3,897,834
Earning per unit (basic and diluted)		1.47
19 CASH AND CASH EQUIVALENT		Rupees in '000
Savings Account	4	142,469
Term Deposit Receipts (TDRs)	5	250,000
		392,469

20 FINANCIAL INSTRUMENT BY CATEGORY

-----As at June 30, 2011-----				
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----				
Financial assets				
Bank balances	142,469	-	-	142,469
Term Deposit Receipts	250,000	-	-	250,000
Profit receivable	5,615	-	-	5,615
	398,084	-	-	398,084
-----As at June 30, 2011-----				
	Liabilities at fair value through profit or loss	Other financial liabilities	Total	
-----Rupees in '000-----				
Financial liabilities				
Payable to HBL Asset Management Limited - Management Company	-	1,504	1,504	
Payable to Central Depository Company of Pakistan Limited - Trustee	-	55	55	
Accrued expenses and other liabilities	-	164	164	
	-	1,723	1,723	

21 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited being the trustee of the Fund, the directors and officer of the Management Company, entities having common directorship with the Management Company and other collective investment schemes managed by the Management Company.

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

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

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

	For the period from February 15, 2011 to June 30, 2011 Rupees in '000
21.1 Transaction during the period	
HBL Asset Management Limited - Management Company	
Management Fee	549
Habib Bank Limited - Sponsor	
Units issued: 2,567,470 units	256,747
Bank charges paid	1
Profit on bank deposits and TDRs earned	6,605
Profit on bank deposits received	9,570
Directors and Executives of the Management Company and their relatives	
Directors and their relatives	
Units issued: 988 units	100
Central Depository Company of Pakistan Limited - Trustee	
Remuneration	93
	June 30, 2011
21.2 Balances outstanding as at period end	Rupees in '000
HBL Asset Management Limited - Management Company	
Management Fee	324
Preliminary expenses and floatation cost payable	1,150
Other payable	30
Habib Bank Limited - Sponsor	
Investment held in the Fund : 2,567,470 units	260,499
Bank balances including TDRs	392,469
Profit receivable on bank deposits including TDRs	5,614
Directors and their relatives	
Investment held in the Fund : 988 units	100
Central Depository Company of Pakistan Limited - Trustee	
Remuneration payable	55

22 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

-----2011-----			
	Designation	Qualification	Experience in years
1	Shahid Ghaffar	Chief Executive Officer	MBA 34
2	Rehan N Shaikh	Chief Operating Officer	M.Com 16
3	Amir Khan	Fund Manager - Islamic Money Market Fund	MBA 18
4	Umar Farooq	Fund Manager	MBA 11
5	Noman Qurban	Manager Compliance	ACA 3

22.1 Mr. Amir Khan is the manager of the Fund. He has obtained a Masters Degree in Business Administration. Amir Khan is also the manager of HBL Income Fund and HBL Money Market Fund. Umar Farooq is the manager of HBL Islamic Stock Fund, HBL Stock Fund and HBL Multi Asset Fund.

23. PATTERN OF UNIT HOLDING

As at June 30, 2011			
	Number of unit holders	Investment amount	Percentage investment
------(Rupees in '000)-----			
Individuals	54	4,708	1.18%
Associated Companies	1	260,499	65.54%
Insurance Companies	2	29,352	7.39%
Banks / Dfis	1	102,879	25.89%
	58	397,438	100%

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 27th and 28th board meetings of the Management Company were held on March 31, 2011 and April 25, 2011 respectively. Information in respect of attendance by Directors in the meetings

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. R. Zakir Mahmood *	1	1	-	-
2 Mr. Shahid Ghaffar	2	2	-	-
3 Mr. Sohail Malik	2	1	1	27th Meeting
4 Mr. Abid Sattar	2	2	-	-
5 Mr. Towfiq H. Chinoy **	2	2	-	-
6 Ms. Sadia Khan	2	2	-	-

24.1 * Mr. R. Zakir Mahmood, Chairman resigned from the Directorship of HBL Asset management on March 31, 2011.

** Mr. Towfiq H. Chinoy has assumed responsibility as Chairman of HBL Asset Management on March 31, 2011.

25 FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of Shariah Compliant money market investments such as government securities, and in other money market instruments permitted by Shariah Advisor(s). These investments are exposed to a variety of financial risks : market risk, credit risk and liquidity risk.

25.1 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 three types of risk: currency risk, interest rate risk and other price risk.

25.1.1 Currency risk

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

25.1.2 Interest rate risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Presently the Fund doesn't hold any variable rate instrument that could expose the Fund to 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.

----- As at June 30, 2011 -----					
-----Exposed to Yield/Interest rate risk-----					
Yield / interest rate (%)	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield/ Interest rate risk
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	11.5	142,469	142,469	-	-
Term Deposit Receipts	12.5	250,000	250,000	-	-
Profit receivable		5,615	-	-	5,615
		398,084	392,469	-	5,615
Financial liabilities					
Accrued expenses and other liabilities		164	-	-	164
Payable to HBL Asset Management Limited - Management Company		1,504	-	-	1,504
Payable to Central Depository Company of Pakistan Limited -Trustee		55	-	-	55
		1,723	-	-	1,723
On-balance sheet gap 2011		396,361	392,469	-	3,892
Off-balance sheet financial instruments					
		-	-	-	-
Off-balance sheet gap 2011		-	-	-	-

25.1.3 Price risk

Price risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. Currently the Fund is not exposed to price risk.

25.2 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the counter party to fulfill its obligations.

The Fund's credit risk is primarily attributable to balances with banks. The Fund is also exposed to counterparty credit risk on advances, deposits and other receivables. The credit risk on liquid fund is limited because the counter parties are banks with reasonably high credit ratings.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through 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.

The total bank balances and TDRs of amount aggregating Rs 392.469 million have been placed with Habib Bank Limited having short-term credit rating of A1+. Management, after giving due consideration to the strong financial standing, does not expect non-performance.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

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. Almost 98% of the Fund's Financial assets are placed with Habib Bank Limited. Owing to strong financial position of the bank, Fund does not foresee any credit risk on this balance.

25.3 Liquidity Risk

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

The Fund is exposed to 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 also has the ability to withhold daily redemption request 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.

	-----June 30, 2011-----			
Total	Upto three months	Over three months and upto one year	Over one year	
Financial liabilities				
Payable to HBL Asset Management Limited - Management Company	1,504	1,504	-	-
Payable to Central Depository Company of Pakistan Limited -Trustee	55	55	-	-
Accrued expenses and other liabilities	164	164	-	-
	<u>1,723</u>	<u>1,723</u>	<u>-</u>	<u>-</u>

26 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' fund 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 25, 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 borrowings arrangements (which can be entered if necessary) or disposal of investments where necessary.

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

28 NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in their meeting held on July 07, 2011 has declared final dividend at Rs 1.46 per unit in the form of bonus units for Class 'A' and Class 'B' units. The financial statements of the Fund for the period ended June 30, 2011 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, 2012.

29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on October 11, 2011

30 GENERAL

Figures are rounded off to the nearest thousand rupees unless otherwise specified.

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

Chief Executive

Director