

## VISION/MISSION/VALUES

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### OUR VISION

Enabling people to advance with confidence and success.

### OUR MISSION

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

### OUR VALUES

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

- **Excellence**

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

- **Integrity**

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

- **Customer Focus**

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

- **Meritocracy**

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

- **Progressiveness**

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

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## CORPORATE INFORMATION

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### Management Company

HBL Asset Management Limited.

### Board of Directors

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

### Audit Committee

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

### Human Resource Committee

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

### Company Secretary

Mr. Rehan N. Shaikh

### Chief Financial Officer

Mr. Noman Ahmed Soomro

### Fund Manager

Mr. Muhammad Amir Khan

### External Auditors

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

### Internal Auditors

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

### Trustee

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

### Legal Advisors

Mandviwalla & Zafar, Advocates and Legal Consultants,  
Mandviwalla Chambers, C-15, Block2, Clifton, Karachi.

### Bankers

Habib Bank Limited  
Bank Al-Habib Limited  
Habib Metropolitan Bank Limited  
Bank Al Falah Limited  
Faysal Bank Limited

### Website

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

### Head Office

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

### Registered Office

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

## FUND MANAGER REPORT

Type and Category of Fund

Open end Money Market Fund

Investment Objective and Accomplishment of Objective

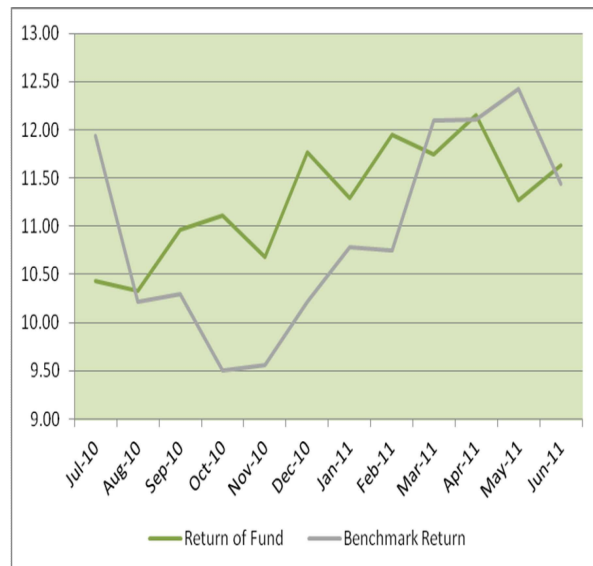
The investment objective of the Fund is to seek high liquidity and competitive return for investors by investing in low risk securities of shorter duration and maturity. The investment objective is achieved.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is 50% 3 – Month PKRV + 50% 3 – Month Deposit Rate.

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

Month	Return of Fund	Benchmark
Jul-10	11.94%	10.43%
Aug-10	10.22%	10.33%
Sep-10	10.30%	10.96%
Oct-10	9.50%	11.11%
Nov-10	9.56%	10.68%
Dec-10	10.22%	11.77%
Jan-11	10.78%	11.29%
Feb-11	10.75%	11.95%
Mar-11	12.10%	11.75%
Apr-11	12.11%	12.15%
May-11	12.42%	11.27%
Jun-11	11.44%	11.63%

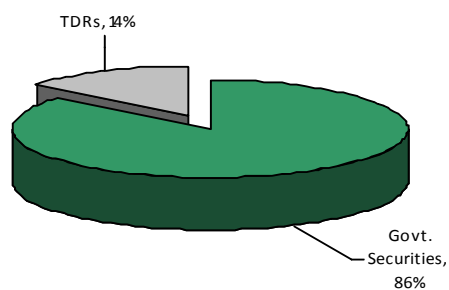


Strategies and Policies employed during the Year

In line with the investment policy of the Fund, major investments were held in the form of Government Securities of various tenors. In order to avail better returns, the Fund has also placed short term deposits with bank.

Asset Allocation

Asset Allocation June 30, 2011



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The total income and net income of the Fund was Rs. 362.04 million and Rs. 328.49 million respectively during the period ended June 30, 2011. The Net Asset Value (NAV) of the Fund increased from Rs 100 per unit at July 14, 2010 to Rs 100.0004 per unit as on June 30, 2011(after incorporating dividend at Rs 11.10 per unit); thereby giving an annualized return of 11.54%. During the same period the benchmark return (50% 3 – Month PKRV + 50% 3 – Month Deposit Rate) was 10.92%. The Fund was therefore able to outperform the benchmark during the period under review.

#### Review of Market invested in

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

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

#### Distribution

The Fund has distributed dividend at Rs. 11.50 in the form of Bonus units for Class “A” and Class “B” Units and Cash Dividend of Rs. 11.50 per unit for Class “C” Unit for the year ended June 30, 2011.

#### 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	8	456
101 – 500	13	2,890
501 – 1,000	16	11,676
1,001 – 10,000	153	466,231
10,001 – 100,000	34	1,334,017
100,001 – 500,000	14	3,006,676
500,001 – 1,000,000	11	7,610,962
1,000,001 – 5,000,000	13	27,473,167
Total		39,906,075

#### Unit Splits

There were no unit splits during the year.

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

Investments are subject to market risk.

#### Soft Commission

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

## HBL MONEY MARKET FUND PERFORMANCE TABLE

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For the period  
ended June  
30,2011

### NET ASSETS AND PRICES

Net assets at the period end (Rs '000)	4,112,338
Net asset value per unit at the period end / period end(Rs)	103.0504
Selling price /repurchase price	103.0504
Earnings per unit (Rs) - (note 3.15)	-
Highest selling price per unit (Rs)	104.4376
Lowest selling price per unit (Rs)	100.0000
Highest repurchase price per unit (Rs)	104.4376
Lowest repurchase price per unit (Rs)	100.0000

### RETURN ( % )

Total return	11.54
Income distribution	11.54
Capital growth	-

### DISTRIBUTION

First Interim dividend distribution	2.25
Second Interim dividend distribution	2.90
Third Interim dividend distribution	2.90
Final dividend distribution	3.05
Total dividend distribution for the year/ period	11.10

### AVERAGE RETURNS ( % )

Average annual return 1 year	11.54
Average return since inception	11.54
Weighted average portfolio during (No. of days)	76

### Disclaimer:

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

## TRUSTEE REPORT TO THE UNIT HOLDER

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### HBL MONEY MARKET FUND

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

The HBL Money Market Fund (the Fund), an open-end scheme was established under a trust deed dated March 18, 2010, executed between HBL Asset Management Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the period from May 28, 2010 to June 30, 2011 in accordance with the provisions of the following:

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

Muhammad Hanif Jakhura  
Chief Executive Officer  
Central Depository Company of Pakistan Limited  
Karachi, October 17, 2011

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011.

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

HBL Money Market Fund is an open ended mutual fund and was listed on Lahore Stock Exchange on July 15, 2010. The units of the Fund have been offered for public subscription on a continuous basis from July 12, 2010.

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

1. The Management Company encourages representation of independent non-executive directors. As on June 30, 2011 the Board consists of five directors with four non-executive directors including two independent directors.
2. None of the directors is serving as a director in ten or more listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period, Mr. R. Zakir Mahmood resigned from the Board as both the Chairman and member with effect from March 31, 2011.
5. The Management Company has adopted a "Code of Business Ethics and Business Practices", which has been acknowledged by all the Directors and distributed to employees of the company.
6. The Board has developed a vision/mission statement, over all corporate strategy and significant policies of the company. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman, when present and the Board met six 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, 2011.



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10. The Board has approved the appointment of CFO and Company Secretary including their remuneration and term and conditions of employment as determined by the CEO.
11. Directors Report for the year ended June 30, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 20 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of three members, all of whom are non-executive directors.
16. The meetings of the audit committee were held atleast once every quarter prior to approval of interim and final results of the Fund, as required by the Code.
17. The company has outsourced its internal audit function to a reputable firm of Chartered Accountants who is considered suitably qualified and experienced for the purpose.
19. The Statutory Auditors of the fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions, if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

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

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

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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 Money Market Fund (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period from May 28, 2010 to June 30, 2011.

### **Chartered Accountants**

Place : Karachi

Dated: October 24,2011

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

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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 Money Market Fund (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of the Lahore Stock Exchange (Guarantee) Limited where the Fund is listed.

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

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period from May 28, 2010 to June 30, 2011.

### **Chartered Accountants**

Place: Karachi

Dated: October 24, 2011

**HBL MONEY MARKET FUND  
STATEMENT OF ASSETS & LIABILITIES  
AS AT JUNE 30,2011**

	Note	June 30, 2011 (Rupees in '000)
<b>ASSETS</b>		
Bank balances	4	8,009
Investments	5	3,551,358
Term Deposit Receipts	6	565,000
Profit receivable	7	516
Preliminary expenses and floatation costs	8	868
<b>Total assets</b>		<b>4,125,751</b>
<b>LIABILITIES</b>		
Payable to HBL Asset Management Limited - Management Company	9	4,495
Payable to Central Depository Company of Pakistan Limited - Trustee	10	318
Payable to Securities and Exchange Commission of Pakistan - Annual fee	11	1,653
Accrued expenses and other liabilities	12	6,947
<b>Total liabilities</b>		<b>13,413</b>
<b>NET ASSETS</b>		<b>4,112,338</b>
<b>UNIT HOLDERS' FUND (as per statement attached)</b>		<b>4,112,338</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13	
		<b>Number of units</b>
<b>Number of units in issue</b>		<b>39,906,075</b>
		<b>Rupees</b>
<b>NET ASSETS VALUE PER UNIT</b>		<b>103.0504</b>

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

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director

**HBL MONEY MARKET FUND  
INCOM STATEMENT  
FOR THE PERIOD FROM MAY 28, 2010 TO JUNE 30,2011**

	Note	For the period from May 28, 2010 to June 30, 2011 (Rupees in '000)
<b>Income</b>		
Profit on bank deposits	14	20,602
Income from Government Securities		261,071
Loss on sale of investments - net		(19)
Income from reverse repurchase transactions		5,331
		286,985
<b>Expenses</b>		
Remuneration of HBL Asset Management Limited - Management Company	9.1	22,034
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	2,334
Annual fee of Securities and Exchange Commission of Pakistan	11.1	1,653
Securities transaction cost		13
Settlement and bank charges		105
Auditors' remuneration	15	300
Amortisation of preliminary expenses and floatation costs		207
Other expenses		195
		26,841
<b>Net income from operating activities</b>		260,144
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		75,054
Provision for Workers' Welfare Fund	16	6,707
<b>Net income for the period before taxation</b>		328,491
<b>Taxation</b>	17	-
<b>Net income for the period after taxation</b>		328,491
<b>OTHER COMPREHENSIVE INCOME</b>		
Net unrealised diminution arising during the period on re-measurement of investments classified as available-for-sale	5.2	(929)
<b>Total comprehensive income for the period - net</b>		327,562
<b>Earnings Per Unit</b>	18	

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

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director

**HBL MONEY MARKET FUND  
DISTRIBUTION STATEMENT  
FOR THE PERIOD FROM MAY 28, 2010 TO JUNE 30, 2011**

For the period  
from May 28,  
2010 to June  
30, 2011  
**(Rupees in '000)**

Net income for the period	328,491
First interim distribution for the period ended June 30, 2011: Rs 2.25 per unit (Date of distribution: October 28, 2010)	
- Cash distribution	(4,185)
-271,395 bonus units	(27,410)
	(31,595)
Second interim distribution for the period ended June 30, 2011: Rs 2.90 per unit (Date of distribution: February 11, 2011)	
- Cash distribution	(9,074)
-622,911 bonus units	(63,270)
	(72,344)
Third interim distribution for the period ended June 30, 2011: Rs 2.90 per unit (Date of distribution: April 25, 2011)	
- Cash distribution	(14,737)
-870,267 bonus units	(87,845)
	(102,582)
Net income for the period less distribution	121,970
Undistributed income carried forward - realised	121,970

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

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director

**HBL MONEY MARKET FUND  
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND  
FOR THE PERIOD FROM MAY 28, 2010 TO JUNE 30, 2011**

	Note	For the period from May 28, 2010 to June 30, 2011 (Rupees in '000)
Issue of 88,890,942 units		9,121,508
Redemption of 50,749,440 units		(5,233,682)
		3,887,826
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to Income Statement		(75,054)
Net unrealised diminution arising during the period on re-measurement of investments classified as 'available-for-sale' - transferred from other comprehensive income	5.2	(929)
Loss on sale of investments - net		(19)
Other net income for the period after taxation		328,510
First interim distribution for the period ended June 30, 2011: Rs 2.25 per unit (Date of distribution: October 28, 2010)		
- Cash distribution		(4,185)
-271,395 bonus units		(27,410)
		(31,595)
Second interim distribution for the period ended June 30, 2011: Rs 2.90 per unit (Date of distribution: February 11, 2011)		
- Cash distribution		(9,074)
-622,911 bonus units		(63,270)
		(72,344)
Third interim distribution for the period ended June 30, 2011: Rs 2.90 per unit (Date of distribution: April 25, 2011)		
- Cash distribution		(14,737)
-870,267 bonus units		(87,845)
		(102,582)
Net income for the period less distribution		121,970
Distribution of bonus units: 1,764,573 units		178,525
<b>Net assets at the end of the period</b>		<b>4,112,338</b>

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

**HBL MONEY MARKET FUND  
CASH FLOW STATEMENT  
FOR THE PERIOD FROM MAY 28, 2010 TO JUNE 30, 2011**

	Note	For the period from May 28, 2010 to June 30, 2011 (Rupees in '000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation		328,491
<b>Adjustments for non-cash and other items</b> :		
Amortisation of preliminary expenses and floatation costs		207
Element of (income) / loss and capital (gains) / losses included prices of units issued less those in units redeemed		(75,054)
		253,644
<b>(Increase) / decrease in assets</b>		
Investments - net		(3,552,287)
Profit receivable		(516)
Preliminary expenses and floatation costs		(1,075)
		(3,553,878)
<b>Increase / (decrease) in liabilities</b>		
Payable to HBL Asset Management Limited - Management Company		4,495
Payable to Central Depository Company of Pakistan Limited - Trustee		318
Payable to Securities and Exchange Commission of Pakistan - Annual Fee		1,653
Accrued expenses and other liabilities		6,947
		13,413
<b>Net cash used in operating activities</b>		(3,286,821)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net receipts from issue of units		3,887,826
Dividend paid		(27,996)
<b>Net cash generated from financing activities</b>		3,859,830
<b>Net increase in cash and cash equivalents during the period</b>		573,009
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	4.1	573,009

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

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director



**HBL MONEY MARKET FUND  
NOTES TO THE FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD MAY 28, TO JUNE 30,2011**

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**1 LEGAL STATUS AND NATURE OF BUSINESS**

HBL Money Market Fund (the Fund) was established under a Trust Deed, dated March 18, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund has been authorised by the Securities and Exchange Commission of Pakistan (the SECP) as a unit trust scheme on April 9, 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 July 12, 2010 to July 14, 2010.

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

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM3+' to the Management Company and assigned Fund stability rating of 'AA+(f)' to the Fund.

- 1.1 Title to the assets of the Fund are held in the name of CDC as a trustee of the Fund.
- 1.2 The SECP granted exemption to the Management Company from preparing and publishing the financial statements of the Fund for the period from May 28, 2010 to June 30, 2010 and allowed to cover the said period in the financial statements for the period ended June 30, 2011.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

There are certain new standards, amendments and interpretations that became effective during the current period and are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

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

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

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

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

#### **2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with 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, valuation and impairment of investments( note 3.2 and note 5).

#### **2.5 Accounting convention**

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

#### **2.6 Functional and Presentation Currency**

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

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below.

#### **3.1 Cash and cash equivalents**

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

#### **3.2 Financial assets**

##### **3.2.1 Classification**

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available-for-sale and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

##### **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.

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### **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 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 Government Securities**

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association.

Gains and losses arising from the difference between the carrying amount and the value determined in accordance with the criteria mentioned above in respect of financial assets at fair value through profit or loss are taken to the Income Statement.

Net gains and losses arising from the difference of value determined in accordance with the above mentioned criteria over the carrying amount in respect of available for sale financial assets are taken to other comprehensive income until the available for sale investment is derecognised. At this time, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the Income Statement.

#### **Loans and receivables**

These are subsequently carried at amortised cost.

### **3.2.5 Impairment of financial assets**

The Fund assesses at each reporting date whether there is objective evidence that the financial asset or a group of financial assets is 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 unit holders' fund to 'income statement'.

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 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.

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### **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 Impairment**

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the Income Statement.

### **3.5 Preliminary expenses and floatation costs**

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

### **3.6 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.

### **3.7 Taxation**

No provision for taxation has been made as the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the Management Company has decided to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its 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.

### **3.8 Accrued expenses**

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

### **3.9 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.

### 3.10 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 period 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.

### 3.11 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 period end.

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

### 3.13 Proposed Distribution

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

	Note	June 30, 2011 (Rupees in '000)
<b>4 BANK BALANCES</b>		
Savings accounts		8,009
		<u>8,009</u>
<b>4.1 CASH AND CASH EQUIVALENTS</b>		
Balances with banks		8,009
Term Deposit Receipts (TDRs)		565,000
		<u>573,009</u>
<b>5 INVESTMENTS</b>		
Available-for-sale		
- Government Securities	5.1	<u>3,551,358</u>

**5.1 Investment in government securities - Available-for-sale**

Issue Date	Tenor	Face value			Market Value as at June 30, 2011	Market Value as a percentage of total investment	Market Value as a percentage of net assets
		Purchases during the period	Sales / Matured during the period	As at June 30, 2011			
<b>Treasury bill</b>							
September 26, 2009	1 year	375,000	375,000	-	-	-	-
February 01, 2010	6 months	340,000	340,000	-	-	-	-
February 11, 2010	1 year	10,000	10,000	-	-	-	-
February 25, 2010	6 months	370,000	370,000	-	-	-	-
March 11, 2010	1 year	620,000	620,000	-	-	-	-
March 25, 2010	6 months	50,000	50,000	-	-	-	-
April 08, 2010	1 year	100,000	100,000	-	-	-	-
April 22, 2010	6 months	730,000	730,000	-	-	-	-
May 20, 2010	1 year	50,000	50,000	-	-	-	-
June 03, 2010	6 months	286,000	286,000	-	-	-	-
June 03, 2010	1 year	170,000	170,000	-	-	-	-
June 17, 2010	3 months	200,000	200,000	-	-	-	-
June 17, 2010	6 months	9,000	9,000	-	-	-	-
July 15, 2010	3 months	465,000	465,000	-	-	-	-
July 15, 2010	6 months	315,000	315,000	-	-	-	-
July 29, 2010	3 months	725,500	725,500	-	-	-	-
July 29, 2010	6 months	70,000	70,000	-	-	-	-
August 03, 2010	6 months	160,000	160,000	-	-	-	-
August 13, 2010	3 months	476,000	476,000	-	-	-	-
September 09, 2010	3 months	837,000	837,000	-	-	-	-
October 07, 2010	3 months	15,000	15,000	-	-	-	-
October 21, 2010	3 months	1,317,000	1,317,000	-	-	-	-
November 04, 2010	3 months	500,000	500,000	-	-	-	-
November 04, 2010	6 months	100,000	100,000	-	-	-	-
November 16, 2010	3 months	1,171,000	1,171,000	-	-	-	-
December 02, 2010	3 months	1,127,000	1,127,000	-	-	-	-
December 02, 2010	6 months	388,000	388,000	-	-	-	-
December 18, 2010	3 months	20,000	20,000	-	-	-	-
December 18, 2010	6 months	640,000	640,000	-	-	-	-
December 30, 2010	3 months	325,000	325,000	-	-	-	-
January 13, 2011	3 months	585,000	585,000	-	-	-	-
January 27, 2011	3 months	1,055,000	1,055,000	-	-	-	-
February 10, 2011	3 months	960,000	960,000	-	-	-	-
February 24, 2011	3 months	365,000	365,000	-	-	-	-
March 10, 2011	3 months	962,000	962,000	-	-	-	-
March 10, 2011	6 months	510,000	-	510,000	497,367	14.00%	12.09%
March 24, 2011	3 months	395,000	395,000	-	-	-	-
March 24, 2011	6 months	935,000	-	935,000	907,239	25.54%	22.06%
April 07, 2011	6 months	375,000	375,000	-	-	-	-
April 21, 2011	3 months	923,000	845,000	78,000	77,635	2.19%	1.89%
April 21, 2011	6 months	340,000	-	340,000	326,578	9.20%	7.94%
May 05, 2011	3 months	160,000	90,000	70,000	69,314	1.95%	1.69%
May 05, 2011	6 months	300,000	-	300,000	286,697	8.07%	6.97%
May 19, 2011	3 months	55,000	15,000	40,000	39,408	1.11%	0.96%
May 19, 2011	6 months	375,000	-	375,000	356,532	10.04%	8.67%
June 02, 2011	3 months	637,500	-	637,500	624,877	17.60%	15.20%
June 16, 2011	3 months	375,000	-	375,000	365,711	10.30%	8.89%
June 16, 2011	6 months	100,000	100,000	-	-	-	-
		<b>21,369,000</b>	<b>17,708,500</b>	<b>3,660,500</b>	<b>3,551,358</b>		
<b>Cost of investments at June 30, 2011</b>					<b>3,552,287</b>		

	Note	June 30, 2011 (Rupees in '000)
<b>5.2 Unrealised diminution on re-measurement of investments classified as 'available-for-sale'-net</b>		
Market value of investments	5.1	3,551,358
Less: Cost of Investments		<u>(3,552,287)</u>
		<u>(929)</u>
<b>6 TERM DEPOSIT RECEIPTS</b>		
Term Deposit Receipts (TDRs)	6.1	<u>565,000</u>
<b>6.1</b> This represents placements for a period of 30 days maturing on July 30, 2011 carrying mark-up at the rate of 13.90% per annum.		
	Note	June 30, 2011 (Rupees in '000)
<b>7 PROFIT RECEIVABLE</b>		
Profit receivable on saving accounts		301
Profit receivable on Term Deposit Receipts		<u>215</u>
		<u>516</u>
<b>8 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		
Preliminary expenses and floatation costs incurred	8.1	1,075
Less: Accumulated Amortisation		<u>(207)</u>
		<u>868</u>
<b>8.1</b> 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.		
	Note	June 30, 2011 (Rupees in '000)
<b>9 PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>		
Management fee	9.1	3,420
Preliminary expenses and floatation costs incurred on behalf of the Fund		<u>1,075</u>
		<u>4,495</u>
<b>9.1</b> Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of one percent per annum for the current period.		
	Note	June 30, 2011 (Rupees in '000)
<b>10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		
Trustee's remuneration	10.1	<u>318</u>
<b>10.1</b> The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily Net Asset Value (NAV) of the Fund. Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2011 is as follows:		
<b>Amount of Funds Under Management (Average NAV)</b>		<b>Tariff per annum</b>
Upto Rs. 1,000 million		Rs 0.7 million or 0.15% p.a. of NAV, whichever is higher
On an amount exceeding Rs 1,000 million		Rs 1.5 million plus 0.075% p.a. of NAV exceeding Rs 1,000 million
The remuneration is paid to the Trustee monthly in arrears.		
		June 30, 2011 (Rupees in '000)
<b>11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
Annual fee		<u>1,653</u>

**11.1** Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as money market scheme is required to pay as annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the scheme. HBL Money Market Fund has been categorised as a money market scheme by the management company.

<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	<b>June 30, 2011</b> <b>(Rupees in '000)</b>
Auditors' remuneration		212
Brokerage payable		28
Provision for Workers' Welfare Fund	16	6,707
		<u>6,947</u>

**13 CONTINGENCIES AND COMMITMENTS**

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

<b>14 PROFIT ON BANK DEPOSITS</b>	<b>For the period from May 28, 2010 to June 30, 2011</b> <b>(Rupees in '000)</b>
Profit on Term Deposit Receipts	19,485
Profit on Savings Accounts	1,117
	<u>20,602</u>

<b>15 AUDITORS' REMUNERATION</b>	<b>2011</b> <b>(Rupees in '000)</b>
Statutory audit fee	150
Half yearly review fee	75
Reporting on compliance with the Code of Corporate Governance	25
Out of pocket expenses	50
	<u>300</u>

**16 PROVISION FOR WORKERS' WELFARE FUND**

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

Subsequently a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has made the provision for WWF amounting to Rs. 6.707 million in these financial statements.

**17 TAXATION**

The income of the Fund is exempt from income tax under clause 99 of Part 1 of the second schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the period from May 28, 2010 to June 30, 2011 as the Management Company has distributed 90 percent of the Fund's accounting income for the said period as reduced by capital gains (whether realised or unrealised) to its unit holders.



**18 EARNINGS PER UNIT**

Earnings per unit (EPU) for the period ended June 30, 2011 has not been disclosed as in the opinion of the management, determination of weighted average units for calculating EPU is not practicable.

**19 FINANCIAL INSTRUMENTS BY CATEGORY**

-----As at June 30, 2011-----				
	Loans and receivables	Assets at fair value through profit or loss	Available-for- sale	Total
-----Rupees in '000-----				
<b>Financial assets</b>				
Bank balances	8,009	-	-	8,009
Investments	-	-	3,551,358	3,551,358
Term Deposit Receipts	565,000	-	-	565,000
Profit receivable	516	-	-	516
	<u>573,525</u>	<u>-</u>	<u>3,551,358</u>	<u>4,124,883</u>

-----As at June 30, 2011-----			
	Liabilities at fair value through profit or loss	Liabilities at amortised cost	Total
-----Rupees in '000-----			
<b>Financial liabilities</b>			
Payable to HBL Asset Management Limited - Management Company	-	4,495	4,495
Payable to Central Depository Company of Pakistan Limited - Trustee	-	318	318
Accrued expenses and other liabilities	-	240	240
	<u>-</u>	<u>5,053</u>	<u>5,053</u>

**20 TRANSACTIONS WITH CONNECTED PERSONS**

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

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

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

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

	For the period from May 28, 2010 to June 30, 2011 (Rupees in '000)
<b>20.1 Transactions during the period</b>	
<b>HBL Asset Management Limited - Management Company</b>	
Management fee	22,034
Units issued: 648,668 units	65,000
Bonus units issued: 52,979 units	5,361
<b>Habib Bank Limited - Sponsor</b>	
Units issued: 1,014,138 units	100,000
Bonus units issued: 82,829 units	8,381
Bank charges paid	100
Profit on bank deposits earned	19,928
Profit on bank deposits received	19,753

		For the period from May 28, 2010 to June 30, 2011 (Rupees in '000)
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration		2,334
<b>Directors and Executives of the Management Company and their relatives</b>		
<b>Directors and their relatives</b>		
Units issued: 112,878 units		11,505
Units redeemed: 82,477 units		8,500
Bonus units issued: 960 units		98
<b>Executives and their relatives</b>		
Units issued: 34,731 units		3,500
Bonus units issued: 2,255 units		230
Units redeemed: 22,539 units		2,300
<b>Associated companies</b>		
<b>IGI Investment Bank Limited</b>		
Units issued: 100,030 units		10,000
Units redeemed: 100,030 units		10,185
<b>New Jubilee Insurance Company Limited</b>		
Units issued: 8,301,446 units		500,367
Bonus units issued: 211,531 units		21,416
Units redeemed 4,143,167 units		426,491
		<b>June 30, 2011 (Rupees in '000)</b>
<b>20.2</b>	<b>Balances outstanding as at period end</b>	
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee		3,420
Preliminary expenses and floatation costs incurred on behalf of the Fund		1,075
Investment held in the Fund : 701,648 units		72,305
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund : 1,096,967 units		113,043
Bank balances		6,640
Profit receivable on bank deposits		175
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable		318
<b>Directors and Executives of the Management Company and their relatives</b>		
<b>Directors and their relatives</b>		
Investment held in the Fund : 31,362 units		3,232
<b>Executives and their relatives</b>		
Investment held in the Fund : 14,446 units		1,489
<b>Associated companies</b>		
<b>New Jubilee Insurance Company Limited</b>		
Investment held in the Fund : 4,369,810 units		450,311

**21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

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

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

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

**22 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

**Top ten brokers during the period ended June 30, 2011**

**BROKER**

Alfalah Securities (Private) Limited  
 BMA Capital Management Limited  
 Elixir Securities Pakistan (Private) Limited  
 Global Securities (Private) Limited  
 IGI Finex Securities Limited  
 Invest and Finance Securities (Private) Limited  
 Invest Capital Securities (Private) Limited  
 Invisor Securities (Private) Limited  
 JS Global Capital Limited  
 Summit Capital (Private) Limited

**23 PATTERN OF UNIT HOLDING**

----- As at June 30, 2011 -----			
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	217	191,384	4.65%
Associated companies	3	635,659	15.46%
Directors	2	2,480	0.06%
Insurance companies	5	171,045	4.16%
Banks / DFIs	3	696,617	16.94%
Retirement funds	1	60	0.00%
Others	31	2,415,093	58.73%
	262	4,112,338	100%

**24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 23rd, 24th, 25th, 26th, 27th and 28th board meetings of the Management Company were held on July 7, 2010, September 16, 2010, October 28, 2010, February 11, 2011, March 31, 2011 and April 25, 2011 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. R. Zakir Mahmood	5	4	1	26th meeting
2	Mr. Shahid Ghaffar	6	6	-	-
3	Mr. Sohail Malik	6	5	1	27th meeting
4	Mr. Abid Sattar	6	5	1	25th meeting
5	Mr. Towfiq H. Chinoy	6	5	1	23rd meeting
6	Ms. Sadia Khan	6	5	1	23rd meeting

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

\*\* Mr. Towfiq H. Chinoy has taken charge as Chairman of HBL Asset Management Limited on the same date.

## 25 FINANCIAL RISK MANAGEMENT

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

### 25.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### 25.1.1 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.

#### 25.1.2 Interest rate risk

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

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

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

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

As at June 30, 2011, the Fund holds Treasury Bills which are classified as available-for-sale, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on June 30, 2011, with all other variables held constant, the net assets would be lower by Rs. 7.627 million. In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2011, with all other variables held constant, the net assets would be higher by Rs. 8.016 million.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association are expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Fund's net assets due to future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

-----As at June 30, 2011-----					
----Exposed to Yield/Interest rate risk----					
Yield / interest rate (%)	Total	Upto three months	More than three months and upto one year	More than one year	Not exposed to Yield/ Interest rate risk
----- (Rupees in '000) -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	5 - 10.5	8,009	8,009	-	-
Investments	13.3-14.2	3,551,358	3,551,358	-	-
Term Deposit Receipts	13.9	565,000	565,000	-	-
Profit receivable		516	516	-	-
		4,124,883	4,124,883	-	-
<b>Financial liabilities</b>					
Accrued expenses and other liabilities		240	-	-	240
Payable to HBL Asset Management Limited - Management Company		4,495	-	-	4,495
Payable to Central Depository Company of Pakistan Limited -Trustee		318	-	-	318
		5,053	-	-	5,053
<b>On-balance sheet gap 2011</b>		4,119,830	4,124,883	-	(5,053)
<b>Off-balance sheet financial instruments</b>					
		-	-	-	-
<b>Off-balance sheet gap 2011</b>		-	-	-	-

### 25.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instrument traded in the market. The Fund is not exposed to any price risk as on June 30, 2011.

### 25.2 Credit risk

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 any credit losses on its financial assets.

The Fund's most significant investments are in treasury bills which are government guaranteed. In addition, bank balances of Rs 8.009 million are maintained in savings accounts with banks having 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.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. None of these are 'impaired' nor 'past due but not impaired'.

#### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio primarily consists of investments in government guaranteed treasury bills which are risk free and hence does not expose the Fund to any credit loss.

### 25.3 Liquidity risk

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

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

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

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

	-----As at June 2011-----			
	Total	Upto three months	Over three months and upto one year	Over one year
	------(Rupees in '000)-----			
<b>Financial liabilities</b>				
Payable to HBL Asset Management Limited - Management Company	4,495	4,495	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	318	318	-	-
Accrued expenses and other liabilities	240	240	-	-
	5,053	5,053	-	-

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**26 UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit 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 in the Statement of Movement in Unit Holders' Fund.

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

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

In accordance with the risk management policies stated in note 25, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by short-term borrowings arrangements (which can be entered if necessary) or disposal of investments where necessary.

**27 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

The fair value of financial assets and liabilities traded in active markets (e.g. Pakistan Investment Bonds and Treasury Bills) are based on the quoted market prices at the close of trading on the reporting 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).

Assets	-----June 30, 2011-----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Financial assets available for sale				
- Government treasury bills	-	3,551,358	-	3,551,358

**28 NON-ADJUSTING EVENT AFTER THE REPORTING DATE**

The Board of Directors of the Management Company in their meeting held on July 07, 2011 has declared final dividend at Rs 3.05 per unit in the form of bonus units for Class 'A' and Class 'B' units and cash dividend of Rs 3.05 per unit for Class 'C' unit for the period ended June 30, 2011. The financial statements of the Fund for the period ended June 30, 2011 do not include the effect of the final dividend which will be accounted for in the financial statements of the Fund for the year ending June 30, 2012.

**29 DATE OF AUTHORISATION FOR ISSUE**

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

**30 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

For HBL Asset Management Limited  
(Management Company)

Chief Executive

Director