

**HBL**

**ASSET  
MANAGEMENT**

**HBL** IslamicStockFund

**Annual Report 2012**

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# VISION / MISSION / VALUES

## OUR VISION

Enabling people to advance with confidence and success.

## OUR MISSION

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

## OUR VALUES

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

- **Excellence**

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

- **Integrity**

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

- **Customer Focus**

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

- **Meritocracy**

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

- **Progressiveness**

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

# CORPORATE INFORMATION

## Management Company

HBL Asset Management Limited.

## Board of Directors

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

## Audit Committee

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

## Company Secretary & Chief Financial Officer

Mr. Noman A. Soomro

## External Auditors

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

## Internal Auditors

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

## Trustee

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

## Legal Advisors

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

## Website

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

## Head Office

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

## Registered Office

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

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Islamic Stock Fund</b>
<b>FUND MANAGER</b>	<b>Mr. Umar Farooq</b>
<b>NAME OF AUDITORS</b>	
<b>External Auditors</b>	<b>KPMG Taseer Hadi &amp; Co., Chartered Accountants.</b>
<b>Internal Auditors</b>	<b>A.F. Ferguson &amp; Co., Chartered Accountants.</b>
<b>NAME OF BANKERS</b>	
	<b>Habib Bank Limited</b>
	<b>National Bank of Pakistan</b>
	<b>Bank Islami Pakistan Limited</b>

# FUND MANAGER REPORT

## Type and Category of Fund

Open end Islamic Equity Fund

## Investment Objective and Accomplishment of Objective

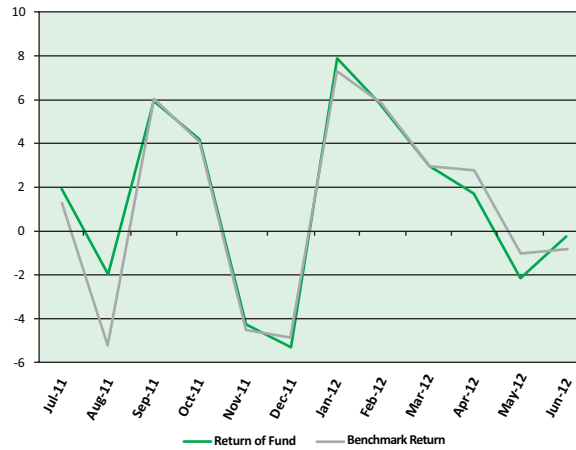
The investment objective of the Fund is to achieve long term capital growth by investing mainly in Shariah Compliant equity securities.

## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KMI-30 Index.

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

Month	Return of Fund	Benchmark
Jul-11	1.91	1.28
Aug-11	(1.96)	(5.28)
Sep-11	5.89	6.12
Oct-11	4.18	4.00
Nov-11	(4.21)	(4.51)
Dec-11	(5.32)	(4.86)
Jan-12	7.92	7.37
Feb-12	5.64	5.84
Mar-12	3.03	3.00
Apr-12	1.67	2.77
May-12	(2.14)	(1.03)
Jun-12	(0.26)	(0.83)

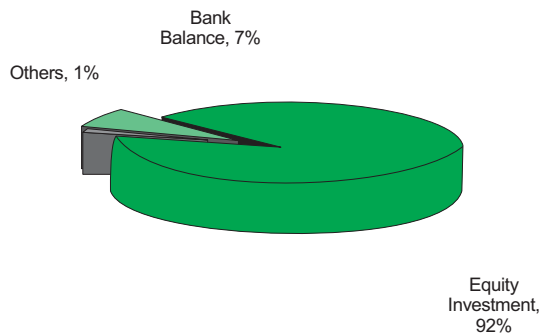


## Strategies and Policies employed during the Year

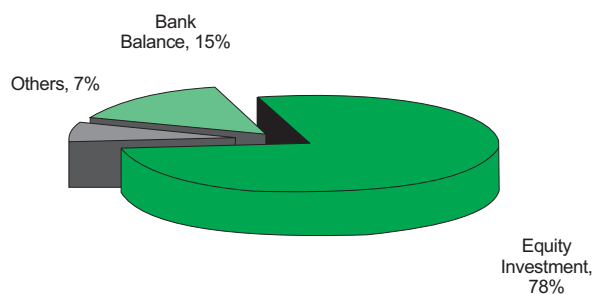
The Fund continued the process of building quality portfolio. The investment in equity securities increased from 78% of net assets as on June 30, 2011 to 92% of net assets as on June 30, 2012.

## Asset Allocation

### Asset Allocation June 30, 2012



### Asset Allocation June 30, 2011



## Significant Changes in Asset Allocation

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2011 and June 30, 2012:

Sr. No.	Name of Sector	Sector Allocation as on	
		June 30, 2012	June 30, 2011
1	Oil and Gas	42%	38%
2	Chemicals	22%	25%
3	Electricity	10%	9%
4	Construction and material	13%	6%
5	Personal Goods	5%	-
	<b>Total</b>	<b>92%</b>	<b>78%</b>

#### Fund Performance

The total income and net income of the Fund was Rs. 35.79 million and Rs. 26.55 million respectively during the year ended June 30, 2012. The Net Asset Value (NAV) of the Fund increased from Rs 100.9507 per unit as on July 1, 2011 to Rs 117.6287 per unit as on June 30, 2012 giving a return of 16.52% during the year. During the same period the benchmark return (KMI 30 Index) was 13.57%.

#### Review of Market invested in

The market moved both ways during the year under review. During the first half July - December 2011, the market was mostly bearish as the KMI - 30 Index declined from 20,936 points at the beginning of the year to 20,138 points as on December 31, 2011 showing a decline of 3.81%. However, the KMI - 30 Index gradually increased from January 2012 onwards to close at 23,776 points thereby showing an increase of 18.07% during the half year ended June 30, 2012. On year on year basis the KMI - 30 Index increased by 2,840 points or 13.57%. The bullishness in the stock market can mainly be attributed to the capital market incentives relating to immunity allowed for funds invested in the stock market till June 30, 2014.

#### Distribution

The Fund has distributed dividend at Rs. 10.0 per unit in the form of Bonus units for Class "A" and Class "B" Units and Cash Dividend of Rs. 10.0 per unit for Class "C" Unit for the year ended June 30, 2012.

#### Significant Changes in the State of Affairs

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

#### Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	11	340
101 – 500	1	182
501 – 1,000	1	851
1,001 – 10,000	4	13,873
10,001 – 100,000	1	32,205
1,000,001 – 5,000,000	1	2,606,975
<b>Total</b>	<b>19</b>	<b>2,654,425</b>

#### Unit Splits

There were no unit splits during the year.

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

Investments are subject to market risk.

#### Soft Commission

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

## HBL ISLAMIC STOCK PERFORMANCE TABLE

	For the year ended June 30, 2012	For the year ended June 30, 2011
<b>NET ASSETS AND PRICES</b>		
Net assets at the period end(Rs'000)	312,236	268,588
Net asset value per unit at the period end/period end(Rs)	117.6287	102.5007
Selling price/repurchasing price	119.9813	104.5507
Earning per unit(Rs) (note 3.8 )	-	-
Highest selling price per unit(Rs)	126.7513	106.6796
Lowest selling price per unit(Rs)	98.5001	101.7804
Highest repurchase price per unit(Rs)	124.2660	104.5878
Lowest repurchasing price per unit(Rs)	96.5687	99.7847
<b>RETURN ( % )</b>		
Total return	16.52	2.50
Income distribution	9.91	1.55
Capital growth	6.61	0.95
<b>DISTRIBUTION</b>		
First Interin dividend distribution	-	-
Second Interin dividend distribution	-	-
Third Interin dividend distribution	-	-
Final dividend distribution	10.00	1.55
Total dividend distribution for the year/ period	10.00	1.55
<b>AVERAGE RETURNS ( % )</b>		
Average annual return	16.52	2.50
Average return since inception	9.51	2.50

### Disclaimer:

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



# TRUSTEE REPORT TO THE UNIT HOLDERS

## HBL ISLAMIC STOCK FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Islamic Stock Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2012 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.

**Aftab Ahmed Diwan**

Officiating Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 20, 2012

# REVIEW REPORT OF THE SHARIAH ADVISOR

As a Shariah Adviser of the **HBL Islamic Stock 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.

For screening investment in equities, I have advised criteria on the basis of the following: (i) nature of business of the investee company, (ii) debt to the total assets, (iii) non compliant investments to total assets, and (iv) non-compliant income to total revenue.

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 the Fund for the period ended 30 June 2012 are in compliance with the Shariah principles.

There are investments made by HBL Islamic Stock Fund where investee companies have earned a part of their income from non-compliant sources (e-g, interest income). In such cases, the Management Company, in consultation with me, the Shariah Adviser of the Fund, have determined the Haram portion of the income of the Fund and marked to charity in order to purify the whole income.

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**Mufti Yahya Asim**  
Shariah Advisor

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPLES

**HBL Islamic Stock 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 for the year June 30, 2012. This has been duly confirmed by the Shariah Advisor of the Fund.

**Rehan N.Shaikh**

Chief Executive Officer

Date: August 15, 2012

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

We were engaged by the Board of directors of HBL Asset Management Limited, Management Company of **HBL Islamic Stock Fund** (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the management company for the year ended June 30, 2012 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 8.3.1 of the Trust Deed of the Fund.

## Management Company's Responsibilities

The management company of the fund is responsible for preparing the annexed statement that is free from material misstatement in accordance 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 relevant to the operations of the Fund in accordance with the Shariah principles and to ensure that Fund's investments and placements are made in compliance with Shariah principles.

## Our Responsibilities

Our responsibility is to examine the annexed statement prepared by the Management Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we comply with ethical requirements, including independence requirements, and plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents 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.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah principles in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control.

The procedures performed included:

1. Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund.
2. Check that the Shariah Advisor has certified that investments made by the Fund during the period ended June 30, 2012 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

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

In our opinion, the annexed statement, in all material respects, presents 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 year ended June 30, 2012.

Date: 15 August 2012

Karachi

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KPMG Taseer Hadi & Co.  
Chartered Accountants

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

HBL - Islamic Stock Fund is an open ended mutual fund and was listed on Lahore Stock Exchange. The units of the Fund have been offered for public subscription on a continuous basis from May 09, 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, 2012 the Board consists of six directors with five non-executive directors including two independent directors. The detail is as follows:

Category	Names
Independent Directors	1.Mr.Towfiq Habib Chinoy 2.Ms. Sadia Khan
Executive Directors	1.Rehan N. Shaikh
Non-Executive Directors	1.Mr. Sohail Malik 2.Mr. Abid Sattar 3.Mr. Shahid Ghaffar

2. None of directors is serving as a director in seven 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. Mr. R. Zakir Mahmood resigned from the Board as both the Chairman and member with effect from March 31, 2011 and the casual vacancy was filled up by the directors on April 21, 2012.
5. The Management Company has adopted a "Code of Conduct", which has been distributed to employees of the Company and it is also placed on the website of the Company. . However, the management company in process to develop comprehensive " Code of Conduct" as stipulated in code of Corporate Governance, 2012
6. The Board has developed a vision/mission statement, over all corporate strategy and significant policies of the company. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, when present and the Board met five times during the year. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. 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, 2012.
10. The Board has approved the appointment of CFO and Company Secretary including their remuneration and term and conditions of employment.
11. Directors Report for the year ended June 30, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 18 to the financial statements "Transactions with Connected Persons".

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

**Rehan N. Shaikh**  
Chief Executive Officer

Date: August 15, 2012  
Place: Karachi

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

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

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

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

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

As more fully explained in paragraphs 4,5 and 18 there are certain non-compliances in respect of filling up of casual vacancy by the directors, placement of comprehensive code of conduct on website along with significant policies and appointment of head of internal audit.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended 30 June 2012.

Date: 15 August 2012

Karachi

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KPMG Taseer Hadi & Co.  
Chartered Accountants

# INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

## *Report on the Financial Statements*

We have audited the accompanying financial statements of **HBL Islamic Stock Fund** ("the Fund"), which comprise of the statement of assets and liabilities as at June 30, 2012 and the income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' Fund for the year then ended and a summary of significant accounting policies and other explanatory notes.

## *Management's responsibility for the financial statements*

The Management Company of the Fund is responsible for the preparation of the 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 the financial statements that is free from material misstatement, whether due to fraud or error.

## *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Fund's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2012 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

## *Other matters*

The financial statements of the Fund for the period ended June 30, 2011 were audited by another firm of auditors whose report dated October 24, 2011 expressed an unqualified opinion thereon.

## *Report on Other Legal and Regulatory Requirements*

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

Date: August 15, 2012

Karachi

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KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Iftikhar Anjum



**HBL ISLAMIC STOCK FUND**  
**Statement of Assets and Liabilities**  
*As at June 30, 2012*

	Note	2012	2011
		(Rupees in '000)	
<b>Assets</b>			
Bank balances	4	21,318	41,983
Investments	5	289,891	217,660
Dividend and profit receivable	6	571	1,206
Preliminary expenses and floatation costs	7	887	1,118
Advances, deposits, prepayments and other receivables	8	2,600	14,600
<b>Total assets</b>		<b>315,267</b>	<b>276,567</b>
<b>Liabilities</b>			
Payable to HBL Asset Management Limited - Management Company	9	1,497	4,228
Payable to Central Depository Company of Pakistan Limited - Trustee	10	51	57
Payable to Securities and Exchange Commission of Pakistan	11	282	36
Accrued expenses and other liabilities	12	1,201	3,658
<b>Total liabilities</b>		<b>3,031</b>	<b>7,979</b>
<b>Net Assets</b>		<b>312,236</b>	<b>268,588</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>312,236</b>	<b>268,588</b>
		<b>(Number of units)</b>	
<b>Number of units in issue</b>		<b>2,654,425</b>	<b>2,620,347</b>
		<b>(Rupees)</b>	
<b>Net assets value per unit</b>		<b>117.6287</b>	<b>102.5007</b>

The annexed notes 1 to 28 form an integral part of the financial statements.

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director

**HBL ISLAMIC STOCK FUND**  
**Income Statement**  
*For the year ended June 30, 2012*

	For the year ended June 30, 2012	For the period from February 15, 2011 to June 30, 2011
Note	(Rupees in '000)	
<b>INCOME</b>		
Dividend income	22,693	2,078
Profit on bank deposits	2,916	1,204
Capital gain on sale of investments - net	14,163	1,938
Other income	874	-
	<b>40,646</b>	5,220
Impairment loss on investments classified as 'available for sale'	<b>(4,490)</b>	-
	<b>36,156</b>	5,220
<b>EXPENSES</b>		
Remuneration of HBL Asset Management Limited - Management Company	6,823	748
Remuneration of Central Depository Company of Pakistan Limited - Trustee	595	98
Annual fee to Securities and Exchange Commission of Pakistan	282	36
Securities transaction costs	3	5
Legal and professional	-	2
Auditors' remuneration	150	25
Settlement and bank charges	222	32
Amortisation of preliminary expenses and floatation costs	231	32
Other expenses	394	89
	<b>8,700</b>	1,067
<b>Net income from operating activities</b>	<b>27,456</b>	4,153
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	(362)	3
Provision for Workers' Welfare Fund	(542)	(83)
<b>Net income for the year / period before taxation</b>	<b>26,552</b>	4,073
<b>Taxation</b>	-	-
<b>Net income for the year / period after taxation</b>	<b>26,552</b>	4,073

The annexed notes 1 to 28 form an integral part of the financial statements.

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director

**HBL ISLAMIC STOCK FUND**  
**Statement of Comprehensive Income**  
*For the year ended June 30, 2012*

	<i>Note</i>	<b>For the year ended June 30, 2012</b>	For the period from February 15, 2011 to June 30, 2011
		<b>(Rupees in '000)</b>	
Net income for the year / period		26,552	4,073
<b>Other comprehensive income for the year / period</b>			
Net unrealised appreciation in the market value of securities classified as 'available for sale'	5.4	19,488	2,473
<b>Total comprehensive income for the year / period</b>		<u><u>46,040</u></u>	<u><u>6,546</u></u>

The annexed notes 1 to 28 form an integral part of the financial statements.

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

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

\_\_\_\_\_  
Director

**HBL ISLAMIC STOCK FUND**  
**Distribution Statement**  
*For the year ended June 30, 2012*

	<b>For the year ended June 30, 2012</b>	<b>For the period from February 15, 2011 to June 30, 2011</b>
	<b>(Rupees in '000)</b>	
Undistributed income brought forward - realised	<b>4,073</b>	-
Net income for the year / period	<b>26,552</b>	4,073
Final distribution for the year ended June 30, 2011: Rs. 1.55 per unit (Date of distribution: July 7, 2011) - issue of 40,233 bonus units	<b>(4,062)</b>	-
Undistributed income carried forward - realised	<u><b>26,563</b></u>	<u><b>4,073</b></u>

The annexed notes 1 to 28 form an integral part of the financial statements.

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

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

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

**HBL ISLAMIC STOCK FUND**  
**Statement of Movement in Unit Holders' Fund**  
*For the year ended June 30, 2012*

	<b>For the year ended June 30, 2012</b>	For the period from February 15, 2011 to June 30, 2011
	<b>(Rupees in '000)</b>	
<b>Net Assets as at beginning of the year / period</b>	<b>268,588</b>	-
Issue of 380,348 units (2011: 2,620,347 units)	<b>43,557</b>	262,045
Redemption of 386,503 units (2011: Nil)	<b>(46,311)</b>	-
Issue of 40,233 bonus units	<b>4,062</b>	-
	<b>1,308</b>	262,045
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement	<b>362</b>	(3)
Total comprehensive income for the year / period	<b>46,040</b>	6,546
Final distribution for the period ended June 30, 2011: Rs. 1.55 per unit (Date of distribution: July 7, 2011) - issue of 40,233 bonus units	<b>(4,062)</b>	-
<b>Net assets as at end of the year / period</b>	<b>312,236</b>	<b>268,588</b>

The annexed notes 1 to 28 form an integral part of the financial statements.

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director

**HBL ISLAMIC STOCK FUND**  
**Cash Flow Statement**  
*For the year ended June 30, 2012*

	<b>For the year ended June 30, 2012</b>	For the period from February 15, 2011 to June 30, 2011
	<b>(Rupees in '000)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year / period	26,552	4,073
<b>Adjustments for non-cash and other items:</b>		
Amortisation of preliminary expenses and floatation costs	231	32
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed -net	362	(3)
	<u>27,145</u>	<u>4,102</u>
<b>(Increase) / Decrease in assets</b>		
Investments - net	(52,743)	(215,187)
Dividend and profit receivable	635	(1,206)
Advances, deposits, prepayments and other receivables	12,000	(14,600)
	<u>(40,108)</u>	<u>(230,993)</u>
<b>Increase / (Decrease) in liabilities</b>		
Payable to HBL Asset Management Limited - Management Company	(2,731)	3,078
Payable to Central Depository Company of Pakistan Limited - Trustee	(6)	57
Payable to Securities and Exchange Commission of Pakistan	246	36
Accrued expenses and other liabilities	(2,457)	3,658
	<u>(4,948)</u>	<u>6,829</u>
<b>Net cash used in operating activities</b>	<u>(17,911)</u>	<u>(220,062)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	43,557	262,045
Payment against redemption of units	(46,311)	-
<b>Net cash flow from financing activities</b>	<u>(2,754)</u>	<u>262,045</u>
<b>Net (decrease) / increase in cash and cash equivalents during the year / period</b>	<u>(20,665)</u>	<u>41,983</u>
Cash and cash equivalents at beginning of the year / period	41,983	-
<b>Cash and cash equivalents at end of the year / period</b>	<u>21,318</u>	<u>41,983</u>

The annexed notes 1 to 28 form an integral part of the financial statements.

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director

# HBL ISLAMIC STOCK FUND

## Notes To The Financial Statements

For the year ended June 30, 2012

### 1. LEGAL STATUS AND NATURE OF BUSINESS

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

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 provide long-term capital growth by investing mainly in Shariah Compliant equity securities and short-term government securities.

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

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

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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

- Amendments to IAS 12 – deferred tax on investment property (effective for annual periods beginning on or after January 01, 2012). The 2010 amendment provides an exception to the measurement principle in respect of investment property measured using the fair value model in accordance with IAS 40 Investment Property. The measurement of deferred tax assets and liabilities, in this limited circumstance, is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. The presumption can be rebutted only if the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. The amendment has no impact on financial statements of the Fund.
- IAS 19 Employee Benefits (amended 2011) - (effective for annual periods beginning on or after January 01, 2013). The amended IAS 19 includes the amendments that require actuarial gains and losses to be recognised immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19; and that the expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The amendments have no impact on financial statements of the Fund.
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) - (effective for annual periods beginning on or after July 01, 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other IFRSs continue to apply in this regard. The amendments would result in increased disclosures in the financial statements of the Fund.
- IAS 27 Separate Financial Statements (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 27 (2011) supersedes IAS 27 (2008). Three new standards IFRS 10 - Consolidated Financial Statements, IFRS 11- Joint Arrangements and IFRS 12- Disclosure of Interest in Other Entities dealing with IAS 27 would be applicable effective 1 January 2013. IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The amendments have no impact on financial statements of the Fund.
- IAS 28 Investments in Associates and Joint Ventures (2011) - (effective for annual periods beginning on or after January 01, 2013). IAS 28 (2011) supersedes IAS 28 (2008). IAS 28 (2011) makes the amendments to apply IFRS 5 to an investment, or a portion of an investment, in

an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture. The amendments have no impact on financial statements of the Fund.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) – (effective for annual periods beginning on or after January 01, 2014). The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32 Financial Instruments: Presentation. The amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’; and that some gross settlement systems may be considered equivalent to net settlement.
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) – (effective for annual periods beginning on or after January 01, 2013). The amendments to IFRS 7 contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting agreement or similar arrangement. This amendment is not likely to have any impact on Fund’s financial statements.
- Annual Improvements 2009–2011 (effective for annual periods beginning on or after January 01, 2013). The new cycle of improvements contains amendments to the following four standards, with consequential amendments to other standards and interpretations.
  - IAS 1 Presentation of Financial Statements is amended to clarify that only one comparative period – which is the preceding period – is required for a complete set of financial statements. If an entity presents additional comparative information, then that additional information need not be in the form of a complete set of financial statements. However, such information should be accompanied by related notes and should be in accordance with IFRS. Furthermore, it clarifies that the ‘third statement of financial position’, when required, is only required if the effect of restatement is material to statement of financial position.
  - IAS 16 Property, Plant and Equipment is amended to clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of ‘property, plant and equipment’ in IAS 16 is now considered in determining whether these items should be accounted for under that standard. If these items do not meet the definition, then they are accounted for using IAS 2 Inventories. The amendment has no impact on Fund’s financial statements.
  - IAS 32 Financial Instruments: Presentation - is amended to clarify that IAS 12 Income Taxes applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction. The amendment removes a perceived inconsistency between IAS 32 and IAS 12.
  - IAS 34 Interim Financial Reporting is amended to align the disclosure requirements for segment assets and segment liabilities in interim financial reports with those in IFRS 8 Operating Segments. IAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment. The amendment may result in modified disclosure in the interim financial statements.
- IFRIC 20 Stripping cost in the production phase of a surface mining (effective for annual periods beginning on or after January 01, 2013). The interpretation requires production stripping cost in a surface mine to be capitalized if certain criteria are met. The amendments have no impact on financial statements of the Fund.

### 2.3 Critical accounting estimates and judgments

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

### 2.4 Accounting convention

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

### 2.5 Functional and presentation currency

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



### 3.1 Cash and cash equivalents

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

### 3.2 Financial assets

#### 3.2.1 Classification

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

The Fund classifies its financial assets in the following categories:

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

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

#### b) Loans and receivables

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

#### c) Available for sale

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

#### 3.2.2 Regular way contracts

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

#### 3.2.3 Initial recognition and measurement

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

#### 3.2.4 Subsequent measurement

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

##### Basis of valuation of equity securities

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

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

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

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

#### 3.2.5 Impairment of financial assets

##### a) Equity Securities

The Fund assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets is impaired. In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is

considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement is reclassified from other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

#### **b) Loans and receivables**

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. 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.

#### **3.2.6 Derecognition**

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

#### **3.2.7 Offsetting of financial instruments**

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

#### **3.3 Financial liabilities**

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

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

#### **3.4 Preliminary expenses and floatation costs**

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

#### **3.5 Provisions**

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

#### **3.6 Taxation**

The income of the Fund is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

The Fund 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.

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

#### **3.7 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors / Management Company during business hours on the date on which the funds are actually realized against application. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and

charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company.

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

### 3.8 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

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

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

### 3.9 Net Asset Value per unit

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

### 3.11 Earnings Per Unit (EPU)

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

### 3.12 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Profit on bank deposits is recognised using effective interest method.

### 3.13 Proposed distributions

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

	<i>Note</i>	<b>2012</b>	2011
		<b>(Rupees in '000)</b>	
<b>4. BANK BALANCES</b>			
Saving accounts		<u><b>21,318</b></u>	<u>41,983</u>
<b>5. INVESTMENTS</b>			
At fair value through profit or loss - Listed equity securities	5.1	-	-
Available for sale - Listed equity securities	5.2	<u><b>289,891</b></u>	<u>217,660</u>
		<u><b>289,891</b></u>	<u>217,660</u>

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

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

Name of the Investee Company

Name of the Investee Company	Number of shares				As at June 30, 2012	Market value as at June 30, 2012	Market value as a percentage of total investments	Market value as a percentage of net assets	Par value as a percentage of issued capital of the investee company
	As at July 1, 2011	Purchases during the period	Bonus / Rights issue	Sales during the period					
(Rupees in '000)									
<b>Construction and Materials</b>									
Lucky Cement Limited	-	7,000	-	7,000	-	-	-	-	-
	-	7,000	-	7,000	-	-	-	-	-
<b>Oil and Gas</b>									
Attock Refinery Limited	-	2,000	-	2,000	-	-	-	-	-
Pakistan Oilfields Limited	-	2,000	-	2,000	-	-	-	-	-
Pakistan State Oil Company Limited	-	5,000	-	5,000	-	-	-	-	-
	-	9,000	-	9,000	-	-	-	-	-
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	-	17,714	-	17,714	-	-	-	-	-
	-	17,714	-	17,714	-	-	-	-	-
	-	33,714	-	33,714	-	-	-	-	-
<b>Cost of investments at June 30, 2012</b>						<b>-</b>			

5.2 Listed equity securities - available for sale

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

Name of the Investee Company

Name of the Investee Company	Number of shares				As at June 30, 2012	Market value as at June 30, 2012	Market value as a percentage of total investments	Market value as a percentage of net assets	Par value as a percentage of issued capital of the investee company
	As at July 1, 2011	Purchases during the period	Bonus / Rights issue	Sales during the period					
(Rupees in '000)									
<b>Personal Goods</b>									
Nishat Mills Limited	-	422,200	-	227,786	194,414	9,250	3.19%	2.96%	0.06%
	-	422,200	-	227,786	194,414	9,250	3.19%	2.96%	
<b>Construction and Materials</b>									
D. G. Khan Cement Company Limited	240,000	484,800	-	375,000	349,800	13,775	4.75%	4.41%	0.08%
Lucky Cement Limited	158,869	294,200	-	210,000	243,069	28,048	9.68%	8.98%	0.08%
	398,869	779,000	-	585,000	592,869	41,823	14.43%	13.39%	
<b>Electricity</b>									
The Hub Power Company Limited	687,501	117,269	-	30,000	774,770	32,455	11.20%	10.39%	0.07%
	687,501	117,269	-	30,000	774,770	32,455	11.20%	10.39%	
<b>Oil and Gas</b>									
Attock Petroleum Limited	37,180	28,419	-	22,000	43,599	20,683	7.13%	6.62%	0.06%
Attock Refinery Limited	47,500	56,230	-	50,000	53,730	6,602	2.28%	2.11%	0.06%
National Refinery Limited	17,511	8,489	-	5,000	21,000	4,859	1.68%	1.56%	0.03%
Oil and Gas Development Company Limited	68,540	108,606	-	22,500	154,646	24,811	8.56%	7.95%	0.00%
Pakistan Oilfields Limited	75,113	35,300	-	15,000	95,413	35,011	12.08%	11.21%	0.04%
Pakistan Petroleum Limited	141,851	18,440	13,635	28,000	145,926	27,476	9.48%	8.80%	0.01%
Pakistan State Oil Company Limited	52,831	49,719	-	48,500	54,050	12,747	4.40%	4.08%	0.03%
	440,526	305,203	13,635	191,000	568,364	132,189	45.61%	42.34%	
<b>Chemicals</b>									
Fauji Fertilizer Bin Qasim Limited	469,365	235,000	-	238,946	465,419	18,998	6.54%	6.08%	0.05%
Fauji Fertilizer Company Limited	254,881	165,940	-	78,768	342,053	37,985	13.10%	12.17%	0.03%
ICI Pakistan Limited	44,963	48,614	-	21,000	72,577	9,513	3.28%	3.05%	0.05%
Lotte Pakistan PTA Limited	250,000	120,000	-	243,002	126,998	893	0.31%	0.29%	0.01%
	1,019,209	569,554	-	581,716	1,007,047	67,389	23.23%	21.58%	
<b>Commercial Bank</b>									
Meezan Bank Limited	-	234,620	-	-	234,620	6,785	2.34%	2.17%	0.03%
	-	234,620	-	-	234,620	6,785	2.34%	2.17%	
	<b>2,546,105</b>	<b>2,427,846</b>	<b>13,635</b>	<b>1,615,502</b>	<b>3,372,084</b>	<b>289,891</b>	<b>100%</b>	<b>92.84%</b>	
<b>Cost of investments at June 30, 2012</b>						<b>272,420</b>			

5.3 Investments include shares having market value aggregating to Rs. 28.66 million (2011: Rs. 10.6 million) that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of circular 11 dated October 23, 2007 issued by the SECP.

5.4 Net unrealised (diminution) / appreciation in fair value of investments classified as 'available for sale'	Note	2012 (Rupees in '000)	2011
Market value of investments	5.2	289,891	217,660
Less: Cost of investments		<u>272,420</u>	<u>215,187</u>
		17,471	2,473
Impairment loss on investments classified as 'available for sale'	5.4.1	<u>4,490</u>	-
		21,961	2,473
Less: Net unrealised appreciation in fair value of investments classified as 'available for sale' at beginning of the year		<u>2,473</u>	-
		<u><u>19,488</u></u>	<u><u>2,473</u></u>

5.4.1 As at June 30, 2012, the management has carried out a scrip wise analysis of impairment in respect of equity securities classified as available for sale and has determined that an impairment loss amounting to Rs. 4.490 million be charged to the income statement.

6. DIVIDEND AND PROFIT RECEIVABLE	2012 (Rupees in '000)	2011
Profit receivable on saving accounts	177	383
Dividend receivable	<u>394</u>	<u>823</u>
	<u><u>571</u></u>	<u><u>1,206</u></u>

#### 7. PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance	1,118	1,150
Less: amortised during the year	<u>(231)</u>	<u>(32)</u>
Closing balance	<u><u>887</u></u>	<u><u>1,118</u></u>

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

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

	2012 (Rupees in '000)	2011
Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited	100	100
Exposure margin with National Clearing Company of Pakistan Limited	-	12,000
	<u><u>2,600</u></u>	<u><u>14,600</u></u>

#### 9. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

	Note	2012	2011
Management fee	9.1	590	445
Preliminary expenses and floatation costs on behalf of the Fund		906	1,150
Annual listing fee paid by the Management Company on behalf of the Fund		-	30
CDC documentation charges		-	3
Security deposit with National Clearing Company of Pakistan Limited paid by the Management Company on behalf of the Fund		-	2,500
Security deposit with Central Depository Company of Pakistan Limited paid by the Management Company on behalf of the Fund		-	100
Sales load payable		1	-
		<u><u>1,497</u></u>	<u><u>4,228</u></u>

9.1 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 two percent per annum for the current year. During the current year, the Sindh government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. Accordingly, the Management fee charged during the year includes General Sales Tax.

	Note	2012 (Rupees in '000)	2011
<b>10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee's remuneration	10.1	<u>51</u>	<u>57</u>

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

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

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	Rs. 0.7 million or 0.20% p.a. of NAV, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs. 2.0 million plus 0.10% p.a. of NAV exceeding Rs. 1,000 million

The remuneration is paid to the Trustee monthly in arrears

	Note	2012 (Rupees in '000)	2011
<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	<u>282</u>	<u>36</u>

11.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the scheme. HBL Islamic Stock Fund has been categorised as an open-end Shariah Compliant (Islamic) Equity Scheme by the Management Company.

	Note	2012 (Rupees in '000)	2011
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration payable		86	25
Payable to brokers		53	3,465
Provision for Workers' Welfare Fund	15	626	83
Charity payable	12.1	392	41
Other payables		44	44
		<u>1,201</u>	<u>3,658</u>

12.1 In accordance with the instructions of the Shariah Advisor(s), any income earned by the Fund from investments whereby the portions of the investment of the investee company has been made in Shariah non-compliant avenues, such portion of the income of the Fund from those investments should be given away for charitable purposes directly by the Fund. During the current year the Fund has allocated an amount of Rs. 0.351 million (2011: Rs. 0.41 million) on account of charity.

	For the year ended June 30, 2012	For the period from February 15, 2011 to June 30, 2011
<b>13. PROFIT ON BANK DEPOSITS</b>		
Profit on saving accounts	<u>2,916</u>	<u>1,204</u>

	2012	2011
<b>14. AUDITORS' REMUNERATION</b>		
Statutory audit fee	85	15
Half yearly review fee	50	-
Reporting on compliance with the Code of Corporate Governance	5	5
Shariah Compliance Audit fee	5	5
Out of pocket expenses	5	-
	<u>150</u>	<u>25</u>

## 15. PROVISION FOR WORKERS' WELFARE FUND

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

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

Furthermore, in 2011 the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 0.626 million (including Rs. 0.542 million for the current year).

## 16. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealized capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current year as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending June 30, 2012 as reduced by capital gains (whether realised or unrealised) to its unit holders. Accordingly, no tax liability has been recorded in the current year.

## 17. FINANCIAL INSTRUMENTS BY CATEGORY

	----- As at June 30, 2012 -----			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
	----- (Rupees in '000) -----			
<b>Financial assets</b>				
Bank balances	21,318	-	-	21,318
Investments	-	-	289,891	289,891
Dividend and profit receivable	571	-	-	571
Advances, deposits and other receivables	2,600	-	-	2,600
	<b>24,489</b>	-	<b>289,891</b>	<b>314,380</b>
	----- As at June 30, 2012 -----			
		Liabilities at fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----			
<b>Financial liabilities</b>				
Payable to HBL Asset Management Limited - Management Company		-	1,497	1,497
Payable to Central Depository Company of Pakistan Limited - Trustee		-	51	51
Payable to Securities and Exchange Commission of Pakistan		-	282	282
Accrued expenses and other liabilities		-	575	575
		-	<b>2,405</b>	<b>2,405</b>

	----- As at June 30, 2011 -----			Total
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	
	----- (Rupees in '000) -----			
<b>Financial assets</b>				
Bank balances	41,983	-	-	41,983
Investments	-	-	217,660	217,660
Dividend and profit receivable	1,206	-	-	1,206
Advances, deposits and other receivables	14,600	-	-	14,600
	<u>57,789</u>	<u>-</u>	<u>217,660</u>	<u>275,449</u>

	----- As at June 30, 2011 -----			Total
	Liabilities at fair value through profit or loss	At amortised cost		
	----- (Rupees in '000) -----			
<b>Financial liabilities</b>				
Payable to HBL Asset Management Limited - Management Company	-	4,228		4,228
Payable to Central Depository Company of Pakistan Limited - Trustee	-	57		57
Payable to Securities and Exchange Commission of Pakistan	-	36		36
Accrued expenses and other liabilities	-	3,575		3,575
	<u>-</u>	<u>7,896</u>		<u>7,896</u>

## 18. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee to 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 year ended June 30, 2012	For the period from February 15, 2011 to June 30, 2011
	(Rupees in '000)	
<b>18.1 Transactions during the year / period</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	6,823	748
<b>Habib Bank Limited - Sponsor</b>		
Issue of nil units (2011: 2,567,553 units)	-	250,000
Issue of 39,422 bonus units (2011: Nil)	3,980	-
Bank charges paid	6	1
Profit on bank deposits earned	2,623	1,120
Profit on bank deposits received	2,811	765



**Central Depository Company of Pakistan Limited - Trustee**

	For the year ended June 30, 2012	For the period from February 15, 2011 to June 30, 2011
Remuneration	595	98
Central Depository Services charges	12	4
Security deposit	100	100

**Directors and Executives of the Management Company  
and their relatives****Directors and their relatives**

Issue of 2,698 units (2011: 729 units)	175	75
Issue of 11 bonus units (2011: Nil)	1	-
Redemption of 922 units (2011: Nil)	100	-

**Executives and their relatives**

Issue of 2,533 units (2011: Nil)	250	-
Redemption of 2,533 units (2011: Nil)	271	-

**18.2 Transactions involving shares of connected persons:****Habib Bank Limited - Sponsor**

Sale of Nil ordinary shares (2011: 53,854 ordinary shares)	-	3,033
Loss on sale of shares of Habib Bank Limited	-	281

**Packages Limited**

Purchase of Nil ordinary shares (2011: 2,500 ordinary shares)	-	269
Sale of Nil ordinary shares (2011: 2,500 ordinary shares)	-	281
Gain on sale of shares of Packages Limited	-	12

**18.3 Amounts outstanding as at year end****HBL Asset Management Limited - Management Company**

	2012	2011
Management fee	590	445
Preliminary expenses and floatation cost payable	906	1,150
Listing fee payable	-	30
CDC documentation charges	-	3
Security Deposit paid by Management Company on behalf of the fund to National Clearing Company of Pakistan - payable	-	2,500
Security Deposit paid by Management Company on behalf of the fund to Central Depository Company of Pakistan - payable	-	100
Sales Load payable	1	-

**Habib Bank Limited - Sponsor**

Investment held in the Fund: 2,606,975 units (2011: 2,567,553 units)	306,665	263,176
Bank balances	20,816	32,916
Profit receivable on bank deposits	166	355

	2012	2011
	(Rupees in '000)	
<b>Central Depository Company of Pakistan Ltd. - Trustee</b>		
Remuneration payable	51	57
Security Deposit	-	100
<b>Directors and Executives of the Management Company and their relatives</b>		
<b>Directors and their relatives</b>		
Investment held in the Fund: 2,516 units (2011: 729 units)	296	75

#### 19. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

	Designation	Qualification	Experience in years
1 Rehan N. Shaikh	Chief Executive Officer	M.Com	17
2 Amir Khan	Fund Manager	MBA	19
3 Umar Farooq	Fund Manager	MBA	12
4 Wasim Akram	Fund Manager	MBA	10
5 Noman Qurban	Manager Compliance	ACA	4

19.1 Mr. Umar Farooq is the manager of the Fund. He has obtained a Masters Degree in Business Administration. Mr. Umar Farooq is also the manager of HBL Stock Fund and HBL Multi Asset Fund.

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

##### Top ten brokers during the year ended June 30, 2012

- 1 AL Habib Capital Markets (Private) Limited
- 2 BMA Capital Market Limited
- 3 Elixir Securities (Private) Limited
- 4 Global Securities (Pvt.) Limited
- 5 Habib Metropolitan Financial Services
- 6 Invisor Securities (Private) Limited
- 7 KASB Securities Limited
- 8 Next Capital Limited
- 9 Pearl Securities (Pvt.) Limited
- 10 Taurus Securities Limited

##### Top ten brokers during the year ended June 30, 2011

- 1 AL Habib Capital Markets (Private) Limited
- 2 BMA Capital Management Limited
- 3 Global Securities (Pvt.) Limited
- 4 IGI Finex Securities Limited
- 5 Invest and Finance Securities Limited
- 6 Invisor Securities (Pvt.) Limited
- 7 KASB Securities Limited
- 8 Pearl Securities (Pvt.) Limited
- 9 Taurus Securities Limited
- 10 Topline Securities (Pvt.) Limited

## 21. PATTERN OF UNIT HOLDING

----- As at June 30, 2012 -----			
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	16	1,497	0.48%
Associated companies	1	306,655	98.21%
Directors	1	296	0.09%
Others	1	3,788	1.21%
	<b>19</b>	<b>312,236</b>	<b>100%</b>

----- As at June 30, 2011 -----			
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	12	202	0.08%
Associated companies	1	263,176	97.98%
Directors	1	75	0.03%
Others	1	5,135	1.91%
	<b>15</b>	<b>268,588</b>	<b>100%</b>

## 22. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 29th, 30th, 31st, 32nd and 33rd board meetings were held on July 7, 2011, October 11, 2011, January 20, 2012, February 15, 2012 and April 19, 2012 respectively. Information in respect of attendance by Directors in the meetings is as follows:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Towfiq H. Chinoy	5	4	1	31st meeting
2 Mr. Shahid Ghaffar	5	5	-	
3 Mr. Sohail Malik	5	5	-	
4 Mr. Abid Sattar	5	3	2	31st meeting and 33rd meeting
5 Mr. Rehan N. Shaikh *	5	-	-	
6 Ms. Sadia Khan	5	5	-	

\* Mr. Rehan N. Shaikh has taken the charge as CEO of HBL Asset Management Limited on April 21, 2012, and therefore did not attend any meeting held during 2011-12.

## 23. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of equity investments such as shares of listed companies permitted by the Shariah Advisor(s), shariah compliant short term government securities not exceeding 90 days maturity, and any other securities that may be permitted by the Commission and the Shariah Advisor(s). These investments are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

### 23.1 Market risk

This 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.

### 23.1.1 Currency risk

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

### 23.1.2 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 does not hold any significant interest bearing instrument and is not exposed 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, 2012 -----					
Yield / interest rate (%)	Total	-- Exposed to Yield/Interest rate risk --			Not exposed to Yield/ Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	10.75 - 11.5	21,318	21,318	-	-
Investments		289,891	-	-	289,891
Dividend and profit receivable		571	-	-	571
Advances, deposits and other receivables		2,600	-	-	2,600
		<b>314,380</b>	<b>21,318</b>	-	<b>293,062</b>
<b>Financial liabilities</b>					
Payable to HBL Asset Management Limited - Management Company		1,497	-	-	1,497
Payable to Central Depository Company of Pakistan Limited - Trustee		51	-	-	51
Payable to Securities and Exchange Commission of Pakistan		282	-	-	282
Accrued expenses and other liabilities		575	-	-	575
		<b>2,405</b>	-	-	<b>2,405</b>
<b>On-balance sheet gap 2012</b>		<b>311,975</b>	<b>21,318</b>	-	<b>290,657</b>
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap 2012</b>		-	-	-	-

----- As at June 30, 2011 -----					
Yield / interest rate (%)	Total	-- Exposed to Yield/Interest rate risk --			Not exposed to Yield/ Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	5 - 11.5	41,983	41,983	-	-
Investments		217,660	-	-	217,660
Dividend and profit receivable		1,206	-	-	1,206
Advances, deposits and other receivables		14,600	-	-	14,600
		<b>275,449</b>	<b>41,983</b>	-	<b>233,466</b>

----- As at June 30, 2011 -----					
Yield / interest rate (%)	-- Exposed to Yield/Interest rate risk --				Not exposed to Yield/ Interest rate risk
	Total	Upto three months	More than three months and upto one year	More than one year	
----- (Rupees in '000) -----					
<b>Financial liabilities</b>					
Payable to HBL Asset Management Limited - Management Company	4,228	-	-	-	4,228
Payable to Central Depository Company of Pakistan Limited - Trustee	57	-	-	-	57
Payable to Securities and Exchange Commission of Pakistan	36	-	-	-	36
Accrued expenses and other liabilities	3,575	-	-	-	3,575
	7,896	-	-	-	7,896
<b>On-balance sheet gap 2011</b>	267,553	41,983	-	-	225,570
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap 2011</b>	-	-	-	-	-

### 23.1.3 Price Risk

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

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

Sector wise Portfolio	As at June 30, 2012	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Automobile and Parts	0.00%	1.33%
Oil and Gas	45.61%	32.90%
Chemicals	23.23%	10.62%
Commercial Banks	2.34%	21.40%
Electricity	11.20%	3.37%
Fixed Line Telecommunication	0.00%	1.58%
Pharma and Bio Tech	0.00%	1.04%
General Industrials	0.00%	1.00%
Personal Goods (Textile)	3.19%	3.99%
Construction and Materials (Cement)	14.43%	3.41%
Non Life Insurance	0.00%	1.46%
Life Insurance	0.00%	0.34%
Others	0.00%	17.56%
	100.00%	100.00%

Sector wise Portfolio	As at June 30, 2011	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Automobile and Parts	0.00%	1.25%
Oil and Gas	49.03%	34.38%
Chemicals	31.42%	11.80%
Commercial Banks	0.00%	3.14%
Electricity	11.84%	3.36%
Fixed Line Telecommunication	0.00%	1.75%
Pharma and Bio Tech	0.00%	0.99%
General Industrials	0.00%	1.11%
Personal Goods (Textile)	0.00%	3.79%
Construction and Materials (Cement)	7.71%	1.95%
Non Life Insurance	0.00%	1.39%
Life Insurance	0.00%	0.32%
Others	0.00%	34.77%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

In case of 5% increase / decrease in KSE 100 index on June 30, 2012, with all other variables held constant, other components of equity and the net assets of the fund would increase / decrease by Rs. 3.291 million (2011: Rs. 3.467 million) as a result of gains / losses on equity securities classified as available-for-sale.

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

### 23.2 Credit risk

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

The Fund's credit risk mainly arises in respect of 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. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled / paid for upon delivery using the central clearing company. The risk of default is considered minimal due to inherent systematic measures taken therein.

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.

Out of the total bank balances of Rs. 21.318 million (2011: Rs. 41.983 million) maintained in savings accounts, amounts aggregating Rs. 20.916 million (2011: Rs. 32.916 million) have been placed with banks having short-term credit rating of A1+, whereas remaining amounts of Rs. 0.402 million (2011: Rs. 9.067 million) are placed with banks having minimum short term credit rating of A1. Management, after giving due consideration to their strong financial standing, does not expect non-performance by these counter parties on their obligations to the Fund.

#### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio exposed to credit risk primarily consists of bank deposits.

### 23.3 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.

----- As at June 30, 2012 -----				
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to HBL Asset Management Limited - Management Company	1,497	1,497	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	51	51	-	-
Payable to Securities and Exchange Commission of Pakistan	282	282	-	-
Accrued expenses and other liabilities	575	575	-	-
	<b>2,405</b>	<b>2,405</b>	-	-
Unit holders' fund	<b>312,236</b>	<b>312,236</b>	-	-

----- As at June 30, 2011 -----				
	Total	Upto three months	Over three months and upto one year	Over one year
----- (Rupees in '000) -----				
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to HBL Asset Management Limited - Management Company	4,228	4,228	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	57	57	-	-
Payable to Securities and Exchange Commission of Pakistan	36	36	-	-
Accrued expenses and other liabilities	3,575	3,575	-	-
	<b>7,896</b>	<b>7,896</b>	-	-
Unit holders' fund	<b>268,588</b>	<b>268,588</b>	-	-

#### 24. UNITS HOLDERS' FUND RISK MANAGEMENT

The units holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

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

The Fund's objectives when managing unit holders' 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 borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

#### 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently differences can arise between carrying values and fair value estimates.

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

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

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

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

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

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

	----- As at June 30, 2012 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			

**Assets**

Financial assets available for sale

- Equity securities

	<b>289,891</b>	-	-	<b>289,891</b>
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**Assets**

Financial assets available for sale

- Equity securities

	----- As at June 30, 2011 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			

	217,660	-	-	217,660
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**26. NON-ADJUSTING EVENT AFTER THE REPORTING DATE**

The Board of Directors of the Management Company in their meeting held on July 06, 2012 has declared final dividend at Rs. 10 per unit (2011: Rs. 1.55 per unit) in the form of bonus units for Class 'A' and Class 'B' units. The financial statements of the Fund for the year ended June 30, 2012 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, 2013.

**27. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 15, 2012.

**28. GENERAL**

Figures have been rounded off to the nearest thousand rupees.

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director



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

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