

## 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 under management and our investors and society in general expects us to possess and 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. R. Zakir Mahmood	(Non-Executive Director)
Chief Executive Officer	Mr. Shahid Ghaffar	(Executive Director)
Directors	Mr. Sohail Malik	(Non-Executive Director)
	Mr. Abid Sattar	(Non-Executive Director)
	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
	Ms. Sadia Khan	(Independent Non-Executive Director)

### Audit Committee

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

### Human Resource Committee

Chairman	Mr. 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 Building No. 1-C, I.I. Chundrigar Road,  
P.O. Box 4716, Karachi.

### Internal Auditors

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

### Trustee

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

### Legal Advisors

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

### Bankers

Habib Bank Limited  
MCB Bank Limited  
JS Bank Limited  
The Bank of Punjab  
Standard Chartered Bank (Pakistan) Limited

### Website

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

### Head Office

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

### Registered Office

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

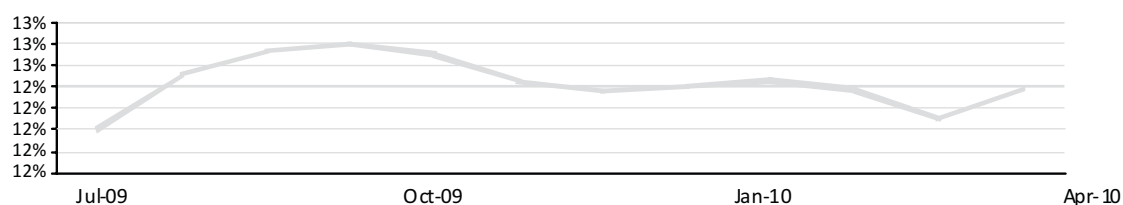
## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of HBL Asset Management Limited is pleased to present the third Annual Report of HBL Multi Asset Fund (the Fund) for the year ended June 30, 2010.

### Market Review

During the year under review the Central Bank further reduced the policy discount rate in phases to 13 percent in August 2009 and further to 12.5% in November 2009, in response to a gradual easing of both headline as well as core inflation, and the containment of aggregate demand pressures in the economy. A cautious approach to easing the policy rate was adopted to strike a balance between supporting the recovery in aggregate demand while guarding against the re-emergence of macroeconomic imbalances, including a resurgence of inflation.

The YoY growth in broad money (M2) increased sharply by 12.46 percent during July - June 2010 compared to 9.56 percent during last year. Credit to private sector grew by Rs. 112.93 billion during July - June 2010 compared to Rs. 17.082 billion during last year. Despite the recovery in some macroeconomic indicators, private sector credit off? Take is not growing fast because of high interest rates. However, average lending rate on entire stock of bank loans stood at 12.37 percent in March 2010 as compared to 13.80 percent in March 2009, thus it is still high. The average one month KIBOR has increased from 12.00% in July 2009 to as high as 12.80 in October 2009 and closed at 12.39% in June 2010. The month wise trend is as follows:



During the year under review the stock market was mostly bullish. The KSE - 100 index which was 7,162 points at the beginning of July 2009 touched its highest level of 10,731 points during the year and closed at 9,721 points at June 30, 2010. On year on year basis the KSE - 100 index improved by 36%. The improvement in KSE - 100 index can be attributed to several factors such as reduction in discount rate by 150 bps (1.5%), reduction in NSS rates, release of tranche by IMF and consistent buying by foreign investors in spite of sales by local investors. The stock market did show some nervousness in May and June 2010 mainly on account of imposition of capital gain tax and absence of any leverage product. The average monthly turnover of the exchange was 1.603 billion shares against 2.556 billion shares last year.

### Fund's Performance

The total and net income of the Fund was Rs 73.96 million and Rs 61.07 million respectively for the year ended June 30, 2010. The Net Asset Value (NAV) per Unit of the Fund was Rs 80.94 per Unit as of July 1, 2009. The NAV of the Fund gradually increased and was Rs 96.46 per Unit as on June 30, 2010. The Fund declared dividend / bonus of Rs 16.00 per Unit. This along with appreciation in Unit price gave an annualized return of 19.17% for the year ended June 30, 2010 as against negative return of 13.22% in the previous year. During the same period the benchmark return (50% KSE - 100 index and 50% 1 Month KIBOR) was 24.11%. The size of the Fund as on June 30, 2010 was Rs 361 million.

The Fund declared bonus of Rs 16.00 per Unit for Class - A and Class - B Units and cash dividend of Rs 16.00 per Unit for Class - C Units against nil dividend last year. The Ex-Dividend price of the Unit was Rs 80.46.

### Rating Update

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has upgraded asset manager rating to "AM3+" of the Management Company.

JCR-VIS has assigned one year Fund Performance Ranking at "MFR 4-Star" and two year Fund Performance Ranking at "MFR 5-Star" to the Fund.

### Auditors

The present auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retire and, being eligible, offer themselves for re-appointment.

### Pattern of Unit-holders

The pattern of Unit-holding as on June 30, 2010 is given in note 21 to the financial statements.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

### Directors' Statement in Compliance with Code of Corporate Governance

This part of the Directors' report to unit-holders is given as required under section 236 of the Companies Ordinance 1984:

1. The financial statements, prepared by the management company of HBL Multi Asset Fund, present fairly the state of affairs of the Fund, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of HBL Multi Asset Fund have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon HBL Multi Asset Fund's ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A summary of key financial data/performance table is annexed.
9. The Board of Directors of HBL Asset Management Limited held six meetings during the year under review. The attendance of all directors is appended below:

Sr. #	Names of Directors	Attendances
1.	Mr. R. Zakir Mahmood	5
2.	Mr. Shahid Ghaffar	6
3.	Mr. Sohail Malik	5
4.	Mr. Abid Sattar	4
5.	Mr. Towfiq H. Chinoy	4
6.	Ms. Sadia Khan	4

### Acknowledgement

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

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

On behalf of the Board of  
HBL Asset Management Limited

**R. Zakir Mahmood**

Chairman

Date: September 16, 2010

Place: Karachi

## FUND MANAGER REPORT

### Type and Category of Fund

Open end Balanced Fund

### Investment Objective and Accomplishment of Objective

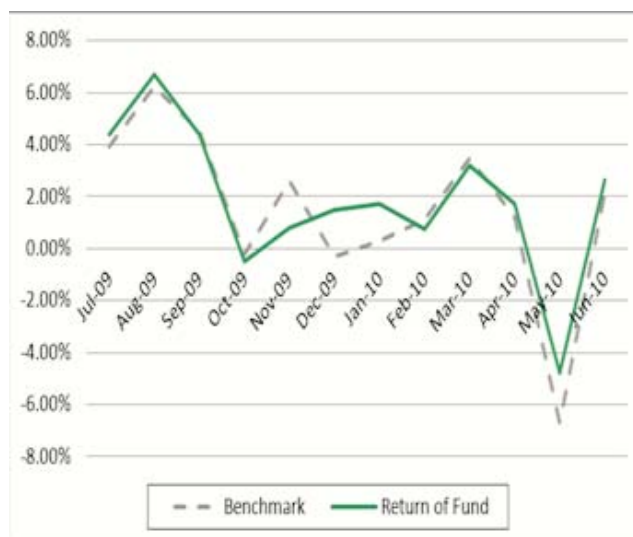
The investment objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes such as Equity, Equity related instruments, Fixed Income Securities, Continuous Funding. The objective of the Fund has been achieved.

### Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is 50% KSE 100-Index + 50% 1 Month KIBOR.

The comparison of the fund with benchmark is given below:

Month	Benchmark	Return of Fund
Jul-09	3.92%	4.40%
Aug-09	6.25%	6.70%
Sep-09	4.54%	4.41%
Oct-09	-0.24%	-0.49%
Nov-09	2.60%	0.79%
Dec-09	-0.33%	1.50%
Jan-10	0.31%	1.73%
Feb-10	1.13%	0.74%
Mar-10	3.49%	3.21%
Apr-10	1.20%	1.74%
May-10	-6.73%	-4.78%
Jun-10	2.13%	2.64%

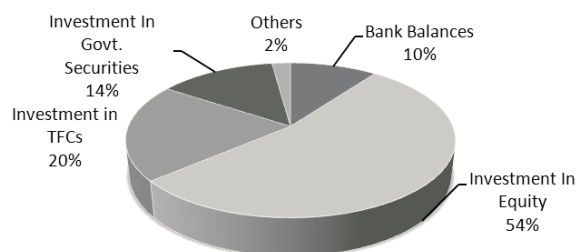


### Strategies and Policies employed during the Year

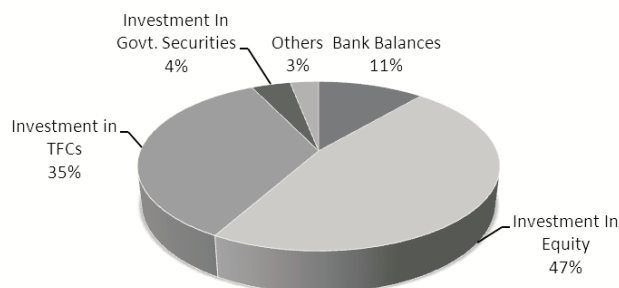
During the year under review the fund increased its exposure in equity and reduced its exposure in debt instruments. The exposure in equity was increased in view of better return expected from the equity market. The fund also increased its exposure in Government Securities to ensure liquidity.

## FUND MANAGER REPORT

**Asset Allocation June 30, 2010**



**Asset Allocation June 30, 2009**



### Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund to total assets at June 30, 2009 and June 30, 2010:

Sector Name	As on June 30, 2010	As on June 30, 2009
Oil and Gas	22.2%	19.6%
Chemicals	11.70%	10.4%
Banks	10.50%	9.1%
Electricity	6.10%	2.7%
Pharma and Bio Tech	1.0%	1.1%
General Industries	0.7%	0.2%
Construction and Material.	0.6%	1.8%
Fixed line Telecom	0.4%	0.4%
Others	0.5%	1.5%
<b>Total Equity Investment</b>	<b>53.8%</b>	<b>46.90%</b>

During the period under review the fund increase its exposure mainly in oil and gas, chemical, banks, electricity and reduced its exposure in construction and material.

### Fund Performance

The Net Asset Value per unit of the Fund increased from Rs 80.94 as on July 1, 2009 to Rs 95.31 as on December 31, 2009 and further to Rs 96.46 per unit on June 30, 2010, thereby showing an annualized return of 19% for the year end June 30 2010. During the same period benchmark return (50% KSE 100 - Index + 50% 1 Month Kibor) was 24.09%. The size of the fund declined from Rs 578.824 million at June 30, 2009 to Rs 360.9 million as on June 30, 2010.

## FUND MANAGER REPORT

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### Review of Market invested in

During past twelve months (July 2009 to June 2010) State Bank of Pakistan maintained the declining trend in discount rate. First change in discount rate was made on 17th Aug 2009 where it was reduced from 14.00% to 13.00% on account of falling inflation rate. The trend continued and the discount rate was further reduced to 12.50% in Nov 2009. SBP maintained the discount rate at 12.50, CRR at 5.00% and SLR at 19.00% for the rest of the year.

Six months KIBOR has declined from 12.76% on June 30, 2009 to 12.37% on June 30, 2010. Trading activity in corporate bonds market (TFCs, Sukuk) was mostly dull during the year under review.

The stock market showed massive recovery during the year under review. The KSE 100 index gained from 7,162 points as on the beginning of July 2009 to as high as 10,731 points or by 49.83% by April 20, 2010. The market, however, after touching its highest level showed reasonable correction subsequently and was 9,131 points as on June 14, 2010. The market showed some improvement afterwards and was 9,721 points as on June 30, 2010. On year to year basis the KSE - 100 Index increased by 35.74%.

### Distribution

During the year, the management has distributed Rs. 16 as dividend to unit holders.

### 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 (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	11	670
101 – 500	20	4,495
501 – 1,000	13	8,369
100,1 – 10,000	37	121,653
10,001 – 100,000	5	144,788
100,001 – 500,000	1	104,289
500,001 – 1,000,000	1	750,000
1,000,001 – 5,000,000	1	2,607,216
<b>Total</b>	<b>89</b>	<b>3,741,480</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 MULTI ASSET FUND  
PERFORMANCE TABLE**

	For the year ended June 30,2010	For the year ended June 30,2009	For the period from November 08, 2007 to June 30,2008
<b>NET ASSETS AND PRICES</b>			
Net assets at the year/ period end (Rs '000)	360,909	578,824	718,849
Net asset value per unit at the period end (Rs)	96.46	80.94	97.27
Selling price per unit at the period end (Rs)	98.39	82.56	99.22
Repurchase price per unit at the period end (Rs)	96.46	80.94	97.27
Earnings per unit (Rs) - (note 3.14)	-	-	-
Highest selling price per unit (Rs)	104.93	93.03	109.23
Lowest selling price per unit (Rs)	83.31	64.09	95.53
Highest repurchase price per unit (Rs)	102.87	94.89	107.09
Lowest repurchase price per unit (Rs)	81.68	65.37	93.66
<b>RETURN ( % )</b>			
Total return	19.17	(13.22)	(5.08)
Income distribution	19.50	-	7.45
Capital growth	(0.32)	(13.22)	(12.53)
<b>DISTRIBUTION</b>			
Final dividend distribution	16.00	-	4.00
<b>AVERAGE RETURNS ( % )</b>			
Average annual return	19.17	(13.22)	(5.08)
Average return since inception	0.29	(9.15)	(5.08)

**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**

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### **HBL MULTI ASSET 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 Multi Asset Fund (the Fund), an open-end fund was established under a trust deed dated October 08, 2007, 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 year ended June 30, 2010 in accordance with the provisions of the following:

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

#### **Muhammad Hanif Jakhura**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, September 20, 2010

## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010.**

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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 Multi Asset 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 Multi Asset Fund is an open ended mutual fund and was listed on Lahore Stock Exchange on February 08, 2008. The units of the Fund have been offered for public subscription on a continuous basis from December 14, 2007.

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, 2010 the Board consists of six directors with five non-executive directors including two independent directors. The Management Company is not listed on any stock exchange and therefore does not have minority interest.
2. The directors have verbally confirmed that none of them is serving as a director in more than ten listed companies.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. No casual vacancies occurred in the Board during the year ended June 30, 2010.
5. The 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 certain new 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, 2010.
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, 2010 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 notes 18 to the financial statements "Transactions with Connected Persons".
14. The Company has complied with the corporate and financial reporting requirements of the Code.

## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010.**

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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.
18. 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.
19. 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: September 27, 2010

Place: Karachi

## **AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST 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) of **HBL Multi Asset Fund** (the Fund) to comply with the Listing Regulation No. 35 (Chapter XI) of The Lahore Stock Exchange 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 Management Company'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 Listing Regulation No. 35 notified by The Lahore Stock Exchange (Guarantee) Limited 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 above requirements 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 status of 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 year ended June 30, 2010.

**A. F. Ferguson & Co.**  
Chartered Accountants  
Karachi

Dated: October 6, 2010

## **INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS**

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We have audited the accompanying financial statements of **HBL Multi Asset Fund**, which comprise the statement of assets and liabilities as at June 30, 2010, and the related income statement, distribution statement, cash flow statement and statement of movement in unit holders' funds for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with the approved accounting standards as applicable in Pakistan. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

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

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

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2010 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**

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

### **A. F. Ferguson & Co.**

Chartered Accountants

Engagement Partner: Salman Hussain

Dated: September 27, 2010

Place: Karachi

**HBL - MULTI ASSET FUND**  
**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2010**

	Note	2010	2009
		------(Rupees in '000)-----	
<b>ASSETS</b>			
Bank balances	4	37,212	68,204
Investments	5	322,258	514,152
Dividend and profit receivable	6	4,672	14,235
Preliminary expenses and floatation costs	7	560	787
Advances, deposits, prepayments and other receivables	8	2,705	9,530
<b>Total assets</b>		<b>367,407</b>	<b>606,908</b>
<b>LIABILITIES</b>			
Payable to HBL Asset Management Limited - Management Company	9	4,419	4,799
Payable to Central Depository Company of Pakistan Limited - Trustee	10	122	95
Payable to Securities and Exchange Commission of Pakistan	11	393	539
Accrued expenses and other liabilities	12	1,564	22,651
<b>Total liabilities</b>		<b>6,498</b>	<b>28,084</b>
<b>NET ASSETS</b>		<b>360,909</b>	<b>578,824</b>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<b>360,909</b>	<b>578,824</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		<b>Number of units</b>	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>3,741,480</b>	<b>7,151,130</b>
		<b>Rupees</b>	
<b>NET ASSETS VALUE PER UNIT</b>	3.14	<b>96.46</b>	<b>80.94</b>

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

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

**Chief Executive**

**Director**

**HBL - MULTI ASSET FUND**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Note	For the year ended June 30, 2010	For the year ended June 30, 2009
------(Rupees in '000)-----			
<b>INCOME</b>			
Dividend income		16,299	17,188
Income from Continuous Funding System (CFS) transactions		-	617
Profit on bank deposits	14	2,683	14,649
Income from Term Finance Certificates	.	20,713	33,151
Income from Government Securities		4,984	642
Income from reverse repurchase and other money market transactions		-	39
Capital gain on sale of investments - net		67,513	43,276
Other income		-	493
		112,192	110,055
Unrealised appreciation in value of investments at fair value through profit or loss - net	5.6	917	988
Impairment loss on investments classified as 'available for sale'	5.8	(2,213)	(224,316)
Provision in respect of advance against subscription towards issue of Term Finance Certificates	8.1	(6,250)	(18,750)
<b>Total income</b>		104,646	(132,023)
<b>OPERATING EXPENSES</b>			
Remuneration of HBL Asset Management Limited - Management Company		9,256	11,776
Remuneration of Central Depository Company of Pakistan Limited - Trustee		926	1,177
Annual fee - Securities and Exchange Commission of Pakistan		393	539
Securities transaction cost		81	187
Auditors' remuneration	15	310	408
Settlement and bank charges		212	85
Amortisation of preliminary expenses and floatation costs		227	227
Provision for Workers' Welfare Fund	16	1,246	-
Legal and professional charges		96	-
Other expenses		140	30
<b>Total operating expenses</b>		12,887	14,429
<b>Net income / (loss) from operating activities</b>		91,759	(146,452)
Net element of accrued income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		(30,690)	3,503
<b>Net income / (loss) for the year before taxation</b>		61,069	(142,949)
Taxation	3.10	-	-
<b>Net income / (loss) for the year after taxation</b>		61,069	(142,949)
<b>OTHER COMPREHENSIVE INCOME</b>			
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed-amount representing (loss) / income that form part of unit holders' fund		66,418	3,495
Net unrealised appreciation during the year in market value of securities classified as available for sale	5.7	12,535	51,304
<b>Total comprehensive income / (loss) for the year - net</b>		140,022	(88,150)
<b>Earnings per unit</b>			

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

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

**Chief Executive**

**Director**



**HBL - MULTI ASSET FUND  
DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2010**

	For the year ended June 30, 2010	For the year ended June 30, 2009
	----- <b>(Rupees in '000)</b> -----	
Accumulated (loss) / undistributed income brought forward - realised	(139,298)	29,717
Net income / (loss) for the year	61,069	(142,949)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing (loss) / income that form part of the unit holders' fund	66,418	3,495
Final distribution for the year ended June 30, 2009: Nil [(2008:Rs. 4.00 per unit (Date of distribution: July 5, 2008))		
- Cash distribution	-	(3,800)
- Bonus units: Nil (2008: 276,203 bonus units)	-	(25,761)
	-	(29,561)
Net income / (loss) for the year less distribution	127,487	(169,015)
Accumulated loss carried forward - realised	(11,811)	(139,298)

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

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

**Chief Executive**

**Director**

**HBL - MULTI ASSET FUND**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Note	For the year ended June 30, 2010	For the year ended June 30, 2009
		------(Rupees in '000)-----	
Net assets at the beginning of the year		578,824	718,849
Issue of 3,133 units (2009: 59,970 units)		295	4,979
Redemption of 3,412,783 units (2009: 575,339 units)		(322,504) (322,209)	(46,056) (41,077)
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed			
- amount representing accrued (income) / losses and capital (gains) / losses - transferred to Comprehensive income statement		30,690	(3,503)
- amount representing (income) / losses that form part of the unit holders' fund - transferred to Distribution Statement		(66,418) (35,728)	(3,495) (6,998)
Net unrealised appreciation during the year in market value of securities classified as 'available for sale'- transferred from other comprehensive income	5.7	12,535	51,304
Capital gain / (loss) on sale of investments		67,513	43,276
Net unrealised appreciation / (diminution) in value of investments 'at fair value through profit or loss' - net		917	988
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing (loss) / income that form part of unitholders' fund		66,418	3,495
Net loss for the year less distribution		(7,361) 127,487	(191,013) (143,254)
Net assets as at the end of the year		360,909	578,824

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

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

**Chief Executive**

**Director**

**HBL - MULTI ASSET FUND**  
**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	For the year ended June 30, 2010	For the year ended June 30, 2009
	------(Rupees in '000)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the year	61,069	(142,949)
<b>Adjustments for non-cash items:</b>		
Unrealised (appreciation) in value of investments at fair value through profit or loss - net	(917)	(988)
Amortisation of preliminary expenses and floatation costs	227	227
Impairment loss on investments classified as 'available for sale'	2,213	224,316
Provision in respect of advance against subscription towards Term Finance Certificates	6,250	18,750
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	30,690	(3,503)
	<u>99,532</u>	<u>95,853</u>
<b>Increase / (decrease) in assets</b>		
Receivable against Continuous Funding System (CFS) transactions	-	26,122
Investments - net	203,133	(261,244)
Investment in money market placements	-	9,962
Dividend and profit receivable	9,563	(3,731)
Advances, deposits, prepayments and other receivables	575	72,426
	<u>213,271</u>	<u>(156,465)</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to HBL Asset Management Limited - Management Company	(380)	2,428
Payable to Central Depository Company of Pakistan Limited - Trustee	27	(23)
Payable to Securities and Exchange Commission of Pakistan	(146)	181
Accrued expenses and other liabilities	(21,087)	17,460
	<u>(21,586)</u>	<u>20,046</u>
<b>Net cash generated from / (used in) operating activities</b>	<u>291,217</u>	<u>(40,566)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net payments against redemption of units	(322,209)	(41,077)
Distributions paid	-	(3,800)
<b>Net cash outflow on financing activities</b>	<u>(322,209)</u>	<u>(44,877)</u>
<b>Net decrease in cash and cash equivalents during the year</b>	<u>(30,992)</u>	<u>(85,443)</u>
<b>Cash and cash equivalents at the beginning of the year</b>	68,204	153,647
<b>Cash and cash equivalents at the end of the year</b>	<u><u>37,212</u></u>	<u><u>68,204</u></u>

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

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

Chief Executive

Director

**HBL - MULTI ASSET FUND**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**1 LEGAL STATUS AND NATURE OF BUSINESS**

HBL - Multi Asset Fund (the Fund) was established under a Trust Deed, dated October 08, 2007, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan as a unit trust scheme on September 28, 2007.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 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 December 14, 2007 to December 17, 2007.

The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes, such as equity securities, government securities, fixed income securities, continuous funding system, derivatives, money market instruments and other asset classes / securities / instruments.

JCR-VIS Credit Rating Agency (JCR-VIS) has assigned management quality rating of "AM3+" to the Management Company and Fund Performance Ranking at MFR 4-Star and two year fund performance ranking at MFR 5-Star to the Fund.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

**2.2 Changes in accounting policies and disclosures arising from standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

IAS 1 (Revised), 'Presentation of financial statements' (effective from January 1, 2009), was issued in September 2007. The revised standard prohibits the presentation of items of income and expenses (i.e., 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated statement of financial position as at the beginning comparative period, in addition to the current requirement to present statements of financial position at the end of the current period and comparative period.

The Fund has adopted IAS 1 (Revised) and has elected to present one performance statement. As a result the non-owner changes in equity which were previously credited directly in the statement of changes in equity are now shown as other comprehensive income in the performance statement (referred to as income statement in these financial statements). The adoption of the above standard has not affected the values of the net assets of the Fund for either the current or any of the prior periods and restated statement of assets and liabilities has not been presented. The adoption of this standard has resulted in increase in certain disclosures.

IFRS 7 (amendment) 'Financial instruments: Disclosures' (effective from January 1, 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment has resulted in certain additional disclosures but does not have an impact on the Fund's financial position or performance.

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### 2.3 Other standards, interpretations and amendments to published approved accounting standards that are effective in the current year

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2009: IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation' (effective from January 1, 2009). The amended standards require entities to classify puttable financial instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions, including that all financial instruments in the class of instruments that is subordinate to all other instruments have identical features. Keeping in view the requirements set out in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the adoption of this amendment did not impact the classification of units in the financial statements of the Fund.

IAS 39 (amendment), 'Financial instruments: Recognition and measurement' (effective from January 1, 2009). The amendment was part of the IASB's annual improvements project published in May 2008. The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading was amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit taking is included in such a portfolio on initial recognition. The adoption of the amendment did not have a significant impact on the Fund's financial statements.

IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Fund's financial statements.

There are certain other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2009 but were 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.

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

The following standards, amendments and interpretations to existing standards have been published but are not yet effective:

- a) IAS 7 (Amendment), 'Statement of Cash Flows' (effective from January 1, 2010). Amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment is not expected to have any impact on the Fund's financial statements.
- b) IAS 24 'Related Party Disclosures' (revised) (effective from January 1, 2011). The revised standard simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party.

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

### 2.5 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 are as follows:

- i) Classification, valuation and impairment of investments (Note 3.3 and 5)
- ii) Amortisation of preliminary expenses and floatation costs (Note 3.8 and Note 7)
- iii) Provisions (Notes 3.9 and 8.1)

### 2.6 Accounting convention

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

### 2.7 Functional and Presentation Currency

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

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### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented except as explained in note 2.2 and 2.3 to these financial statements.

#### 3.1 Cash and cash equivalents

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

#### 3.2 Financial assets

##### 3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, available for sale investments and loans and receivables.

The management determines the appropriate classification of the investments made by the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase and re-evaluates this classification on a regular basis.

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

These are acquired principally for the purpose of generating a profit from short-term fluctuations in prices.

##### b) Available for sale

These are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in prices.

##### c) Loans and receivables

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

##### 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

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

These investments are initially recognised at fair value. Transaction costs are expensed in the Income Statement.

##### b) Available for sale investments and loans and receivables

These are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of such investments.

##### 3.2.4 Subsequent measurement

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

##### a) Basis of valuation of Debt Securities

The SECP vide its circular no. 1 of 2009 dated January 06, 2009 has specified the methodology for valuation of debt securities. Under the said circular, all open-end mutual funds are required to value debt securities at the rates notified by the Mutual Funds Association of Pakistan (MUFAP) based on the valuation methodology specified in such circular. The said circular alongwith the clarification subsequently issued on January 20, 2010 by the SECP also specifies the criteria for the provisioning of non-performing debt securities. Accordingly, investment in debt securities have been valued at the rates determined and announced by the MUFAP.

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**b) Basis of valuation of Government Securities**

The investment of the Fund in Government Securities is valued on the basis of interpolation of rates announced by the Financial Market Association.

**c) Basis of valuation of equity securities**

The investment of the Fund in equity securities is valued on the basis of quoted market prices available at the stock exchange.

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 in value determined in accordance with the above mentioned criteria and 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**

**a) Debt securities**

Provision in respect of non-performing debt securities is made on the basis of the time based criteria prescribed under circular No. 1 of 2009 issued by the Securities and Exchange Commission of Pakistan. The said circular was subsequently further clarified by the SECP on January 20, 2010 allowed the Asset Management Company to exercise discretion with respect to the timing for creating the requisite provision such as immediately on the day of classification as non-performing or spreading it over the number of days, as deemed appropriate in the best interest of unit holders.

The Board of Directors may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid directive, in accordance with the provisioning policy approved by the Board of Directors.

Provision / reversal is charged to Income Statement.

**b) Equity Securities**

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset classified as available for sale is impaired. If evidence of impairment exists, the cumulative loss recognised in other comprehensive income is removed and recognised in the Income Statement. Such impairment shall not be reversed through Income Statement.

**c) 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 amount of the provision is the difference between the asset's carrying value and present value of estimated future cash outflows, discounted at the original effective interest rate.

**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.

**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.

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### **3.4 Securities purchased under resale agreements – Continuous Funding System (CFS) transactions**

Securities purchased under an agreement to resell (reverse repo) are included as receivable against CFS transactions at the fair value of the consideration given. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the Income Statement and is recognised over the term of the respective transactions. Transaction costs are included in the initial measurement of all CFS transactions except for transaction costs that may be incurred on disposal.

### **3.5 Spread transactions (Ready-Future Transactions)**

The Fund enters into certain transactions involving purchase of a security in the ready market and simultaneous sale of the same security in the futures market. Securities purchased by the Fund in the ready market are carried on the Statement of Assets and Liabilities till their eventual disposal, and the forward sale of securities in the futures market is accounted for separately as a 'derivative' in accordance with the requirements of International Accounting Standard 39: "Financial Instruments: Recognition and Measurement".

### **3.6 Impairment**

The carrying value of the Fund's assets are reviewed at each balance sheet 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.

### **3.7 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 commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund.

### **3.8 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.

### **3.9 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 year as the management company has decided to distribute at least 90 percent of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

### **3.10 Accrued expenses**

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

### **3.11 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 during business hours on that date. 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. Transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors 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.



### 3.12 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.

During the year the Fund has revised the methodology for recognition of element of income and capital gains included in the prices of units issued less those in units redeemed in the financial statements. As per the revised methodology 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. Previously, the Fund also used to recognise element of income and capital gains represented by unrealised appreciation in the value of available for sale securities in the distribution statement. The revised methodology, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) and the net income of the Fund. The effect of the change on the distributable income has been incorporated in the current period. Had the methodology not been changed, the distributable income as at June 30, 2010 would have been lower by Rs. 81.967 million.

### 3.13 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.

### 3.14 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 earnings per unit is not practicable.

### 3.15 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 marking to market 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 on an accrual basis.
- Profit on investments is recognised on an accrual basis.

### 3.16 Proposed Distribution

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

	Note	2010	2009	
		(Rupees in '000)		
<b>4</b>	<b>BANK BALANCES</b>			
	Savings accounts	<u>37,212</u>	<u>68,204</u>	
<b>5</b>	<b>INVESTMENTS</b>			
	<b>At fair value through profit or loss</b>			
	Listed equity securities	5.1	3,855	10,234
	<b>Available for sale</b>			
	Listed equity securities	5.2	193,736	274,458
	Term Finance Certificates - Listed	5.3.1	54,508	109,237
	Term Finance Certificates - Unlisted	5.3.2	21,067	95,163
	Government Securities	5.4	<u>49,092</u>	<u>25,060</u>
			<u>322,258</u>	<u>514,152</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	Number of Shares					Market Value at June 30, 2010	Market Value as a percentage of total investment
	As at July 01, 2009	Purchases during the year	Bonus/ Rights issue during the year	Sales during the year	As at June 30, 2010		
(Rupees in '000)							
<b>Financial Services</b>							
Arif Habib Securities Limited	57,500	-	-	57,500	-	-	-
Jahangir Siddiqui & Company Limited	78,000	4,500	-	82,500	-	-	-
	<u>135,500</u>	<u>4,500</u>	<u>-</u>	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Banks</b>							
Askari Bank Limited	-	10,000	1,000	11,000	-	-	-
Bank Al-Falah Limited	12,656	70,000	-	82,656	-	-	-
MCB Bank Limited	-	8,000	-	8,000	-	-	-
National Bank of Pakistan	-	7,608	-	7,608	-	-	-
NIB Bank Limited	20,000	-	-	20,000	-	-	-
United Bank Limited	33,800	13,000	-	46,800	-	-	-
	<u>66,456</u>	<u>108,608</u>	<u>1,000</u>	<u>176,064</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Personal Goods</b>							
Azgard Nine Limited	-	25,000	-	25,000	-	-	-
Nishat Mills Limited	-	21,900	-	21,900	-	-	-
	<u>-</u>	<u>46,900</u>	<u>-</u>	<u>46,900</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Construction and Materials</b>							
Lucky Cement Limited	-	20,000	-	20,000	-	-	-
	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Oil and Gas</b>							
Mari Gas Company Limited	-	5,000	-	5,000	-	-	-
Pakistan Refinery Limited	10,200	-	-	10,200	-	-	-
Pakistan Petroleum Limited	-	15,000	-	5,000	10,000	1,841	0.57%
Pakistan State Oil Company Limited	9,500	21,000	-	23,500	7,000	1,822	0.57%
	<u>19,700</u>	<u>41,000</u>	<u>-</u>	<u>43,700</u>	<u>17,000</u>	<u>3,663</u>	<u>1.14%</u>
<b>Chemicals</b>							
Engro Corporation Limited	-	14,000	-	14,000	-	-	-
Engro Polymer & Chemical Limited	20,000	4,125	-	5,000	19,125	192	0.06%
Fauji Fertilizer Company Limited	14,750	17,000	-	31,750	-	-	-
ICI Pakistan Limited	5,000	4,000	-	9,000	-	-	-
	<u>39,750</u>	<u>39,125</u>	<u>-</u>	<u>59,750</u>	<u>19,125</u>	<u>192</u>	<u>0.06%</u>
<b>Total</b>	<b>261,406</b>	<b>260,133</b>	<b>1,000</b>	<b>486,414</b>	<b>36,125</b>	<b>3,855</b>	<b>1.20%</b>
Cost of investments as at June 30, 2010						<u>4,280</u>	

## 5.2 Listed equity securities - available for sale

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

Name of the investee company	Number of Shares					Market Value at June 30, 2010	Market Value as a percentage of total investment
	As at July 01, 2009	Purchases during the year	Bonus/ Rights issue during the year	Sales during the year	As at June 30, 2010		
(Rupees in '000)							
<b>Banks</b>							
Allied Bank Limited	15,780	2,000	978	6,000	12,758	727	0.23%
Bank Al-Falah Limited	71,062	30,000	-	101,062	-	-	-
Habib Bank Limited - related party	283,508	-	18,080	112,703	188,885	18,369	5.70%
MCB Bank Limited	15,750	45,500	1,500	12,750	50,000	9,709	3.01%
National Bank of Pakistan	182,616	183,472	22,522	366,088	22,522	1,444	0.45%
Habib Metropolitan Bank	8,600	49,284	1,696	13,000	46,580	1,113	0.35%
United Bank Limited	348,047	149,114	13,491	380,652	130,000	7,047	2.19%
	<u>925,363</u>	<u>459,370</u>	<u>58,267</u>	<u>992,255</u>	<u>450,745</u>	<u>38,409</u>	<u>11.92%</u>
<b>Personal Goods</b>							
Nishat Mills Limited	32,500	7,425	-	16,000	23,925	1,032	0.32%
	<u>32,500</u>	<u>7,425</u>	<u>-</u>	<u>16,000</u>	<u>23,925</u>	<u>1,032</u>	<u>0.32%</u>
<b>Life Insurance</b>							
New Jubilee Life Insurance Company Limited - related party	11,500	-	-	-	11,500	449	0.14%
	<u>11,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,500</u>	<u>449</u>	<u>0.14%</u>
<b>Construction and Materials</b>							
D. G. Khan Cement Company Limited	143,540	30,000	13,708	125,000	62,248	1,470	0.46%
Lucky Cement Limited	118,600	-	-	104,000	14,600	907	0.28%
	<u>262,140</u>	<u>30,000</u>	<u>13,708</u>	<u>229,000</u>	<u>76,848</u>	<u>2,377</u>	<u>0.74%</u>

Name of the investee company	Number of Shares					Market Value at June 30, 2010	Market Value as a percentage of total investment
	As at July 01, 2009	Purchases during the year	Bonus/ Rights issue during the year	Sales during the year	As at June 30, 2010		
(Rupees in '000)							
<b>Electricity</b>							
The Hub Power Company Limited	480,500	19,500	-	145,000	355,000	11,346	3.52%
Kot Addu Power Company Limited	84,100	49,865	-	43,965	90,000	3,757	1.17%
Nishat Chunian Power Limited	-	750,000	-	-	750,000	7,455	2.31%
	<u>564,600</u>	<u>819,365</u>	<u>-</u>	<u>188,965</u>	<u>1,195,000</u>	<u>22,558</u>	<u>7.00%</u>
<b>Oil and Gas</b>							
Attock Petroleum	-	25,000	-	-	25,000	7,244	2.25%
Mari Gas Company Limited	38,000	25,098	42,598	90,696	15,000	1,941	0.60%
Oil and Gas Development Company Limited	642,900	8,000	-	560,900	90,000	12,752	3.96%
Pakistan Oilfields Limited	155,360	55,341	-	105,701	105,000	22,669	7.03%
Pakistan Petroleum Limited	187,450	88,309	47,850	193,609	130,000	23,936	7.43%
Pakistan State Oil Company Limited	-	32,000	-	-	32,000	8,326	2.58%
National Refinery Limited	7,000	10,414	-	12,100	5,314	972	0.30%
	<u>1,030,710</u>	<u>244,162</u>	<u>90,448</u>	<u>963,006</u>	<u>402,314</u>	<u>77,840</u>	<u>24.15%</u>
<b>Industrial Metals and Mining</b>							
International Industries Limited - related party	27,940	-	-	27,940	-	-	-
	<u>27,940</u>	<u>-</u>	<u>-</u>	<u>27,940</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Automobile and Parts</b>							
Indus Motor Company Limited	8,556	-	-	8,556	-	-	-
Pak Suzuki Motor Company	23,600	4,000	-	22,600	5,000	396	0.12%
	<u>32,156</u>	<u>4,000</u>	<u>-</u>	<u>31,156</u>	<u>5,000</u>	<u>396</u>	<u>0.12%</u>
<b>Fixed Line Telecommunication</b>							
Pakistan Telecommunication Company Limited - A	140,300	175,000	-	235,300	80,000	1,424	0.44%
	<u>140,300</u>	<u>175,000</u>	<u>-</u>	<u>235,300</u>	<u>80,000</u>	<u>1,424</u>	<u>0.44%</u>
<b>Pharma and Bio Tech</b>							
Abbott Laboratories (Pakistan) Limited	31,700	-	-	8,619	23,081	2,138	0.66%
Glaxo Smithkline (Pakistan) Limited	36,700	-	-	16,470	20,230	1,641	0.51%
	<u>68,400</u>	<u>-</u>	<u>-</u>	<u>25,089</u>	<u>43,311</u>	<u>3,779</u>	<u>1.17%</u>
<b>Chemicals</b>							
BOC Pakistan Limited - related party	28,800	18,964	-	25,614	22,150	1,729	0.54%
Clariant Pakistan Limited	4,000	-	-	4,000	-	-	-
Lotte Pakistan PTA	47,000	-	-	47,000	-	-	-
ICI Pakistan Limited	-	4,000	-	-	-	-	-
<b>Engro Corporation Limited</b>	<b>180,586</b>	<b>25,000</b>	<b>8,613</b>	<b>139,452</b>	<b>74,747</b>	<b>12,975</b>	<b>4.03%</b>
Fauji Fertilizer Bin Qasim Limited	350,500	75,000	-	125,500	300,000	7,812	2.42%
Fauji Fertilizer Company Limited	315,700	1,000	-	119,270	197,430	20,349	6.31%
	<u>926,586</u>	<u>123,964</u>	<u>8,613</u>	<u>464,836</u>	<u>594,327</u>	<u>42,865</u>	<u>13.30%</u>
<b>General Industrials</b>							
Packages Limited - related party	7,845	17,655	-	3,500	22,000	2,607	0.81%
	<u>7,845</u>	<u>17,655</u>	<u>-</u>	<u>3,500</u>	<u>22,000</u>	<u>2,607</u>	<u>0.81%</u>
<b>Total</b>	<b>4,030,040</b>	<b>1,880,941</b>	<b>171,036</b>	<b>3,177,047</b>	<b>2,904,970</b>	<b>193,736</b>	<b>60.12%</b>
Cost of investments as at June 30, 2010						<u>199,598</u>	

### 5.3 Term Finance Certificates - Available for sale

#### 5.3.1 Term finance certificates- Listed

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

Name of the investee company	Number of certificates				Market Value at June 30, 2010	Market Value as a percentage of total investment
	As at July 01, 2009	Purchases during the year	Sales during the year	As at June 30, 2010		
(Rupees in '000)						
<b>Banks</b>						
NIB Bank Limited	5,000	3,000	5,000	3,000	14,390	4.47%
United Bank Limited	-	10,000	5,000	5,000	23,748	7.37%
	<u>5,000</u>	<u>13,000</u>	<u>10,000</u>	<u>8,000</u>	<u>38,138</u>	<u>11.83%</u>
<b>Chemicals</b>						
Engro Corporation Limited	3,281	-	3,281	-	-	-
	<u>3,281</u>	<u>-</u>	<u>3,281</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial Services</b>						
Saudi Pak Leasing Company Limited	6,000	-	-	6,000	16,370	5.08%
	<u>6,000</u>	<u>-</u>	<u>-</u>	<u>6,000</u>	<u>16,370</u>	<u>5.08%</u>
<b>Fixed Line Telecommunication</b>						
Pakistan Mobile Communication Limited	10,000	-	10,000	-	-	-
	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b>24,281</b>	<b>13,000</b>	<b>23,281</b>	<b>14,000</b>	<b>54,508</b>	<b>16.91%</b>
Cost of investments as at June 30, 2010						<u>57,868</u>

### 5.3.2 Term Finance Certificates - Unlisted

Name of the investee company	----- Number of certificates-----				Market Value at June 30, 2010	Market Value as a percentage of total investment
	As at July 01, 2009	Purchases during the year	Sales during the year	As at June 30, 2010		
(Rupees in '000)						
<b>Financial Services</b>						
Orix Leasing Pakistan Limited (Face value Rs. 100,000 each)	500	-	280	220	21,067	6.54%
	500	-	280	220	21,067	6.54%
<b>Chemicals</b>						
Engro Corporation-Perpetual I	5,000	-	5,000	-	-	-
	5,000	-	5,000	-	-	-
<b>Gas Water and Multiutilities</b>						
Sui Southern Gas Company Limited - Sukuk	5,000	-	5,000	-	-	-
	5,000	-	5,000	-	-	-
<b>Total</b>	<b>10,500</b>	<b>-</b>	<b>10,280</b>	<b>220</b>	<b>21,067</b>	<b>6.54%</b>
<b>Cost of investments as at June 30, 2010</b>					<b>22,000</b>	

### 5.3.3 Significant terms and conditions of Term Finance Certificates outstanding as at June 30, 2010 are as follows.

Name of security	Remaining principal (per TFC)	Mark-up rate (per annum)	Issue date	Maturity date
United Bank Limited	4,996	0.85%+6 Month KIBOR	14-Feb-08	14-Feb-18
NIB Bank Limited	4,996	1.15%+6 Month KIBOR	5-Mar-08	5-Mar-16
Saudi Pak Leasing Company Limited	3,749	1.50%+6 Month KIBOR	13-Mar-08	13-Mar-13
Orix Leasing Ltd -Privately Placed	100,000	1.20%+6 Month KIBOR	15-Jan-08	15-Jul-13

### 5.4 Investment in Government Securities - Available for sale

Issue Date	Tenor	----- Face Value-----				Market Value at June 30, 2010	Market Value as percentage of	
		As at July 01, 2009	Purchases during the year	Sales during the year	As at June 30, 2010		total investment	net assets
----- (Rupees in '000)-----								
<b>Pakistan Investment Bonds</b>								
August 30, 2008	10 Year	25,000	-	25,000	-	-	-	-
<b>Treasury Bill</b>								
April 9, 2009	6 Months	-	34,000	34,000	-	-	-	-
June 04, 2009	6 Months	-	40,000	40,000	-	-	-	-
February 26, 2009	6 Months	-	35,000	35,000	-	-	-	-
September 27, 2009	3 Months	-	34,000	34,000	-	-	-	-
June 04, 2009	1 year	-	50,000	50,000	-	-	-	-
October 8, 2009	3 Months	-	50,000	-	50,000	49,092	15.23%	13.60%
		<b>25,000</b>	<b>243,000</b>	<b>218,000</b>	<b>50,000</b>	<b>49,092</b>	<b>15.23%</b>	<b>13.60%</b>
<b>Cost of investments as at June 30, 2010</b>						<b>49,102</b>		

5.5 Investments include shares and Term Finance Certificates having market value aggregating to Rs. 26.004 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the SECP.

	Note	June 30, 2010	June 30, 2009
(Rupees in '000)			
<b>5.6 Net unrealised appreciation in value of investments at fair value through profit or loss'</b>			
Market value of investments	5.1	3,855	10,234
Less: Cost of investments	5.1	(4,280)	(11,576)
		(425)	(1,342)
Less: Net unrealised diminution in the value of investments at fair value through profit or loss at the beginning of the year		(1,342)	(2,330)
		<u>917</u>	<u>988</u>

	Note	2010	2009
		(Rupees in '000)	
<b>5.7 Net unrealised appreciation in fair value of investments classified as 'available for sale'</b>			
Market value of investments		318,403	503,918
Less: Cost of investments		328,568	599,562
Less: Impairment	5.8	(24,100)	(97,044)
		<u>304,468</u>	<u>502,518</u>
		13,935	1,400
Net unrealised (appreciation) / diminution in fair value of investments classified as 'available for sale' at the beginning of year		(1,400)	49,904
		<u>12,535</u>	<u>51,304</u>
<b>5.8</b>	As at June 30, 2009, an impairment loss of Rs 97.044 million was held in respect of equity securities classified as available for sale. During the year, impairment loss amounting to Rs 75.157 million has been reversed due to sale of related shares. During the year the management carried out a scrip wise analysis and has recognised additional impairment loss amounting to Rs. 2.213 million.		
	Note	2010	2009
		(Rupees in '000)	
<b>6 DIVIDEND AND PROFIT RECEIVABLE</b>			
Profit receivable on bank deposits		112	1,084
Dividend receivable		364	2,581
Income accrued on Term Finance Certificates		4,196	9,567
Income accrued on Government Securities		-	1,003
		<u>4,672</u>	<u>14,235</u>
<b>7 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Preliminary expenses and floatation costs incurred		1,135	1,135
Less: Amortisation accumulated	7.1	(575)	(348)
		<u>560</u>	<u>787</u>
<b>7.1</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	2010	2009
		(Rupees in '000)	
<b>8 ADVANCES, DEPOSITS , PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advance against subscription of Term Finance Certificates		25,000	25,000
Security deposits with National Clearing Company of Pakistan Limited		2,500	2,500
Security deposits with Central Depository Company of Pakistan Limited		100	100
Prepaid annual rating fee		105	-
Other receivables		-	680
		<u>27,705</u>	<u>28,280</u>
Less: Provision in respect of advance against subscription of Term Finance Certificates	8.1	(25,000)	(18,750)
		<u>2,705</u>	<u>9,530</u>
<b>8.1</b>	The Fund had subscribed towards the Term Finance Certificates of an issuer as Pre-IPO on January 9, 2008. Under the agreement, the issuer was required to complete the public offering by October 9, 2008. However, no public offering has been carried out by the issuer as at June 30, 2010. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As at June 30, 2010, the advance against subscription has been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the management company.		

	Note	June 30, 2010	June 30, 2009
(Rupees in '000)			
<b>9 PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
Management fee	9.1	1,221	945
Preliminary expenses and floatation costs incurred on behalf of the Fund		598	1,135
Annual listing fee paid by the management company on behalf of the Fund		-	30
Security deposits with National Clearing Company of Pakistan Limited paid by the management company on behalf of the Fund		2,500	2,500
Security deposits with Central Depository Company of Pakistan Limited paid by the management company on behalf of the Fund		100	100
Sales load payable		-	89
		4,419	4,799

**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.

	Note	2010	2009
(Rupees in '000)			
<b>10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee	10.1	122	95

**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 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, 2010 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	2010	2009
(Rupees in '000)			
<b>11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	11.1	393	539

**11.1** Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as balanced scheme is required to pay as annual fee to the SECP, an amount equal to 0.085% of the average annual net assets of the scheme. HBL Multi Asset Fund has been categorised as a balanced scheme by the management company.

	Note	2010	2009
(Rupees '000)			
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		260	269
Payable to brokers		41	22,380
Provision for Workers Welfare Fund	16	1,246	-
Other payable		17	2
		<u>1,564</u>	<u>22,651</u>

**13 CONTINGENCIES AND COMMITMENTS**

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

	For the year ended June 30, 2010	For the year ended June 30, 2009
(Rupees in '000)		
<b>14 PROFIT ON BANK DEPOSITS</b>		
Income on savings deposits	2,683	11,954
Income on term deposit receipts	-	2,695
	<u>2,683</u>	<u>14,649</u>

**15 AUDITORS' REMUNERATION**

Statutory audit fee	200	200
Half yearly review fee	75	75
Reporting on compliance with the Code of Corporate Governance	25	25
Out of pocket expenses	10	108
	<u>310</u>	<u>408</u>

**16 PROVISION FOR WORKERS' WELFARE FUND**

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein, any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 applies. Management Company of the Fund, based on a legal advice obtained through Mutual Funds Association of Pakistan (MUFAP) was of a firm view that Collective Investment Scheme (CIS) were not establishments and therefore, the WWF Ordinance should not be applicable to such schemes. The MUFAP had also filed a constitutional petition in the High Court of Sindh (the Court) on behalf of the members, challenging the applicability of WWF to the CIS. The said petition was dismissed by the Court vide its order dated May 25, 2010 on the main ground that the MUFAP (Petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party, and the main ground could be examined when the aggrieved parties directly approached the Court for redressal.

Consequently, on June 30, 2010, a constitutional petition was filed in the High Court of Sindh by certain representative CIS and approved pension funds under the Voluntary Pension System Rules, 2005, through their trustees, M/S Central Depository Company of Pakistan Limited, and with the management companies, which is pending adjudication.

In the meantime, clarification has been obtained by the MUFAP from the Ministry of Labour & Manpower, Workers' Welfare Fund, Government of Pakistan, which, through their letter No.s WWF (A-II)11.(5)/2010 dated July 8, 2010 and July 15, 2010, has clarified that the WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose income are exempt from income tax under any provisions of any law, and that mutual funds are a product being managed / sold by asset management companies which are liable to contribute towards the said WWF levy. Varying treatments have been followed in the industry with regard to recognition of provision for WWF as some funds have recognised provision for WWF while others have not. The various clarifications and legal advises obtained by the MUFAP are presently under consideration of the management. In the meantime, as a matter of prudence and abundant caution, the management company of the Fund has decided to recognise a provision for WWF in these financial statements.

17 FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2010-----				
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----				
<b>Financial assets</b>				
Bank balances	37,212	-	-	37,212
Investments	-	3,855	318,403	322,258
Dividend and profit receivable	4,672	-	-	4,672
Advances, deposits and other receivables	2,600	-	-	2,600
	<u>44,484</u>	<u>3,855</u>	<u>318,403</u>	<u>366,742</u>

-----As at June 30, 2010-----			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
<b>Financial liabilities</b>			
Payable to HBL Asset Management Limited - Management Company	-	4,419	4,419
Payable to Central Depository Company of Pakistan Limited - Trustee	-	122	122
Accrued expenses and other liabilities	-	1,564	1,564
	<u>-</u>	<u>6,105</u>	<u>6,105</u>

-----As at June 30, 2009-----				
	Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
-----Rupees in '000-----				
<b>Financial assets</b>				
Bank balances	68,204	-	-	68,204
Investments	-	10,234	503,918	514,152
Dividend and profit receivable	14,235	-	-	14,235
Advances, deposits and other receivables	9,530	-	-	9,530
	<u>91,969</u>	<u>10,234</u>	<u>503,918</u>	<u>606,121</u>

-----As at June 30, 2009-----			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
-----Rupees in '000-----			
<b>Financial liabilities</b>			
Payable to HBL Asset Management Limited - Management Company	-	4,799	4,799
Payable to Central Depository Company of Pakistan Limited - Trustee	-	95	95
Accrued expenses and other liabilities	-	22,651	22,651
	<u>-</u>	<u>27,545</u>	<u>27,545</u>



## 18 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

Details of 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, 2010	For the year ended June 30, 2009
<b>18.1 Details of the transactions with connected persons are as follows:</b>		
	(Rupees in '000)	
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	9,256	11,776
<b>Habib Bank Limited - Sponsor</b>		
Bonus units: Nil (2009: 107,216 units)	-	10,000
Bank charges paid during the year	37	2
Profit on bank deposits including TDRs earned during the year	1,260	2,801
Profit on bank deposits including TDRs received during the year	1,220	2,710
Purchase of shares: Nil (2009: 106,000 ordinary shares)	-	19,532
Sale of shares: 112,703 ordinary shares (2009: 10,400 ordinary shares)	13,555	1,671
Loss on sale of shares	(4,409)	(755)
Bonus shares received: 18,080 ordinary shares (2009: 43,668 ordinary shares)		
<b>Directors and Executives of the Management Company and their relatives</b>		
Bonus units issued: Nil (2009: 2,444 units)	-	228
Redemption of units Nil (2009: 2,086 units)	-	176
<b>HBL Income Fund</b>		
Purchase of Term Finance Certificates: Nil (2009: Having cost of Rs 59.998 million)	-	59,135
<b>OTHER ASSOCIATES</b>		
<b>New Jubilee Life Insurance Company Limited</b>		
Purchase of shares: Nil (2009: 11,500 ordinary shares)	-	268
<b>BOC Pakistan Limited</b>		
Purchase of shares: 18,964 ordinary shares (2009: Nil)	2,067	-
Sale of shares: 25,614 ordinary shares (2009: 1,700 ordinary shares)	2,936	199
Loss on sale of shares	(3,141)	225
<b>International Industries Limited</b>		
Purchase of shares: Nil (2009: 7,000 ordinary shares)	-	587
Sale of shares: 27,940 ordinary shares (2009: Nil)	1,723	
Loss on sale of shares	(1,058)	
<b>Packages Limited</b>		
Purchase of shares: 17,655 ordinary shares (2009: 13,200 ordinary shares)	2,361	2,451
Sale of shares: 3,500 ordinary shares (2009: 32,000 ordinary shares)	521	9,532
Bonus shares received: 1,845 ordinary shares	-	-
<b>Central Depository Company of Pakistan Ltd. - Trustee</b>		
Trustee remuneration	926	1,177
Central Depository Service charges	17	30

18.2 Balances outstanding as at year end	June 30, 2010	June 30, 2009
	(Rupees in '000)	
<b>HBL Asset Management Limited - Management Company</b>		
Management fee payable	1,221	945
Sales load payable	-	89
Preliminary expenses and floatation costs payable	598	1,135
Security deposit paid by Management Company on behalf of the Fund to National Clearing Company of Pakistan Limited - payable	2,500	2,500
Security deposit paid by Management Company on behalf of the Fund to Central Depository Company Limited - payable	100	100
Annual listing fee paid by Management Company on behalf of the Fund - payable	-	30
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 2,607,216 units (2009: 2,607,216 units)	251,492	211,028
Bank balances	12,024	311
Profit receivable on bank deposits	48	8
Ordinary shares held: 188,885 ordinary shares (2009: 283,508 ordinary shares)	18,369	24,399
<b>Directors and Executives of the Management Company and their relatives</b>		
Investment held in the Fund: 57,358 units (2009: 57,358 units)	5,533	4,643
<b>HBL Income Fund</b>		
Payable against purchase of Term Finance Certificates	-	22,281
<b>Associated Companies</b>		
<b>New Jubilee Life Insurance Company Limited</b>		
Ordinary shares held: 11,500 ordinary shares (2009: 11,500 ordinary shares)	449	437
<b>BOC Pakistan Limited</b>		
Ordinary shares held: 22,150 ordinary shares (2009: 28,800 ordinary shares)	1,729	3,312
<b>International Industries Limited</b>		
Ordinary shares held: Nil (2009: 27,940 ordinary shares)	-	1,260
<b>Packages Limited</b>		
Ordinary shares held: 22,000 ordinary shares (2009: 7,845 ordinary shares)	2,607	1,232
<b>Central Depository Company of Pakistan Ltd. - Trustee</b>		
Remuneration payable	122	95

## 19 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

2010				
	Designation	Qualification	Experience in years	
1	Shahid Ghaffar	Chief Executive Officer	MBA	33
2	Rehan N Shaikh	Chief Operating Officer	M.Com	15
3	Amir Khan	Fund Manger	MBA	17
4	Umar Farooq	Manager Research	MBA	10
5	Noman Qurban	Manager Compliance	ACA	2
6	Uzma Khan	Fund Manger	CFA	7

**19.1** 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.

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**20 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID****Top ten brokers during the year ended June 30, 2010**

- 1 Al-Habib Capital Markets (Pvt.) Limited
- 2 Arif Habib Limited
- 3 BMA Capital Management Limited
- 4 Elixir Securities Pakistan (Pvt) Limited
- 5 Global Securities Pakistan Limited
- 6 IGI Finex Securities Limited
- 7 Invisor Securities (Pvt.) Limited
- 8 JS Global Capital Limited
- 9 KASB Securities Limited
- 10 Pearl Securities (Pvt.) Limited

**Top ten brokers during the year ended June 30, 2009**

- 1 Al-Falah Securities (Pvt.) Limited
- 2 Al-Habib Capital Markets (Pvt.) Limited
- 3 BMA Capital Management Limited
- 4 Foundation Securities (Pvt.) Limited
- 5 IGI Finex Securities Limited
- 6 Invest Capital & Securities (Pvt.) Limited
- 7 Invisor Securities (Pvt.) Limited
- 8 Jan Muhammad Latif Nini & Sons (Pvt.) Limited
- 9 KASB Securities Limited
- 10 Pearl Securities (Pvt.) Limited

**21 PATTERN OF UNIT HOLDING**

----- As at June 30, 2010 -----

	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	80	17,377	4.8%
Associated companies	1	251,492	69.7%
Directors	2	5,533	1.5%
Bank / DFIs	1	10,060	2.8%
Retirement funds	2	604	0.2%
Others	3	75,843	21.0%
	<u>89</u>	<u>360,909</u>	<u>100.0%</u>

----- As at June 30, 2009 -----

	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	103	19,046	3.29%
Associated companies	1	211,028	36.46%
Directors	2	4,643	0.80%
Bank / DFIs	2	29,545	5.10%
Retirement funds	7	244,889	42.31%
Public Limited companies	2	3,021	0.52%
Others	3	66,652	11.52%
	<u>120</u>	<u>578,824</u>	<u>100%</u>

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## 22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 17th, 18th, 19th, 20th, 21st and 22nd board meetings were held on July 7, 2009, October 13, 2009, October 30, 2009, February 24, 2010, March 26, 2010 and April 16, 2010 respectively. Information in respect of attendance by Directors in the meetings

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. R. Zakir Mahmood	6	5	1	21st meeting
2 Mr. Shahid Ghaffar	6	6	-	-
3 Mr. Sohail Malik	6	6	-	-
4 Mr. Abid Sattar	6	6	-	-
5 Mr. Towfiq H. Chinoy	6	3	3	17th, 18th and 20th meeting
6 Ms. Sadia Khan	6	5	1	17th meeting

## 23 FINANCIAL RISK MANAGEMENT

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

### 23.1 Market risk

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.

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

Presently, the Fund holds KIBOR based interest bearing Term Finance Certificates that expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2010, with all other variables held constant, the net assets and net income of the Fund would have been higher/ lower by Rs. 303,874.

Investments in Treasury bills are not subject to cash flow interest rate risk.

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

As at June 30, 2010, the Fund holds Treasury Bills (2009: Pakistan Investment Bonds) 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, 2010, with all other variables held constant, the net assets would have been lower by Rs. 76,245 (2009: 1,428,218). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2010, with all other variables held constant, the net assets would have been higher by Rs. 71,642 (2009: 1,322,118).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2010 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, 2010 -----					
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>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	5% - 8.50%	37,212	37,212	-	-
Investments	13.14% - 13.93%	322,258	124,667	-	197,591
Dividend and profit receivable		4,672	4,308	-	364
Advances, deposits and other receivables		2,600	-	-	2,600
		366,742	166,187	-	200,555
<b>Financial liabilities</b>					
Payable to HBL Asset Management Limited - Management Company		4,419	-	-	4,419
Payable to Central Depository Company of Pakistan Limited -Trustee		122	-	-	122
Accrued expenses and other liabilities		1,564	-	-	1,564
		6,105	-	-	6,105
<b>On-balance sheet gap 2010</b>		<b>360,637</b>	<b>166,187</b>	<b>-</b>	<b>194,450</b>
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap 2010</b>		-	-	-	-

----- As at June 30, 2009 -----					
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>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	5% - 17.5%	68,204	68,204	-	-
Investments	12% - 16.77%	514,152	140,455	63,945	284,692
Dividend and profit receivable		14,235	-	-	14,234
Advances, deposits and other receivables		9,530	-	-	9,530
		606,121	208,659	63,945	308,456
<b>Financial liabilities</b>					
Payable to HBL Asset Management Limited - Management Company		4,799	-	-	4,799
Payable to Central Depository Company of Pakistan Limited -Trustee		95	-	-	95
Accrued expenses and other liabilities		22,651	-	-	22,651
		27,545	-	-	27,545
<b>On-balance sheet gap 2009</b>		<b>578,576</b>	<b>208,659</b>	<b>63,945</b>	<b>280,911</b>
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap 2009</b>		-	-	-	-

### 23.1.3 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 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 weighting to that of the KSE 100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believes 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.

Sectorwise Portfolio	As at June 30, 2010	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Oil and Gas	41.2%	38.6%
Chemicals	21.8%	8.8%
Banks	19.4%	24.4%
Electricity	11.4%	3.4%
Fixed Line Telecommunication	0.7%	2.8%
Pharma and Bio Tech	1.9%	0.9%
Automobile and Parts	0.2%	1.4%
General Industries	1.3%	0.7%
Personal Goods	0.5%	2.3%
Construction and Materials	1.2%	2.1%
Life Insurance	0.2%	0.3%
Other Equity	-	14.5%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Sectorwise Portfolio	As at June 30, 2009	
	Fund's equity portfolio (%)	KSE-100 benchmark portfolio (%)
Oil and Gas Production and Exploration	40.2%	29.9%
Chemicals	1.7%	2.6%
Fertilizers	20.4%	6.0%
Paper & Board	0.4%	0.8%
Power Generation	5.8%	3.9%
Pharmaceuticals	2.4%	1.7%
Commercial Banks	19.5%	24.3%
Cement	3.9%	3.3%
Other Equity	5.5%	27.4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

In case of 5% increase / decrease in KSE 100 index on June 30, 2010, with all other variables held constant, net loss of the Fund for the year would decrease / increase by Rs. 0.910 million (2009: Rs 0.565 million) whereas the net assets would increase / decrease by same amount, as a result of gains / losses on equity securities at fair value through profit or loss. Other components of equity and net assets of the Fund would increase / decrease by Rs. 8.914 million (2009: Rs 14.831 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, 2010 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

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### 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 fulfil their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc.

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

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through the assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company.

The analysis below summarises the credit quality of the Fund's investment in debt securities (i.e. Term Finance Certificates as at June 30:

<b>Debt securities by rating category</b>	<b>2010</b>	<b>2009</b>
AA	40.11%	54.35%
AA-	-	23.49%
A+	24.31%	11.30%
A	35.58%	-
BBB	-	10.86%
	<u>100%</u>	<u>100%</u>

Out of the total bank balances of Rs 37,212,213 maintained in savings accounts and short-term placements, amounts aggregating Rs 37,212,082 have been placed with banks having short-term credit rating of A1+, whereas remaining amounts 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.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2010 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

#### **Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

### 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.

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

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

-----As at June 30, 2010 -----				
Total	Upto three months	More than		More than one year
		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	4,419	4,419	-	-
Payable to Central Depository Company of Pakistan Limited – Trustee	122	122	-	-
Accrued expenses and other liabilities	1,564	1,564	-	-
	-	-	-	-
	-	-	-	-
	-	-	-	-

-----As at June 30, 2009 -----				
Total	Upto three months	More than		More than one year
		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	4,799	4,799	-	-
Payable to Central Depository Company of Pakistan Limited – Trustee	95	95	-	-
Accrued expenses and other liabilities	22,651	22,651	-	-
	27,545	27,545	-	-
	27,545	27,545	-	-
	27,545	27,545	-	-

## 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' funds.

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 24, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings 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 (e.g. listed shares, treasury bills etc) are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Fund is current bid price.

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

The fair value of financial assets (e.g Terms Finance Certificates and Sukuks) that are not traded in an active market is determined with reference to the values quoted by MUFAP. The fair value quoted by MUFAP is calculated in accordance with valuation methodology prescribed by Circular 1 of 2009 dated January 6, 2009 issued by the Securities and Exchange Commission of Paksitan (SECP).

If a security is not quoted by MUFAP due to it being 'non-performing status', its values is determined by applying discount in accordance with Circular No. 1 of 2009 issued by the SECP.

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.

The Fund adopted the amendment to IFRS 7, effective 1 January 2009. This 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).

<b>Assets</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets designated at fair value through profit or loss at intial				
- Equity securities	3,855	-	-	3,855
Financial assets available for sale				
- Equity securities	193,736	-	-	193,736
- Term Finance Certificates and Sukuks	-	75,575	-	75,575
- Government treasury bills	49,092	-	-	49,092

## 26 DISCLOSURE UNDER CIRCULAR NO. 16 OF 2010 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - CATEGORIZATION OF OPEN END SCHEME

The Securities and Exchange Commission of Pakistan vide Circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the said circular. The HBL Asset Management Limited (Management Company) classified HBL Multi Asset Fund (the Fund) as 'Balanced Scheme' in accordance with the said circular. As at June 30, 2010, the Fund is compliant with all the requirements of the said circular except for clause 2(iv) which requires that the rating of any debt security in the portfolio shall not be lower than A- (A Minus).

<b>Name of Non-Complaint Investment</b>	<b>Type of Investment</b>	<b>Value of Investment before Provision</b>	<b>Provision held (if any)</b>	<b>Value of Investment after Provision</b>	<b>% of Net Assets</b>	<b>% of Gross Assets</b>
Saudi Pak Leasing Company Limited	TFC	20,964	4,594	16,370	4.54%	4.46%

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**27 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE**

The Board of Directors of the Management Company in their meeting held on July 07, 2010 has declared final dividend at Rs. 16 per unit in the form of bonus units for Class 'A' and Class 'B' units and cash dividend of Rs. 16 per unit for Class 'C' unit for the year ended June 30, 2010. The financial statements of the Fund for the year ended June 30, 2010 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, 2011.

**28 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant reclassifications were made.

**29 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on September 16, 2010.

**30 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

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

**Chief Executive**

**Director**

## DISTRIBUTION NETWORK

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### 1. Branches of Habib Bank Limited

#### **Sindh** Karachi

##### **Habib bank Limited**

Bahadurabad Branch,  
Mariam Complex, Bahadurabad, Karachi.  
Phone: 021-34940585-6  
Fax: 021-34940584

##### **Habib bank Limited**

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

##### **Habib bank Limited**

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

##### **Habib bank Limited**

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

##### **Habib bank Limited**

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

##### **Habib bank Limited**

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

##### **Habib bank Limited**

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

##### **Habib bank Limited**

Clifton Broadway Branch,  
Broadway House, Karachi.  
Phone: 021-35301074-76  
Fax: 021-35873310

##### **Habib bank Limited**

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

##### **Habib bank Limited**

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

##### **Habib bank Limited**

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

#### **Jacobabad**

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

#### **Punjab Lahore**

##### **Habib bank Limited**

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

##### **Habib Bank Limited**

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

##### **Habib Bank Limited**

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

##### **Habib Bank Limited**

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

##### **Habib Bank Limited**

Gulberg Main Market Branch,  
Lahore.  
Phone: 042-35757575, 042-35755602,  
Fax: 042-35760636

##### **Habib Bank Limited**

Lahore Development Authority Branch  
7-Egertan Road, Data Gunj Bukhsh Town, Lahore.  
Phone: 042-36375299/36375974-76-78  
Fax: 042-36302032

## **DISTRIBUTION NETWORK**

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### **Habib Bank Limited**

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

### **Habib Bank Limited**

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

### **Gujranwala**

#### **Habib Bank Limited**

Satellite Town Branch  
Main Market, Satellite Town, Gujranwala.  
Phone: 055-9200590-1  
Fax: 055-9200590

### **Faisalabad**

#### **Habib Bank Limited**

Madina Town Branch  
Madina Town, Faisalabad.  
Phone: 041-9220122, 041-9220124  
Fax: 041-9220123

#### **Habib Bank Limited**

West Canal Road, Faisalabad.  
Phone: 041-8532077  
Fax: 041-8531985

#### **Habib Bank Limited**

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

### **Rawalpindi**

#### **Habib Bank Limited**

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

### **Islamabad**

#### **Habib Bank Limited**

Jinnah Avenue Branch, Islamabad  
Phone: 051-2201761, 051-2201228  
Fax: 051-2822290

#### **Habib Bank Limited**

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

### **NWFP**

#### **Peshawar**

#### **Habib Bank Limited**

Arbab Road Branch  
Peshawar Cantt. Peshawar.  
Phone: 091-5272167, 091-9211161  
Fax: 091-5278869

### **Balochistan**

#### **Quetta**

Habib Bank Limited  
Complex Branch  
Shahrah-e-Gulistan, Quetta.  
Phone: 081-22836575, 081-2829379  
Fax: 081-2825791  
Alfalah Securities (Pvt.) Limited

## **2. OTHER DISTRIBUTORS**

12<sup>th</sup> Floor, Saima Trade Tower,  
I.I Chundrigar Road, Karachi.  
Phone: 021-39217810-19  
Fax: 021-39217827

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

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

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